Affluent Foundation Holdings Limited
俊裕地基集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1757

ANNUAL REPORT

2021/22

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Chan Siu Cheong *(Chairman and Chief Executive Officer)*
Mr. Sin Ka Pong

Independent Non-executive Directors
Mr. Ho Chi Wai
Mr. Cheung Kwok Yan Wilfred
Mr. Lau Leong Ho

AUDIT COMMITTEE

Mr. Ho Chi Wai *(Chairman)*
Mr. Lau Leong Ho
Mr. Cheung Kwok Yan Wilfred

NOMINATION COMMITTEE

Mr. Chan Siu Cheong *(Chairman)*
Mr. Lau Leong Ho
Mr. Ho Chi Wai

REMUNERATION COMMITTEE

Mr. Cheung Kwok Yan Wilfred *(Chairman)*
Mr. Sin Ka Pong
Mr. Lau Leong Ho

COMPANY SECRETARY

Mr. Woo Yuen Ping

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 903–905, 9/F
The Octagon
No. 6 Sha Tsui Road, Tsuen Wan
New Territories, Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. 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

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
11/F, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Guantao & Chow Solicitors and Notaries
Suites 1801–3, 18/F
One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

WEBSITE

www.hcho.com.hk

STOCK CODE

1757

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Affluent Foundation Holdings Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2022 (the "Relevant Period").

During the Relevant Period, the Group reported net profit of approximately HK$3.0 million, representing an increase of 353.4% compared to approximately HK$652,000 for the year ended 31 March 2021. The improvement of the result was mainly due to better gross profit margin from those large-scale projects performed during the Relevant Period. Although the society is suffered from the prolonged COVID-19, the Group adopted effective measures to ensure the timeliness in completion of our construction projects. Our revenue increased by 14.5% to approximately HK$511.6 million comparing to corresponding period of last year.

As at 31 March 2022, the Group has unrecognised contract sum of more than HK$414.2 million on hand. With the sufficient backlog contract sum, the Group is confident our financial result in coming year could be maintained. We will create more value to shareholders and stakeholders by contributing our expertise in the construction industry.

Development of residential area is the main objective of the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") and Northern Metropolis Development Strategy has been announced in the 2021 policy address of Hong Kong. We are cautiously optimistic with the prospect of our business to be brilliant and we expect to grasp the golden timing to expand our business using our strengths including our talent, experience, network and machineries.

On behalf of the Board, I would like to take this opportunity to express my deep gratitude to our committed staff and Directors for their dedications and contributions, and to sincerely thank our customers, business partners and investors for their continuous support and trust. I wish all our stakeholders could keep healthy and safety during the pandemic.

Chan Siu Cheong
Chairman and Chief Executive Officer

Hong Kong, 17 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a subcontractor engaged in the provision of services related to foundation works in Hong Kong including excavation and lateral support works, pile caps construction, and other services, such as demolition works, underground drainage works, earthworks and structural steelworks. To a lesser extent, the Group is also engaged in leasing of machineries to other construction companies.

The Group reported net profit of approximately HK$3.0 million during the Relevant Period, representing increase of approximately HK$2.3 million for the corresponding period was mainly attributable to:

1. increase of gross profit of approximately HK$10.0 million due to more efficient in using resources as we focusing in some large scale projects.

2. decrease of finance cost of approximately HK$1.4 million as the interest-bearing bank borrowings were repaid during the Relevant Period.

The Group has unrecognised contract sum of more than HK$414.2 million on hand as at 31 March 2022. The Board is cautiously optimistic and believes the Group's financial performance could keep stable and even make a greater profit in future years.

FINANCIAL REVIEW

During the Relevant Period, the Group had been awarded 5 new contracts, with an aggregate original contract sum of approximately HK$296.0 million and had completed 3 projects with an aggregate original contract sum of approximately HK$27.0 million.

As at 31 March 2022, the Group had 19 projects on hand (including projects in progress) with a total original contract sum of approximately HK$1.6 billion.

Revenue

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK$511.6 million, representing an increase of approximately HK$64.7 million or 14.5% as compared to approximately HK$446.8 million for the year ended 31 March 2021. The increase was primarily because certain sizable projects located in Kai Tak and Anderson Road were in full swing during the Relevant Period.

Gross profit and gross profit margin

The gross profit of the Group for the Relevant Period amounted to approximately HK$18.9 million, representing an increase of approximately HK$10.0 million or 113.1%, compared to approximately HK$8.9 million for the year ended 31 March 2021. The increase in gross profit was primarily due to the following reasons:

(a) more excavation workdone was incurred in construction sites in Tseung Kwan O and Anderson Road which utilized our owned machinery; and

(b) more efficient in using resources since our revenue was mainly contributed from three projects and located in Kai Tak, Anderson Road and Yin Ping Road.

The Group prices its services based on various factors, including but not limited to the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group.

FINANCIAL REVIEW (Continued)

Other income

The other income of the Group for the Relevant Period amounted to approximately HK$5.8 million, representing an increase of approximately HK$310,000 or 5.6% as compared to approximately HK$5.5 million for the year ended 31 March 2021. The increase was primarily due to the combined effect of increase of income from sales of construction wastes and gain on disposal of property, plant and equipment but no government grants received from the Employment Support Scheme ("ESS") under COVID-19 Anti-epidemic Fund launched by the Hong Kong Government in Relevant Period.

Administrative expenses

The administrative expenses of the Group for the Relevant Period amounted to approximately HK$21.8 million which is stable when comparing with the year ended 31 March 2021.

Reversal of expected credit loss, net

The reversal of expected credit loss ("ECL") after the assessment performed for the Relevant Period amounted to approximately HK$232,000, representing a decrease of approximately HK$10.3 million as compared to the reversal of ECL after the assessment performed for the year ended 31 March 2021 of approximately HK$10.5 million, which was assessed annually.

Finance costs

The finance costs of the Group for the Relevant Period amounted to approximately HK$444,000, representing a decrease of approximately HK$1.4 million or 76.2% as compared to approximately HK$1.9 million for the year ended 31 March 2021. The decrease was primarily due to the full settlement in interest-bearing bank borrowings during the Relevant Period.

Profit and total comprehensive income attributable to equity holders of the Company

The Group reported profit and total comprehensive income attributable to equity holders of the Company of approximately HK$3.0 million for the Relevant Period representing an increase of approximately HK$2.3 million for the year ended 31 March 2021. The reasons for the improvement were mainly attributable to the reasons discussed in the paragraph headed "Business review and outlook" above.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through capital contributions from shareholders, cash inflows from operating activities and proceeds received from the listing.

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 7 June 2018 and there has been no change in the capital structure of the Group since then.

As at 31 March 2022, the Group had a total cash and cash equivalents of approximately HK$11.9 million (2021: approximately HK$6.0 million). The amounts of cash and cash equivalents increased mainly due to the cash inflows from operating activities.

As at 31 March 2022, the gearing ratio of the Group, calculated by the total debts (defined as the sum of amount due to a director, lease liabilities, bank borrowings and bank overdrafts) divided by the total equity was approximately 53.3% (2021: approximately 46.1%). The increase was primarily due to the increase of total debts of approximately HK$7.2 million during the Relevant Period.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

As at 31 March 2021, the Group's property, plant and equipment with an aggregate carrying amount of approximately HK$5.3 million were pledged under bank borrowings. As at 31 March 2022, no assets of the Group were pledged under bank borrowings upon the repayment of bank borrowings.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group's business were located in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollars for the Relevant Period, the Board was of the view that the Group's foreign exchange rate risks were insignificant. Thus, the Group had not entered into any derivative contracts to hedge against the foreign exchange rate risk during the Relevant Period.

CAPITAL EXPENDITURE

During the Relevant Period, the Group invested approximately HK$10.6 million on the acquisition of plant and machinery, motor vehicles and furniture, fixtures and equipment. Capital expenditure was principally funded by internal resources.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group has capital commitment in respect of acquisition of property, plant and equipment approximately HK$573,000. As at 31 March 2022, the Group has no capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group has been involved in a number of claims, litigations and potential claims against the Group, as a subcontractor, in relation to work-related injuries and non-compliances. The potential claims and litigations against the Group are insured by main contractor's insurance policy. The Directors are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made as at 31 March 2022 and during the Relevant Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SIGNIFICANT INVESTMENT HELD

During the Relevant Period, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 23 May 2018 (the "Prospectus"), the Group does not have other plans for material investments and capital assets.

FUTURE PLANS AND USE OF PROCEEDS

The receipts of the proceeds and net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("Net Proceeds") from the listing were approximately HK$70.6 million. The Group had intended to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" in the Prospectus, the supplemental announcement dated 21 August 2020 in relation to the 2019 annual report and the 2020 annual report, and the announcement dated 30 November 2021 in relation to the change in use of proceeds. As at 31 March 2022, the Group used up all the Net Proceeds.

An analysis of the utilisation of the Net Proceeds up to the date of this annual report is set out below:

		Planned HK$'000 (Note)	Actual use of Net Proceeds up to the date of the 2022 Annual Report HK$'000 (Note)	Unutilised balance up to the date of the 2022 Annual Report HK$'000 (Note)	Expected timeline for full utilisation of the Unutilised Net Proceeds
1.	Acquire additional machineries and equipment	39,996	39,996	–	N/A
2.	Strengthen the Group's manpower	14,000	14,000	–	N/A
3.	Payment of upfront costs of projects	10,000	10,000	–	N/A
4.	General working capital	6,554	6,554	–	N/A

Note: Figures as shown in this table have been subject to rounding adjustments and are approximate only.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed a total of 129 employees (including executive Directors and independent non-executive Directors), as compared to a total of 149 employees as at 31 March 2021. Total staff costs which included the Directors' emoluments for the Relevant Period were approximately HK$88.6 million (2021: approximately HK$73.0 million). The salary and benefit level 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 performance of each employee.

The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc..

The Company has adopted a share option scheme (the "Share Option Scheme") on 14 May 2018 as an incentive to Directors and eligible employees.

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

MANAGEMENT DISCUSSION AND ANALYSIS

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Wednesday, 10 August 2022. The notice of the AGM will be published and despatched to shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the articles of association of the Company in due course.

REPORT OF THE DIRECTORS

The Board is pleased to present to the shareholders of the Company this annual report together with the audited consolidated financial statements for the Relevant Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company while the principal subsidiaries are principally engaged in the provision of services related to foundation works and provision of construction machinery rental. Details of the principal activities of its subsidiaries are set out in Note 32 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Relevant Period.

BUSINESS REVIEW

Discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), 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 8 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Relevant Period are set out in the consolidated financial statement on pages 35 to 85 of this annual report. The Board has resolved not to recommend the payment of a dividend for the Relevant Period (2021: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Relevant Period are set out in Note 13 to the consolidated financial statements of this annual report.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Directors are of the 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 recognise well-performed staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. In particular, the Group promotes career development and advancement by providing appropriate training and opportunities in order to enhance the employees' work performance.

Customers

The Group's major customers include construction work companies engaged in public and/or private construction projects in Hong Kong. The Group has established a long-term business relationship with these customers for many years and is committed to offering quality service to meet their requirement. The Group endeavours to maintain contacts with these customers regularly in order to understand their needs and provide required service to support their businesses.

Sub-contractors and Suppliers

The Group has developed a long-standing relationship with several sub-contractors and suppliers and the Group has always been communicating closely with them to ensure that they will provide good quality and sustainable goods and services to the Group. When selecting sub-contractors and suppliers, the Group requires them to satisfy certain criteria such as experience and capability, financial strength, track record, and reputation.

SHARE CAPITAL AND SHARES ISSUED DURING THE RELEVANT PERIOD

Details of movements during the Relevant Period in the share capital of the Company are set out in Note 23 to the consolidated financial statements of this annual report.

RESERVES

Details of movements in the reserves of the Group during the Relevant Period are set out in the consolidated statement of changes in equity on page 37 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company had distributable reserves amounted to approximately HK$43,244,000 (2021: HK$45,933,000).

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

The Share Option Scheme was conditionally approved and adopted by the then sole shareholder of the Company on 14 May 2018 which became valid and effective for a period of 10 years commencing on the Listing Date. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to recognise and acknowledge the contributions that the eligible participants have or may have made to the Group. Pursuant to the Share Option Scheme, the Board may, as its discretion, offer to grant an option to any director, employee (full-time and part-time), advisor, consultant, supplier, customer, distributor, contractor, agent, business partner or service providers of the Group and to promote the success of the business of the Group.

Pursuant to the terms of the Share Option Scheme and in compliance with the provisions in Chapter 17 of the Listing Rules, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and all other share option schemes of the Company shall not exceed 120,000,000 Shares, being 10% of the total number of the Shares in issue as at the Listing Date.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12 months period up to the date of grant shall not exceed 1% of the total number of the Shares in issue as at the date of grant, any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders of the Company in a general meeting.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading date; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading dates immediately preceding the date of grant; and (iii) the nominal value of a Share.

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to the participant at the time of making an offer for the grant of a share option.

The total number of securities available for issue under the Share Option Scheme, and all other share option schemes of the Company must not exceed 120,000,000 Shares, representing 10% of the total number of Shares as at the date of this annual report.

No share options have been granted under the Share Option Scheme since 14 May 2018. An offer of the grant of a share option shall be accepted by the eligible participants within a period of 21 days from the date of the offer of grant of a share option. The consideration paid by each grantee for the acceptance and grant of each share option is HK$1.00, which has to be paid within 21 days.

There were no options outstanding as at 31 March 2022 and no share options were granted, exercised, cancelled or lapsed during the Relevant Period.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Chan Siu Cheong
Mr. Sin Ka Pong

Independent Non-executive Directors

Mr. Ho Chi Wai
Mr. Cheung Kwok Yan Wilfred
Mr. Lau Leong Ho

In accordance with article 108 of the Articles, Mr. Ho Chi Wai and Mr. Lau Leong Ho will retire from office as Directors at the AGM 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(a) to the consolidated financial statements of this annual report. Annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the independent non-executive Directors. The Group considers all independent non-executive Directors to be independent under the Listing Rules.

DIRECTORS' SERVICE CONTRACT

All the independent non-executive Directors have respectively entered into a letter of appointment with the Company for a term of one year unless terminated by not less than one month's notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the AGM 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 Relevant Period, 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 the paragraphs headed "Related Party Transactions" on page 14 and as set out in Note 27 to the consolidated financial statements of this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or any entity connected with a Director or controlling shareholders of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Period or at any time during the Relevant Period.

COMPETING INTERESTS

The Directors are not aware of any interest in a business of the Directors or any of their respective close associates (as defined in the Listing Rules) apart from the business of the Group, that competed or was likely to compete, either directly or indirectly, with the business of the Group during the Relevant Period and up to date of this annual report.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company has made an annual declaration to the Company that during the Relevant Period and up to date of this annual report, he/it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. The independent non-executive Directors 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 independent non-executive Directors can ascertain, there is no breach of any of such undertakings.

PERMITTED INDEMNITY PROVISION

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

Pursuant to the Articles, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

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

As at 31 March 2022, interests and short positions of the Directors and chief executive of the Company 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 ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or to be 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, were as follows:

(i) Long position in the Shares

Name of Director	Capacity/ Nature of interest	Shares held	Approximate number of shareholding percentage
Mr. Chan Siu Cheong (Mr. Chan) (Note)	Interest in a controlled corporation	900,000,000	75%

Note: Oriental Castle Group Limited ("Oriental Castle") is beneficially owned as to 90% by Mr. Chan and 10% by Ms. Chu Wai Ling ("Ms. Chu"). By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Oriental Castle. Ms. Chu is the spouse of Mr. Chan. Accordingly, Ms. Chu is deemed or taken to be interested in the Shares Mr. Chan is interested in under the SFO.

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

Name of Director	Name of associated corporation	Capacity/Nature	Number of share(s) held	Percentage of interest
Mr. Chan (Note)	Oriental Castle	Beneficial owner	90	90%

Note: Oriental Castle is the direct shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

(iii) Short positions

Other than as disclosed above, as at 31 March 2022, none of the Directors nor chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be 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 2022, so far as it is known to or otherwise notified by any Director or the chief executive of the Company, the following persons/entities (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 which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Company

Name	Capacity/Nature of interest	Number of Shares held/ interest in	Percentage of shareholding
Oriental Castle	Beneficial Owner (Note 1)	900,000,000	75%
Ms. Chu	Interest of a spouse (Note 2)	900,000,000	75%

Notes:

1. Oriental Castle is the direct shareholder of the Company. Oriental Castle is beneficially owned as to 90% by Mr. Chan and 10% by Ms. Chu. By virtue of the SFO, Mr. Chan is deemed to be interested in all the Shares held by Oriental Castle.

2. Ms. Chu is the spouse of Mr. Chan. Accordingly, Ms. Chu is deemed or taken to be interested in the Shares Mr. Chan is interested in under the SFO.

Save as disclosed above, as at 31 March 2022, the Directors and the chief executive of the Company 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 which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Relevant Period and up to the date of this annual report was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits through the acquisition of Shares or debentures of the Company or any body corporate.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The approximate percentages of the Group's revenue and cost of services attributable to the major customers, subcontractors and suppliers during the Relevant Period and year ended 31 March 2021 are as follows:

	Year ended 31 March 2022	Year ended 31 March 2021
Approximate % of total revenue:		
from the largest customer	44.5	66.0
from the five largest customers in aggregate	100.0	100.0
Approximate % of total subcontracting charges incurred:		
from the largest subcontractor	33.2	32.1
from the five largest subcontractors in aggregate	87.5	87.3
Approximate % of total purchases (excluding subcontracting charges incurred):		
from the largest supplier	48.6	48.0
from the five largest suppliers in aggregate	96.7	79.6

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 share capital) had any interest in the five largest customers nor suppliers during the Relevant Period.

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Relevant Period are set out in Note 27 to the consolidated financial statements of this annual report. The related party transactions are fully exempted from the independent shareholders' approval, annual review and all disclosure requirements pursuant to Chapter 14A of the Listing Rules. Further details of the continuing connected transactions are set out in the section headed "Connected Transactions" in the Prospectus and the Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

There is no significant event occurred subsequent to 31 March 2022 and up to the date of this annual report.

RISKS AND UNCERTAINTIES

The Group's results of operation may vary significantly from time to time depending on, among other factors, the political and economic environment, level of competitiveness, the quality of service and timeliness of subcontractors, and the adequacy and efficiency of internal processes implemented by staff and systems. The Group believes that there are certain risks and uncertainties involved both in the markets and in the operations which can be summarised as below.

Operational Risks

Due to unexpected circumstances such as bad weather and geological issues, the actual time and costs incurred in construction projects may exceed the Group's estimation at the time of tendering submission and the work in progress may be interrupted. As a result, such variation 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 expedite the work progress.

On the other hand, it is inevitable that there could be a chance of industrial accidents happened. In order to minimise the rate of accidents, the Group has already recruited two qualified safety officers to regularly monitor the work environment, implementation of safety rules and regulations and establishing safety policies. In addition, the Group also appointed a registered safety auditor to conduct corporate safety audit semi-annually to maximise the effectiveness of safety management.

It is quite common in the construction industry that the collection of receivables takes longer time and it may lead to late settlement by customers especially at the times of unexpected crises due to political and economic factors. To mitigate the pressure of financial liquidity, the Group produces aging analysis on regular basis and contacts the management level of the customers so as to get a better understanding of their solvency status.

Market Risks

Due to the construction industry in Hong Kong is dominantly subject to Hong Kong Government's large-scale infrastructure projects and such projects would require a prolonged 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 the public sector but the Group will also be more involved in projects from the private sectors.

In the meantime, the demand of residential and commercial buildings has been growing continuously. The Group 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 the market shares, the Group planned to acquire new fleets of machinery to cope with the demand. With its in-depth experience and knowledge in the field, the Group is capable to continue providing one-stop construction machinery service to meet the needs of various customers.

INDEPENDENT AUDITOR

The consolidated financial statements for the Relevant Period have been audited by Grant Thornton Hong Kong Limited, who will retire and, being eligible, offer themselves for reappointment at the AGM.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE CODE

The Company has 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 Relevant Period and up to the date of this annual report except for the deviation from code provision C.2.1 of the CG Code as explained in the Corporate Governance Report.

The details of the Group's compliance with the CG Code are set out in the Corporate Governance Report from pages 20 to 27 of this annual report.

ENVIRONMENTAL POLICY

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. The Group is committed to offering premium products and services to obtain customer satisfaction all round. In recent years, the Group has been looking for ways to minimise the adverse impact of its 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 its construction projects. The Group will regularly review related policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation, and be more active in involving various community programmes and contributing to the society.

COMPLIANCE WITH LAWS AND REGULATIONS

Save as disclosed in the Prospectus, as far as the Directors and senior management of the Company 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 during the Relevant Period.

On behalf of the Board
Chan Siu Cheong
Chairman and Chief Executive Officer

Hong Kong, 17 June 2022

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAN Siu Cheong (陳紹昌) ("Mr. Chan"), aged 66, is the chairman of the Board, the chief executive officer of the Company and an executive Director. He was appointed as a Director on 2 June 2017 and was re-designated as an executive Director, the chairman of the Board and the chief executive officer of the Company on 14 May 2018. Mr. Chan is also the chairman of the nomination committee of the Company. Mr. Chan is the founder of our Group and has been a director of HCC Foundations and HCC Transportation since their year of incorporation in 2009 and 1996 respectively. Prior to founding our Group, Mr. Chan worked in the foundation industry as a sub-contractor engaged in foundation works including excavation, concreting and underground drainage works in the early 1980s until he founded HCC Transportation. Mr. Chan has over 30 years of experience in the construction industry. Mr. Chan is responsible for overall management and overseeing and monitoring of projects and machinery of the Group.

Mr. SIN Ka Pong (單家邦) ("Mr. Sin"), aged 64, is an executive Director. He was appointed as a Director on 2 June 2017 and was re-designated as an executive Director on 14 May 2018. Mr. Sin is also a member of the remuneration committee of the Company. Mr. Sin joined the Group in December 2016 with the title of Executive Director of HCC Foundations. Mr. Sin was officially appointed and has been a director of HCC Transportation since March 2017. Mr. Sin is responsible for overall management and business development of the Group.

Mr. Sin has over 30 years of experience in the construction industry. From July 1986 to May 1989, Mr. Sin was employed by Chun Yip Construction Company Limited and his position was a contracts officer at the time of his departure. From June 1989 to November 1994, he was employed as a subletting manager by Sun Fook Kong Construction Limited. From January 1995 to June 1996, he was employed as a senior associate by Wexler Consultants (Hong Kong) Limited. From May 1997 to September 2001, he was employed as a subletting and procurement manager by Win House Industries Limited (a subsidiary of Kerry Properties Ltd. (stock code: 683)). From February 2003 to May 2004, Mr. Sin was employed as a managing quantity surveyor by China Railway Construction Corporation. From June 2004 to March 2006, he was employed as a senior project manager by Ming Wah Engineering (Development) Co., Ltd.

From August 2012 to March 2014, he was employed as a manager (budget control) for New World Construction Company Limited (a subsidiary of New World Development Company Limited (stock code: 17). From March 2014 to November 2016, he was seconded to Paul Y. – Yau Lee Joint Venture, a joint venture established for among others, construction of a Macau studio city project, as a senior commercial manager. Mr. Sin obtained a Bachelor of Quantity Surveying degree from the Polytechnic of Central London, now known as the University of Westminster in July 1983. He was elected as an associate of the Hong Kong Institute of Surveyors in September 1987. He was also a registered professional surveyor in quantity surveying division under the Surveyors Registration Board of Hong Kong in July 1996.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HO Chi Wai (何志威) ("Mr. Ho"), aged 47, was appointed as an independent non-executive Director on 13 May 2018. He is also the chairman of the audit committee and a member of the nomination committee of the Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

Mr. Ho is currently a partner of SRF Partners & Co., CPAs. He obtained a Bachelor of Business Administration degree from Lingnan University (formerly known as Lingnan College) in November 1997 and a Master of Finance degree from Jinan University in December 2012. He is currently a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a chartered tax adviser at the Taxation Institute of Hong Kong, a fellow member of the Taxation Institute of Hong Kong, and a fellow member of the Association of International Accountants. Mr. Ho has over 25 years of experience in audit assurance and business consulting. Prior to his own practice in 2012, Mr. Ho worked as an audit staff in a local accounting firm from 1997 to 2000, where he was promoted to an audit senior assistant in 1999. Mr. Ho joined a sizeable accounting firm as an audit senior in 2000 and from 2010 to 2011 he became a principal of the practice development department of the firm.

Mr. Ho is currently an independent non-executive director of Wai Chi Holdings Company Limited (stock code: 1305), the issued shares of which are listed on the Main Board and is an independent non-executive director of Hyfusin Group Holdings Limited (stock code: 8512), the issued shares of which are listed on GEM of the Stock Exchange. Mr. Ho was an independent non-executive director of Ming Kei Holdings Limited (now known as Capital Finance Holdings Limited) (stock code: 8239, a company listed on GEM of the Stock Exchange) from June 2012 to October 2013.

Mr. CHEUNG Kwok Yan Wilfred (張國仁) ("Mr. Cheung"), aged 42, was appointed as an independent non-executive Director on 13 May 2018. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Mr. Cheung graduated from the University of Buckingham in the United Kingdom with a Bachelor of Science (Economics) in February 2005. Mr. Cheung is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Cheung joined Moores Rowland Mazars in September 2005 as an associate and was later transferred to Mazars CPA Limited after its reorganisation in June 2007. Mr. Cheung left Mazars CPA Limited in October 2007 as an associate and joined Grant Thornton as senior accountant in its China practice division until December 2008. Mr. Cheung then worked for the Royal Bank of Canada Europe Limited as accounts preparer in its CEES UK Department from March 2009 to January 2010. Mr. Cheung was employed by Rainbow Brothers Limited from February 2010 to August 2010 as a senior associate in corporate finance. Mr. Cheung later joined Mega International Food Limited as a financial controller in September 2010 and was appointed as a general manager of its fellow subsidiary, Poly Shining Limited, and Mr. Cheung left the group in March 2013. In August 2013, Mr. Cheung joined The Gate Worldwide Limited, an international advertising and marketing agency, as a senior finance manager and was promoted to a finance director in July 2015. He ceased his employment with The Gate Worldwide Limited in May 2018. Mr. Cheung was employed by Denuo Limited – Starcom Worldwide (星傳媒體), a wholly-owned subsidiary of Publicis Groupe (陽獅集團), the world's third largest communications group, as Finance Director from July 2018 to July 2019. He is currently a Director of Sonic Corporate Services Company and a Financial Controller of Stepworks Company Limited, an international branding agency based in Hong Kong.

Mr. Cheung has been an independent non-executive director of HKE Holdings Limited (stock code: 1726), the issued shares of which are listed on the Main Board, since March 2018. He was an independent non-executive director of Chun Sing Engineering Holdings Limited (currently known as Huarong Investment Stock Corporation Limited), the issued shares of which were formerly listed on the Main Board, from December 2014 to June 2016 and was an independent non-executive director of LEAP Holdings Group Limited (stock code: 1499), (currently known as OKG Technology Holdings Limited), the issued shares of which are listed on the Main Board, from August 2015 to November 2017.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. LAU Leong Ho (劉亮豪) ("Mr. Lau"), aged 38, was appointed as an independent non-executive Director on 13 May 2018. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Mr. Lau has over 10 years of experience in the legal industry. He was admitted as a solicitor in Hong Kong in August 2008. He joined Tsang, Chan & Woo Solicitors & Notaries as a trainee solicitor in March 2007, became an assistant solicitor from August 2008 to November 2013 and had been a partner from December 2013 to July 2020. In July 2020, he found his own law firm named Lau & Co, Solicitors and has been the principal of the firm since then. Mr. Lau graduated from City University of Hong Kong with a Bachelor of Laws degree on 8 November 2005 and obtained Postgraduate Certificate in Laws also from City University of Hong Kong on 14 July 2006. He is also a notary public.

SENIOR MANAGEMENT

Mr. LAM Tak Keung (林德強) ("Mr. Lam"), aged 57, is project manager of the Company and he is responsible for overall management of site works including quality control and safety supervision. Mr. Lam joined the Group in August 2012. He has over five years of experience in the construction industry in Hong Kong.

COMPANY SECRETARY

Mr. WOO Yuen Ping (胡遠平) ("Mr. Woo"), aged 36, joined the Group on 30 April 2019. He serves as the company secretary of the Company (the "Company Secretary"). Mr. Woo is primarily responsible for company secretarial and overall financial management matters of the Group.

Mr. Woo is a member of The Hong Kong Institute of Certified Public Accountants and is a member of CPA Australia. Mr. Woo has over 10 years of experience in auditing, accounting and company secretarial matters. Mr. Woo obtained his bachelor degree of business administration in accountancy from the City University of Hong Kong in November 2008. He has been the managing director of Global Vision CPA Limited from December 2015 to February 2019 and worked with RSM Nelson Wheeler from August 2008 to September 2014 when his last position was an assistant manager.

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 the shareholders and other stakeholders of the Company. 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. During the Relevant Period and up to the date of this annual report, the Company complied with the code provisions under the CG Code with the exception of code provision C.2.1 of the CG Code.

According to code provision C.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. During the Relevant Period and up to the date of this annual report, the role of the chairman and the chief executive officer of the Company are both performed by Mr. Chan Siu Cheong. In view of the in-depth knowledge and substantial experience of Mr. Chan in the operations of the Group and his solid experience in foundation work, the Board believes that it is more effective and efficient overall business planning and implementation of business decisions and strategies of the Group and in the best interests of the Group if Mr. Chan takes up the dual roles of chairman and chief executive officer of the Company. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance and that there are sufficient checks and balances in place by the operations of the Board, which comprises experienced and high calibre individuals and adequate independent element in the composition of the Board.

The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors are aware that the Company is expected to comply with the CG Code. Any deviation from the CG Code should be carefully considered and disclosed in the interim and annual report. Save as disclosed above, the Company will continue to comply with the CG Code to protect the best interests of the shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors.

The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the Relevant Period.

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 made 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 Relevant Period. The Board is constituted of five members, including two executive Directors and three independent non-executive Directors.

BOARD OF DIRECTORS (Continued)

The composition of the Board is as follows:

Executive Directors

Mr. Chan Siu Cheong *(Chairman and Chief Executive Officer)*
Mr. Sin Ka Pong

Independent Non-executive Directors

Mr. Ho Chi Wai
Mr. Cheung Kwok Yan Wilfred
Mr. Lau Leong Ho

Biographical details of each Director and relationship between board members are set out on pages 17 to 19 of this annual report.

All independent non-executive Directors have respectively entered into a letter of appointment with the Company for a term of 1 year unless terminated by not less than one month's notice in writing served by either party on the other or subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

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.

During the Relevant Period, three Board meetings and one general meeting were held and the attendance record of each Director is set out in the table below:

Directors	Attendance/ Number of Board Meetings
Executive Directors	
Mr. Chan Siu Cheong	3/3
Mr. Sin Ka Pong	3/3
Independent non-executive Directors	
Mr. Ho Chi Wai	3/3
Mr. Cheung Kwok Yan Wilfred	3/3
Mr. Lau Leong Ho	3/3

Every Director is entitled to have access to Board papers and related materials, and the advice and services of 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.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge so as to enable them to discharge their duties and responsibilities more effectively. During the Relevant Period, 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.

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"). All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, there are procedures in place for the Directors to seek independent professional advice in appropriate circumstance, at the Company's expense, if required. The table below provides the membership information of these committees on which certain Board members served:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Chan Siu Cheong	–	C	–
Mr. Sin Ka Pong	–	M	M
Mr. Ho Chi Wai	C	–	–
Mr. Cheung Kwok Yan Wilfred	M	–	C
Mr. Lau Leong Ho	M	M	M

Notes:

C – Chairman of the relevant Committee
M – Member of the relevant Committee

AUDIT COMMITTEE

The Company established the Audit Committee on 14 May 2018 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph D.3.3 of the CG Code. The primary duties of the Audit Committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing the Company's financial statements, the annual report and accounts and the half-year report and significant financial reporting judgments contained therein; and (c) reviewing the Company's financial controls, internal control and risk management systems. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ho Chi Wai, Mr. Cheung Kwok Yan Wilfred and Mr. Lau Leong Ho. Mr. Ho Chi Wai is the chairman of the Audit Committee.

During the Relevant Period, the Audit Committee has held two meetings. The individual attendance record of each member at the meeting of Audit Committee is set out below:

Name of member of the Audit Committee	Attendance/ Number of Meetings
Mr. Ho Chi Wai	2/2
Mr. Cheung Kwok Yan Wilfred	2/2
Mr. Lau Leong Ho	2/2

NOMINATION COMMITTEE

The Company established the Nomination Committee on 14 May 2018 with written terms of reference in compliance with paragraph B.3.1 of the CG Code. The primary duties of the Nomination Committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; (d) making recommendations to the Board on the appointment and succession planning for the Directors; and (e) reviewing the board diversity policy of the Company ("Board Diversity Policy") concerning the diversity of the Board and the measurable objectives that the Board has adopted for implementing the Policy and to make the relevant disclosure on the progress of achieving those objectives in the corporate governance report of the Company. Nomination Committee comprises two independent non-executive Directors, namely Mr. Ho Chi Wai and Mr. Lau Leong Ho, and one executive Director and chairman of the Board, namely Mr. Chan. Mr. Chan is the chairman of the Nomination Committee.

During the Relevant Period, one Nomination Committee meeting was held to (i) review the structure, size and composition of the Board; (ii) assess the independence of independent non-executive Directors; and (iii) make recommendation to the Board on the appointment or re-appointment of Directors. The individual attendance record of each member at the meeting of Nomination Committee is set out below:

Name of member of the Nomination Committee	Attendance/ Number of Meetings
Mr. Chan Siu Cheong	1/1
Mr. Lau Leong Ho	1/1
Mr. Ho Chi Wai	1/1

BOARD DIVERSITY

The Board has adopted the 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, the Board has been considering 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.

The Board Diversity Policy provides that the Board shall take opportunities to balance our Board members' gender diversity over time when selecting and making recommendations on suitable candidates for Board appointments, with the ultimate goal of bringing our Board to gender parity. Currently, all members of the Board are male. To achieve gender diversity on the Board, the Board will appoint a female member no later than 31 December 2024.

In order to develop a pipeline of potential female successors to the Board, the Company takes necessary steps to identify and maintain a list of women candidates with a diverse range of skills, experience and knowledge in different fields by emphasising on training and providing career opportunities for the senior female employees who have long and relevant experience with our business, so as to equip them with the capability to lead the Group. The list of female candidates would be reviewed by the Nomination Committee on a yearly basis.

NOMINATION POLICY

The Company has adopted nomination policy (the "Nomination Policy") for the purpose to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders of the Company for election as a Director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- Reputation for integrity;
- Accomplishment, experience and reputation in the relevant industry and other relevant sectors;
- Commitment in respect of sufficient time, interest and attention to the Company's business;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;
- The ability to assist and support management and make significant contributions to the Company's success;
- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
- Any other relevant factors as may be determined by the Committee or the Board from time to time.

Each proposed new appointment, election or re-election of a director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the shareholders of the Company for consideration and determination.

DIVIDEND POLICY

The Company has adopted dividend policy (the "Dividend Policy") in compliance with code provision F.1.1 of the CG Code. It is the policy of the Company, in considering the payments of dividends and to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for future growth of the Group.

Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, *inter alia*:

- the general financial condition of the Group;
- capital and debt level of the Group;
- future cash requirements and availability for business operations, business strategies and future development needs;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the general market conditions; and
- any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the companies law of the Cayman Islands and any other applicable laws, rule and regulations and the Articles. The Policy will be reviewed by the Board from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 14 May 2018 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph E.1.2 of the CG Code. The primary duties of the Remuneration Committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to the Board on (a) the remuneration policy and structure for all of the Directors and senior management of the Company; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of the executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of the non-executive Directors. The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Cheung Kwok Yan Wilfred and Mr. Lau Leong Ho, and one executive Director, namely Mr. Sin Ka Pong. Mr. Cheung Kwok Yan Wilfred is the chairman of the Remuneration Committee.

During the Relevant Period, one Remuneration Committee meeting was held for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management of the Company. The individual attendance record of each member at the meeting of remuneration committee is set out below:

Name of member of the Remuneration Committee	Attendance/ Number of Meetings
Mr. Cheung Kwok Yan Wilfred	1/1
Mr. Sin Ka Pong	1/1
Mr. Lau Leong Ho	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 Note 12 to the consolidated financial statements of this annual report.

COMPANY SECRETARY

Mr. Woo Yuen Ping, was appointed as the Company Secretary on 30 April 2019. Please refer to the section headed "Biographies of the Directors and Senior Management" in this annual report for his biographical information. During the Relevant Period, Mr. Woo has undertaken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the Relevant Period. 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.

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 the Company's 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 unauthorised 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 Relevant Period, 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 Relevant Period.

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.

AUDITOR'S REMUNERATION

During the Relevant Period, the remuneration paid or payable to the Company's auditor, Grant Thornton Hong Kong Limited, and its affiliated firms, in respect of their audit and non-assurance services was as follows:

	Service Fee HK$'000
Audit services	738
Non-assurance services	100
	838

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 Relevant Period.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with all shareholders of the Company. 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 of the Company to communicate effectively with the Board; (b) corporate communications such as annual reports, interim reports and circulars are issued in printed form for mailing to shareholders of the Company and are available on the Stock Exchange's website and the Company's website; (c) periodic announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange; and (d) the Company's web-site providing up-to-date information and updates on the Company's financial information, corporate governance practices and other related information.

SHAREHOLDERS' RIGHTS

How Shareholder can Convene an Extraordinary General Meeting

The following procedures for the shareholders of the Company 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 of the Company 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 903–905, 9/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

(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 of the Company concerned in accordance with the statutory requirements to all the registered shareholders of the Company;

(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 of the Company. On the contrary, if the requisition has been verified as not in order or the shareholders of the Company 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 of the Company 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 903–905, 9/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, 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 the shareholders of the Company to put forward new resolutions at general meetings. Shareholders of the Company 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

There were no changes made to the constitutional documents of the Company during the year ended 31 March 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to contributing to the sustainability of the environment and has implemented policies to minimise the impact on the environment from its business activities. The Group endeavors to refine the approach to addressing its environmental, social and ethical responsibilities along with improving its corporate governance in order to generate greater value for all stakeholders.

The "Environmental, Social and Governance Report" of the Company to be prepared in accordance with Appendix 27 of the Listing Rules will be published at the same time as the publication of this annual report.

Grant Thornton
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To the members of Affluent Foundation Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Affluent Foundation Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 85, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Accounting for construction contracts

Refer to Notes 2.8, 2.13, 4(a) and 5 to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group recognised revenue and costs from construction contracts amounted to approximately HK$511,568,000 and HK$492,696,000 respectively for the year ended 31 March 2022, and recorded contract assets and contract liabilities of HK$135,327,000 and HK$1,891,000 respectively as at 31 March 2022. The Group's revenue and costs of construction contracts are recognised based on output method by reference to the direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract. The value of the services transferred to customer to date is measured according to the progress certificates (by reference to the construction works certified by the customers or their agents). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. These transactions require the management's estimation and judgement of the contract revenue, the contract costs and any variation works which may have an impact on the construction contracts and the corresponding profit taken. We identified the accounting for construction contracts as a key audit matter because of the significant management judgement and estimation involved.	Our audit procedures in relation to construction contracts included the following: – Understood the basis of estimation of the budgets through discussion with the management who is responsible for the budgeting of the construction contracts, and evaluated the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects; – Inspected the key terms and conditions of construction contracts and verified the total contract revenue; – Assessed and checked, on a sample basis, the accuracy of the budgeted construction revenue by agreeing to contract sum or any variation orders as set out in the construction contracts or the agreements entered with customers; – Selected, on a sample basis, the construction contracts to examine project managers' budget of the cost components to actual cost incurred, such as cost of materials, subcontracting charges and labour costs, etc. We compared the budgeted construction costs to supporting documents including but not limited to invoices, quotations and rate of labour costs, etc.; and – Evaluated the management's assessment on the revenue recognised of the construction contracts, on a sample basis, based on the latest progress certificates issued by the customers or their agents, including the certified contract work and variation orders, if any, and discussed with management and the respective project managers about the progress of the projects and cost incurred for work performed but not certified.

KEY AUDIT MATTERS (CONTINUED)

Estimation of expected credit losses on trade and other receivables and contract assets

Refer to Notes 2.6, 2.8, 4(b), 15 and 16 to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 March 2022, the net carrying amount of trade and other receivables and contract assets amounted to HK$28,296,000 and HK$135,327,000 respectively (net of expected credit losses ("ECL") of HK$1,207,000 and HK$5,632,000 respectively). Management performed periodic review on the status of construction projects and individual credit evaluations on significant customers. These evaluations focused on the customer's settlement history and current and future ability to pay, and took into account the information specific to the customer as well as pertaining to the current and future economic environment in which the customer operates. For trade and other receivables and contract assets which were not subject to individual evaluations or those that have been individually assessed as not impaired, management collectively assessed ECL taking into account of the nature of customers, the ageing analysis and historical bad debt losses incurred in respect of those group of customers. ECL are estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. We identified the ECL measurement on trade and other receivables and contract assets as a key audit matter due to the significant management judgements and estimates involved in the ECL assessment.	Our audit procedures in relation to the management's assessment on the ECL measurement of trade and other receivables and contract assets included: – Understood, evaluated and validated the design and operating effectiveness of the controls over impairment assessment of trade and other receivables and contract assets. Those controls related to the identification of events that triggered the provision for impairment of receivables from construction contracts and estimation of the impairment provisions; – Obtained management's assessment on the collectability of individual significant customers, and corroborated management's assessment against relevant supporting evidence, including credit history and financial capability of these customers; – Examined on a sample basis the individual significant customer which had not been identified by management as potentially impaired and performed audit procedures to assess the recoverability. Our procedures included examination of the construction progress, independent research on public available information and examination of payment records in the past and current years; and – Reviewed the underlying information referenced by management through validation of the aging reports and comparison with the collection records and average industry provision rate in respect of the collective assessment. We also evaluated whether the historical loss rates were appropriately adjusted based on current and forward-looking information, with the assistance of our specialists.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

17 June 2022

Lau Kwong Kei
Practising Certificate No.: P07578

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**511,568**	446,846
Direct costs		**(492,696)**	(437,990)
Gross profit		**18,872**	8,856
Other income	6	**5,836**	5,526
Administrative expenses		**(21,823)**	(21,635)
Reversal of expected credit loss, net		**232**	10,505
Finance costs	7	**(444)**	(1,866)
Profit before income tax	8	**2,673**	1,386
Income tax credit/(expense)	9	**283**	(734)
Profit and total comprehensive income for the year attributable to equity holders of the Company		**2,956**	652
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company			
Basic and diluted	11	**0.25**	0.05

The notes on pages 39 to 85 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	30,731	34,040
Right-of-use assets	14	3,328	1,075
		34,059	35,115
Current assets			
Trade and other receivables	15	41,523	24,140
Contract assets	16	135,327	134,186
Cash and bank balances	17	11,881	8,527
		188,731	166,853
Current liabilities			
Trade and other payables	18	91,155	81,669
Amount due to a director	19	39,632	–
Bank overdrafts	20.1	–	1,061
Bank borrowings	20.2	–	33,671
Lease liabilities	21	2,201	823
Contract liabilities	16	1,891	391
Tax payable		1,789	1,789
		136,668	119,404
Net current assets		52,063	47,449
Total assets less current liabilities		86,122	82,564
Non-current liabilities			
Lease liabilities	21	1,193	308
Deferred tax liabilities	22	4,141	4,424
		5,334	4,732
Net assets		80,788	77,832
EQUITY			
Share capital	23	12,000	12,000
Reserves	24	68,788	65,832
Equity attributable to equity holders of the Company		80,788	77,832

Chan Siu Cheong
Director

Sin Ka Pong
Director

The notes on pages 39 to 85 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital HK$'000 (Note 23)	**Share premium** HK$'000 (Note 24)	**Capital reserve** HK$'000 (Note 24)	**Accumulated losses** HK$'000	**Total** HK$'000
Balance at 1 April 2020	12,000	77,625	301	(12,746)	77,180
Profit and total comprehensive income for the year	–	–	–	652	652
Balance at 31 March 2021 and 1 April 2021	12,000	77,625	301	(12,094)	77,832
Profit and total comprehensive income for the year	–	–	–	2,956	2,956
Balance at 31 March 2022	12,000	77,625	301	(9,138)	80,788

The notes on pages 39 to 85 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
Cash flows from operating activities		
Profit before income tax	2,673	1,386
Adjustments for:		
Depreciation of property, plant and equipment	11,394	9,028
Depreciation of right-of-use assets	1,926	3,559
Gain on disposal of property, plant and equipment	(805)	(278)
Reversal of ECL allowance, net	(232)	(10,505)
Finance costs	444	1,866
Operating profit before working capital changes	15,400	5,056
(Increase)/Decrease in trade and other receivables	(16,919)	12,511
Increase in contract assets	(1,373)	(14,480)
Increase in trade and other payables	11,600	25,769
Increase/(Decrease) in contract liabilities	32,500	(2,326)
Cash generated from operations	41,208	26,530
Income tax refunded	–	2,224
Net cash generated from operating activities	41,208	28,754
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,076)	(14,854)
Proceeds from disposal of property, plant and equipment	682	96
Net cash used in investing activities	(9,394)	(14,758)
Cash flows from financing activities		
Proceeds from borrowings	4,000	68,500
Repayment of borrowings	(37,671)	(75,282)
Repayment of lease liabilities	(1,916)	(5,277)
Interest paid	(444)	(1,828)
Decrease in pledged bank deposits	1,500	–
Increase in amount due to a director	8,632	–
Net cash used in financing activities	(25,899)	(13,887)
Net increase in cash and cash equivalents	5,915	109
Cash and cash equivalents at the beginning of year	5,966	5,857
Cash and cash equivalents at the end of year (Note 17)	11,881	5,966
Cash and cash equivalents represented by:		
Bank overdrafts	–	(1,061)
Cash at banks	11,881	7,027
	11,881	5,966

The notes on pages 39 to 85 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

Affluent Foundation Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 2 June 2017. The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business is Unit 903–905, 9/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, the New Territories, Hong Kong.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the "Group") are principally engaged as subcontractor in the provision of services related to foundation works in Hong Kong.

As at 31 March 2022 and 2021, the Company's immediate and ultimate holding company is Oriental Castle Group Limited ("Oriental Castle"), a company incorporated in the British Virgin Islands (the "BVI") and owned by Mr. Chan Siu Cheong ("Mr. Chan") and Ms. Chu Wai Ling ("Ms. Chu"). Mr. Chan, Ms. Chu and Oriental Castle are collectively referred to as the controlling shareholders of the Company.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 June 2018.

These consolidated financial statements for the year ended 31 March 2022 were approved for issue by the board of directors (the "Board") on 17 June 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 3.

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), and all values are rounded to the nearest thousand (HK$'000), except where otherwise indicated.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and all its subsidiaries made up to 31 March each year.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost and manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost less their residual values (if any) over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture, fixtures and equipment	15%
Plant and machinery	20% to 33$^1/_3$%
Motor vehicles	25%
Leasehold improvements	Over the term of lease or 20%, whichever is shorter

Accounting policy for depreciation of right-of-use assets is set out in Note 2.10.

Estimates of residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2.5 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (CONTINUED)

Financial assets (CONTINUED)

Classification and initial measurement of financial assets (CONTINUED)

The Group's financial assets are classified into the amortised cost. The classification is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for ECL of trade and other receivables and contract assets which are presented in "reversal of expected credit loss, net".

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and bank balances and trade and other receivables fall into this category of financial instruments.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include leases liabilities, amount due to a director, bank borrowings, bank overdrafts and trade and other payables.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL. Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs.

Accounting policies of lease liabilities are set out in Note 2.10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (CONTINUED)

Financial liabilities (CONTINUED)

Bank borrowings

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

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

2.6 Impairment of financial assets and contract assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and contract assets recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of financial assets and contract assets (CONTINUED)

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has performed individual credit evaluation on significant customers and collective assessment on trade receivables and contract assets based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. See Note 30.3 for further details.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and retention receivables, and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Other financial assets measured at amortised cost

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

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

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of financial assets and contract assets (CONTINUED)

Other financial assets measured at amortised cost (CONTINUED)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) 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 collateral held by the Group) or (ii) the financial asset is 1 year past due.

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in Note 30.3.

2.7 Impairment of non-financial assets (other than contract assets)

Property, plant and equipment, right-of-use assets and the Company's investment in a subsidiary are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated in individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash-generating unit, except the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2.6 and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.10 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Leases (CONTINUED)

(a) ***Definition of a lease and the Group as a lessee*** (CONTINUED)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statement of financial position, right-of-use assets are presented as a separate line item.

(b) ***The Group as a lessor***

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) are deducted from share premium to the extent they are incremental cost directly attributable to the equity transaction.

2.13 Revenue recognition

Revenue arises mainly from the provision of services related to foundation works in Hong Kong.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Revenue recognition (CONTINUED)

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

Construction contracts

Revenue from construction contracts are recognised over time as the Group's performance creates and enhances an asset that the customer controls. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificates (by reference to the construction works certified by the customers or their agents).

When the outcome of the contract (including variable order) cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with HKAS 37.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Rental income

Accounting policies for rental income are set out in Note 2.10.

Income from sales of construction wastes

Income from sales of construction wastes is recognised a fixed fee when the Group transfers control to the customer.

2.14 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Mandatory Provident Fund Scheme. Contributions are made based on a percentage of the employees' basic salaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employee benefits (Continued)

Retirement benefits (Continued)

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. The Group contributes monthly at the lower of (i) HK$1,500; or (ii) 5% of the relevant monthly payroll costs to the MPF Scheme, which contribution is matched by employees. The Group's contributions vest fully with the employees when contributed into the MPF Scheme. Accordingly there were no forfeited contributions available for the Group to reduce its existing level of contributions to the MPF Scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.16 Borrowing costs

Borrowing costs are expensed when incurred.

2.17 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Accounting for income tax (CONTINUED)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities 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.

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

2.19 Related parties

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

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

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

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

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

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

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2021:

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

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendment to HKFRS 16 "Covid-19 Related Rent Concessions" and Amendment to HKFRS 16 "Covid-19 Related Rent Concessions beyond 30 June 2021"

Amendment to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the Covid-19 ("Covid-19-Related Rent Concessions") are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The applicable to Covid-19-Related Rent Concessions and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and

(c) there is no substantive change to other terms and conditions of the lease.

The Group did not receive rent concession during the year ended 31 March 2022. There is no impact on the opening balance of equity at 1 April 2021.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2021 (CONTINUED)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" ("Phase 2 Amendments")

The Phase 2 Amendments provide practical relief from certain requirements in HKFRSs. These reliefs relate to modifications of financial assets and financial liabilities (measured at amortised costs) and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark risk-free rate.

The Group initially applied Phase 2 Amendments on 1 April 2021 and applied the amendments retrospectively. However, in accordance with the exceptions permitted in Phase 2 Amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective date not yet been determined
4 Effective for business combinations/common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

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

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 2 may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Construction contracts

As explained in Notes 2.8 and 2.13, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers and their agents. The Group reviews and revises the estimates of contract revenue, contract costs and any variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred. When the outcome of a construction contract (including any variable orders) cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Significant judgement is required in estimating the contract revenue, contract costs and variation works, if any, which may have an impact on progress of the construction contracts and the corresponding profit taken.

Management exercised their judgements and estimated based on contract costs and revenues with reference to the latest available information, which includes detailed contract sum and works performed. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any uncertified work and unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results. Details of contract assets and liabilities are disclosed in Note 16.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Estimation of impairment of trade and other receivables and contract assets within the scope of ECL under HKFRS 9

Under HKFRS 9, the Group makes allowances on items subject to ECL (including trade and other receivables and contract assets) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in Note 2.6. The carrying amounts of trade and other receivables and contract assets at the reporting date is set out in Notes 15 and 16 to the consolidated financial statements.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other receivables and contract assets and credit losses in the periods in which such estimate has been changed.

(c) Impairment of property, plant and equipment and right-of-use assets

If circumstances indicate that the carrying amounts of property, plant and equipment (Note 13) and right-of-use assets (Note 14) may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of property, plant and equipment and right-of-use assets are reviewed yearly in order to assess whether the recoverable amounts have declined below the carrying amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use.

In determining the value in use, expected cash flows generated by the asset which requires significant estimation relating to the contract revenue, contract costs and variation works, if any, which may have an impact on progress of the construction contracts and the corresponding profit taken, are discounted to their present values. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of contract revenue, contract costs and any variation works. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materiality affect the net present value used in the impairment test.

As at 31 March 2022, the carrying amount of property, plant and equipment and right-of-use assets are HK$30,731,000 (2021: HK$34,040,000) and HK$3,328,000 (2021: HK$1,075,000) respectively, with no impairment should be provided (2021: nil).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Going concern basis

The directors have reviewed the current performance and cash flow forecast of the Group prepared by management as part of their assessment of the Group's ability to continue as a going concern. After carefully considering the matters described below, the directors are of the view that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations as and when they fall due:

(i) the Group generated net cash inflows from operating activities approximately HK$41,208,000 during the year ended 31 March 2022 and expects to continue to improve its working capital management and generate sufficient cash flows to meet its obligations as and when they fall due in the next eighteen months; and

(ii) Mr. Chan, being one of the controlling shareholders of the Company has undertaken to provide continuing financial support to the Group for a period of fifteen months from the date of approval of the consolidated financial statements and not to demand the Group's repayment of approximately HK$39,632,000 due to him as at 31 March 2022 within twelve months after the end of the reporting period, in order to maintain the Group as a going concern.

Consequently, the directors have concluded that the Group is a going concern and will continue its operations for the foreseeable future. The appropriateness of the going concern basis is assessed after taking into consideration the relevant available information about future of the Group, including the Group's cash position and cash flow forecast of the Group. Such assessment inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis inappropriate.

5. REVENUE AND SEGMENT INFORMATION

The Group's principal activities are disclosed in Note 1 to the consolidated financial statements.

	2022 HK$'000	2021 HK$'000
Contracting revenue	**511,568**	446,846

All revenue represents the contracting revenue arising from provision of services related to foundation works and is recognised over time.

The chief operating decision-maker has been identified as the executive directors of the Company. The directors regard the Group's business of foundation works as a single operating and reportable segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2022 HK$'000	2021 HK$'000
Customer A	**227,619**	295,006
Customer B	**90,016**	59,282
Customer C	**193,704**	52,449

The disaggregation of revenue from contracts with customers is as follows:

	2022 HK$'000	2021 HK$'000
By types of projects:		
Private sector projects	**220,205**	320,495
Public sector projects	**291,363**	126,351
	511,568	446,846

Performance obligations satisfied in previous periods

The following table includes revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

	2022 HK$'000	2021 HK$'000
Performance obligations satisfied in previous periods	**334,942**	345,172

6. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Gain on disposal of property, plant and equipment	**805**	278
Government grants (Note (a))	**–**	4,617
Income from sales of construction wastes	**4,413**	556
Sundry income	**618**	75
	5,836	5,526

Note:

(a) During the year ended 31 March 2021, the grants received from the Employment Support Scheme ("ESS") under the COVID-19 Anti-epidemic Fund, ESS for the Construction Sector (Casual Employees) under the COVID-19 Anti-epidemic Fund and other subsidy schemes launched by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government"). There were neither unfulfilled conditions nor other contingencies attached to the receipts of those grants.

7. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Bank loans interest wholly repayable within five years	**318**	1,714
Finance charge on lease liabilities	**126**	152
	444	1,866

8. PROFIT BEFORE INCOME TAX

		2022 HK$'000	2021 HK$'000
Profit before income tax is stated after charging/(crediting):			
(a)	Staff costs (including directors' emoluments (Note 12(a)) (Note (i))		
	– Salaries, wages and other benefits	**86,442**	71,002
	– Contributions to defined contribution retirement plans (Note (ii))	**2,189**	1,992
		88,631	72,994
(b)	Other items		
	Depreciation, included in:		
	Direct costs		
	– Owned assets	**10,650**	8,185
	– Right-of-use assets	**1,472**	3,123
	Administrative expenses		
	– Owned assets	**744**	843
	– Right-of-use assets	**454**	436
		13,320	12,587
	Subcontracting charges (included in direct costs)	**146,234**	108,008
	Auditor's remuneration	**1,043**	903
	Services charged paid for machinery	**3,986**	4,597
	Short term leases	**900**	221
	Net (reversal)/provision of ECL allowance on:		
	– Trade and other receivables	**(464)**	42
	– Contract assets	**232**	(10,547)

Notes:

(i) Staff costs (including directors' emoluments)

	2022 HK$'000	2021 HK$'000
Direct costs	**76,203**	60,973
Administrative expenses	**12,428**	12,021
	88,631	72,994

(ii) As at 31 March 2022, the Group had no forfeited contributions under the MPF Scheme which may be used by the Group to reduce the existing levels of contributions (2021: Nil).

9. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has not been provided as the Group incurred tax losses for the years ended 31 March 2022 and 2021.

	2022 HK$'000	2021 HK$'000
Provision for Hong Kong Profits Tax		
– Current tax	–	–
Deferred tax (Note 22)	(283)	734
Income tax (credit)/expense	(283)	734

Reconciliation between income tax (credit)/expense and accounting profit at applicable tax rate:

	2022 HK$'000	2021 HK$'000
Profit before income tax	2,673	1,386
Tax at Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	441	229
Tax effect of non-taxable income	(98)	(794)
Tax effect of non-deductible expenses	805	997
Tax effect of unrecognised temporary differences	(35)	55
Tax effect of unrecognised tax losses	1,334	2,316
Tax effect of tax loss utilised	(2,730)	(2,069)
Income tax (credit)/expense	(283)	734

10. DIVIDENDS

The Board did not recommend the payment of a dividend for the year ended 31 March 2022 (2021: nil).

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the following:

	2022	2021
Earnings		
Earnings for the year attributable to equity holders of the Company (in HK$'000)	2,956	652
Number of shares		
Weighted average number of ordinary shares	1,200,000,000	1,200,000,000
Basic earnings per share (in HK cents)	0.25	0.05

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 March 2022 and 2021 and therefore, diluted earnings per share equals to basic earnings per share.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2022					
Executive directors:					
Mr. Chan (Note (iii))	1,300	55	–	–	1,355
Mr. Sin Ka Pong	1,020	–	85	18	1,123
Independent non-executive directors:					
Mr. Cheung Kwok Yan Wilfred	180	–	–	–	180
Mr. Lau Leong Ho	180	–	–	–	180
Mr. Ho Chi Wai	180	–	–	–	180
	2,860	55	85	18	3,018
Year ended 31 March 2021					
Executive directors:					
Mr. Chan (Note (iii))	1,300	47	–	–	1,347
Mr. Sin Ka Pong	1,020	–	85	18	1,123
Independent non-executive directors:					
Mr. Cheung Kwok Yan Wilfred	180	–	–	–	180
Mr. Lau Leong Ho	180	–	–	–	180
Mr. Ho Chi Wai	180	–	–	–	180
	2,860	47	85	18	3,010

Notes:

(i) The emoluments shown above represent emoluments received by the directors in their capacity as a director/an employee of the companies comprising the Group during the years ended 31 March 2022 and 2021.

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

(iii) Mr. Chan is also the Chief Executive Officer of the Company. His emoluments disclosed above included those for services rendered by him in the capacity of the Chief Executive Officer.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2021: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2021: three) individuals during the year are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, fee and allowances	3,057	2,371
Retirement scheme contributions	54	54
	3,111	2,425

The emoluments fell within the following bands:

	2022	2021
Emolument bands:		
HK$nil–HK$1,000,000	1	3
HK$1,000,001–HK$2,000,000	2	–

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

For the years ended 31 March 2022 and 2021, there were no arrangements under which a director waived or agreed to waive any remuneration during the years.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 April 2020					
Cost	1,200	63,263	9,008	713	74,184
Accumulated depreciation	(961)	(42,681)	(7,512)	(578)	(51,732)
Net book amount	239	20,582	1,496	135	22,452
Year ended 31 March 2021					
Opening net book amount	239	20,582	1,496	135	22,452
Additions	44	15,641	338	–	16,023
Transfers (Note 14)	–	4,709	–	–	4,709
Disposals	–	(116)	–	–	(116)
Depreciation	(76)	(8,186)	(685)	(81)	(9,028)
Net book amount	207	32,630	1,149	54	34,040
At 31 March 2021 and 1 April 2021					
Cost	1,244	86,703	8,624	713	97,284
Accumulated depreciation	(1,037)	(54,073)	(7,475)	(659)	(63,244)
Net book amount	207	32,630	1,149	54	34,040
Year ended 31 March 2022					
Opening net book amount	**207**	**32,630**	**1,149**	**54**	**34,040**
Additions	**147**	**9,209**	**1,277**	**–**	**10,633**
Disposals	**–**	**(2,548)**	**–**	**–**	**(2,548)**
Depreciation	**(70)**	**(10,650)**	**(620)**	**(54)**	**(11,394)**
Net book amount	**284**	**28,641**	**1,806**	**–**	**30,731**
At 31 March 2022					
Cost	**828**	**92,602**	**8,701**	**401**	**102,532**
Accumulated depreciation	**(544)**	**(63,961)**	**(6,895)**	**(401)**	**(71,801)**
Net book amount	**284**	**28,641**	**1,806**	**–**	**30,731**

As at 31 March 2022, no plant and machinery were pledged under bank borrowings upon the repayment of bank borrowings. As at 31 March 2021, the Group's plant and machinery with carrying amount of HK$5,310,000 were pledged under bank borrowings (Note 20.2).

14. RIGHT-OF-USE ASSETS

	Machinery HK$'000	Office premises HK$'000	Warehouse HK$'000	Total HK$'000
At 1 April 2020				
Cost	8,980	874	2,198	12,052
Accumulated depreciation	(2,531)	(401)	(916)	(3,848)
Net book amount	6,449	473	1,282	8,204
Year ended 31 March 2021				
Opening net book amount	6,449	473	1,282	8,204
Additions	–	–	1,139	1,139
Transfers (Note 13)	(4,709)	–	–	(4,709)
Depreciation	(1,740)	(436)	(1,383)	(3,559)
Net book amount	–	37	1,038	1,075
At 31 March 2021 and 1 April 2021				
Cost	–	874	3,337	4,211
Accumulated depreciation	–	(837)	(2,299)	(3,136)
Net book amount	–	37	1,038	1,075
Year ended 31 March 2022				
Opening net book amount	**–**	**37**	**1,038**	**1,075**
Lease modification	**–**	**1,367**	**–**	**1,367**
Additions	**–**	**–**	**2,812**	**2,812**
Depreciation	**–**	**(454)**	**(1,472)**	**(1,926)**
Net book amount	**–**	**950**	**2,378**	**3,328**
At 31 March 2022				
Cost	**–**	**1,367**	**3,951**	**5,318**
Accumulated depreciation	**–**	**(417)**	**(1,573)**	**(1,990)**
Net book amount	**–**	**950**	**2,378**	**3,328**

Details of the lease contracts are set out in Note 21.

15. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	14,632	3,919
Less: ECL allowance	(542)	(787)
	14,090	3,132
Other receivables and prepayments	8,985	2,625
Paid in advance to sub-contractors	11,174	12,403
Occupational injury receivables	6,478	5,417
Utility and other deposits	1,461	1,447
Less: ECL allowance	(665)	(884)
	27,433	21,008
	41,523	24,140

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

As at 31 March 2022, the occupational injury receivables which are expected to be recovered over one year are HK$6,478,000 (2021: HK$5,417,000). The Group classifies these occupational injury receivables as current because the Group expects to realise them in its normal operating cycle.

Trade receivables

The Group usually provide customers with a credit term of 30 to 45 days. For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

ECL for trade and other receivables

The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Details of impairment assessment of trade and other receivables for the years ended 31 March 2022 and 2021 are set out in Note 30.3.

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	13,157	1,671
31–60 days	–	273
61–90 days	–	600
Over 90 days	1,475	1,375
	14,632	3,919

The movements in the ECL allowance of trade receivables are as follows:

	2022 HK$'000	2021 HK$'000
At the beginning of the year	787	771
ECL allowance recognised during the year	–	16
Reversal of ECL allowance during the year	(245)	–
At the end of the year	542	787

The movements in the gross amount of other receivables are as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 April 2020	6,958	18,730	–	25,688
Additions	11,627	–	–	11,627
Amounts recovered during the year	(11,052)	(7,148)	–	(18,200)
Transfers	3,575	(3,575)	–	–
As at 31 March 2021 and 1 April 2021	11,108	8,007	–	19,115
Additions	1,954	–	–	1,954
Amounts recovered during the year	(1,410)	(4,788)	–	(6,198)
Transfers	(2,719)	2,719	–	–
As at 31 March 2022	8,933	5,938	–	14,871

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

ECL for trade and other receivables (CONTINUED)

The movements in the ECL allowance of other receivables are as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 April 2020	109	749	–	858
ECL allowance	59	–	–	59
Reversal of ECL allowance	–	(33)	–	(33)
Transfers	115	(115)	–	–
As at 31 March 2021 and 1 April 2021	283	601	–	884
ECL allowance	64	107	–	171
Reversal of ECL allowance	(28)	(362)	–	(390)
Transfers	(95)	95	–	–
As at 31 March 2022	224	441	–	665

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

16.1 Contract assets

	2022 HK$'000	2021 HK$'000
Unbilled revenue (Note (a))	82,881	95,661
Retention receivables (Note (b))	58,078	43,925
Less: ECL allowance (Note (c))	(5,632)	(5,400)
	135,327	134,186

Notes:

(a) Unbilled revenue

Unbilled revenue represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the 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.

(b) Retention receivables

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

16. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

16.1 Contract assets (CONTINUED)

Notes: (Continued)

(c) ECL allowance

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Details of impairment assessment of contract assets for the years ended 31 March 2022 and 2021 are set out in Note 30.3.

The movements in the ECL allowance of contract assets are as follows:

	2022 HK$'000	2021 HK$'000
At the beginning of the year	5,400	15,947
ECL allowance recognised during the year	232	2,761
ECL allowance reversed during the year	–	(13,308)
At the end of the year	5,632	5,400

As at 31 March 2022, the gross amount of contract assets are expected to be recovered within one year is HK$92,575,000 (2021: HK$107,813,000), whereas amounts expected to be recovered over one year is HK$48,384,000 (2021: HK$31,773,000). The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

During the year ended 31 March 2022, transfers from contract assets recognised at the beginning of the year to receivables are HK$98,954,000 (2021: HK$64,722,000). Increase in the carrying amount of the contract asset during the year ended 31 March 2022 is mainly due to retention receivables increased.

16.2 Contract liabilities

	2022 HK$'000	2021 HK$'000
Contract liabilities arising from construction wastes disposal contracts from billings in advance of performance	1,891	391

All of the contract liabilities is expected to be recovered/settled within one year.

Contract liabilities outstanding at the beginning of the year amounting to HK$nil (2021: HK$2,326,000) have been recognised as revenue during the year.

Unsatisfied long-term construction contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 March 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
Within one year	221,450	361,577
More than one year	192,732	269,951
	414,182	631,528

17. CASH AND BANK BALANCES

	2022 HK$'000	2021 HK$'000
Pledged bank deposits	–	1,500
Unpledged one-month bank deposits	1,500	–
Cash at banks	10,381	7,027
Cash and bank balance presented in the consolidated statement of financial position	11,881	8,527
Less: Pledged bank deposits	–	(1,500)
Less: Bank overdrafts (Note 20.1)	–	(1,061)
Cash and cash equivalents presented in the consolidated statement of cash flows	11,881	5,966

As at 31 March 2022, the pledged bank deposits have been released. As at 31 March 2021, the pledged bank deposits were pledged to secure the bank borrowings as disclosed in Note 20.2, these deposits earn interest at floating rate of 0.01% to 0.10% per annum.

18. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables (Note (a))	42,190	41,681
Retention payables (Note (b)(i))	24,639	19,265
Accruals and other payables (Note (b)(ii))	24,326	20,723
	91,155	81,669

Notes:

All amounts are short-term and hence, the carrying values of the Group's trade payables and accruals and other payables are considered to be a reasonable approximation of fair value.

(a) (i) The Group is usually granted by suppliers with a credit term of 30 days.

(ii) As at 31 March 2022, included in trade payables of HK$2,233,000 (2021: HK$4,765,000) was related party balance due to Kam Lung Transport Co., which is a sole proprietorship established by Mr. Tsang Leung Lung, who is also the brother-in-law of Mr. Chan.

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

	2022 HK$'000	2021 HK$'000
0–30 days	10,027	15,042
31–60 days	5,885	5,105
61–90 days	10,551	3,513
Over 90 days	15,727	18,021
	42,190	41,681

(b) (i) As at 31 March 2022, the retention payables of HK$16,622,000 (2021: HK$12,886,000) were expected to be repayable over one year. The Group classifies them as current because the Group expects to realise them in its normal operating cycle.

(ii) As at 31 March 2022, included in accruals and other payables of HK$4,688,000 (2021: HK$4,132,000) was related to the purchase of property, plant and equipment and contra costs recharged by the subcontractors of HK$9,164,000 (2021: HK$12,533,000).

19. AMOUNT DUE TO A DIRECTOR

	2022 HK$'000	2021 HK$'000
Mr. Chan	39,632	–

Amount due is non-trade in nature, unsecured, interest-free and repayable by September 2022.

Mr. Chan is also one of the controlling shareholders of the Company.

20. BANK OVERDRAFTS AND BANK BORROWINGS

20.1 Bank overdrafts

As at 31 March 2022, the Group's bank overdrafts were as follows:

	2022 HK$'000	2021 HK$'000
Secured bank overdrafts (Note 20.2 note(b))	–	514
Unsecured bank overdrafts	–	547
	–	1,061

20.2 Bank borrowings

The secured bank loans were repayable as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount repayable (Note (d)) Within one year	–	33,671
	–	33,671
Less: Carrying amount of bank loans 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)	–	(334)
Less: Carrying amount of bank loans repayable within one year	–	(33,337)
	–	(33,671)
Non-current liabilities	–	–

Notes:

(a) As at 31 March 2022, all bank borrowings were repaid. As at 31 March 2021, the bank loans are interest-bearing at 2.75% to 5.00% per annum.

20. BANK OVERDRAFTS AND BANK BORROWINGS (CONTINUED)

20.2 Bank borrowings (CONTINUED)

Notes: (Continued)

(b) As at 31 March 2022, there were no banking facilities of the Group and all below securities have been released. As at 31 March 2021, the banking facilities of the Group, of which HK$33,671,000 were utilised for bank borrowings, HK$514,000 were utilised for bank overdrafts, were secured by:

(1) Life insurance;

(2) Blanket counter indemnity granted by the Group;

(3) Unlimited corporate guarantee from the Company;

(4) Pledged bank deposits (Note 17);

(5) All monies legal charge over the property with Mr. Chan as the mortgagor; and

(6) Pledge of plant and machinery with carrying amount of HK$5,310,000 as at 31 March 2021 (Note 13).

(c) As at 31 March 2021, bank loans and bank overdrafts contain a repayment on demand clause and are therefore classified as current liabilities. None of the portion of bank loans due from repayment after one year is expected to be settled within one year.

(d) As at 31 March 2021, the amounts are based on the scheduled repayment dates set out in the loan agreements.

21. LEASE LIABILITIES

The analysis of the Group's lease liabilities is as follows:

	2022 HK$'000	2021 HK$'000
Total minimum lease payments:		
Due within one year	2,314	855
Due in the second to fifth year	1,222	312
	3,536	1,167
Future finance charges	(142)	(36)
Present value of lease obligations	3,394	1,131

	2022 HK$'000	2021 HK$'000
Present value of minimum lease payment:		
Due within one year	2,201	823
Due in the second to fifth year	1,193	308
	3,394	1,131
Less: Portion due within one year included under current liabilities	(2,201)	(823)
Portion due after one year included under non-current liabilities	1,193	308

21. LEASE LIABILITIES (CONTINUED)

As at 31 March 2022, the Group leases an office premise and warehouses (2021: office premise and warehouses) to operate its business. These lease period is for three and two years respectively (2021: two years). At the end of the lease term, lease liabilities were effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group. None of the leases including contingent rentals. The effective interest rate on these leases was 4.83% to 4.88% for the year ended 31 March 2022 (2021: 2.25% to 4.97%).

As at 31 March 2021, leases liabilities for plant and machinery are matured and fully paid. The underlying assets were transferred from right-of-use assets to property, plant and equipment (Note 14).

During the year ended 31 March 2022, the total cash outflows for the leases are HK$2,942,000 (2021: HK$5,650,000).

At 31 March 2021, the Group had committed to leases for a warehouse which had not commenced. The total future cash outflows for leases that had not yet commenced were HK$583,000 under within one year and HK$636,000 in the second to fifth years and totally at HK$1,219,000.

22. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% in Hong Kong.

The movement in deferred tax liabilities and recognised in the consolidated statement of the financial position during the years ended 31 March 2022 and 2021 are as follows:

	Accelerated tax depreciation HK$'000
As at 1 April 2020	3,690
Charged to profit or loss (Note 9)	734
As at 31 March 2021 and 1 April 2021	**4,424**
Charged to profit or loss (Note 9)	**(283)**
As at 31 March 2022	**4,141**

As at 31 March 2022, the unrecognised temporary differences on tax losses are HK$77,519,000 (2021: HK$85,976,000).

23. SHARE CAPITAL

	2022 Number of shares	2022 HK$'000	2021 Number of shares	2021 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
As at 31 March	**4,000,000,000**	**40,000**	4,000,000,000	40,000
Issued and Fully paid:				
Ordinary share of HK$0.01 each				
As at 31 March	**1,200,000,000**	**12,000**	1,200,000,000	12,000

24. RESERVES

(a) Share premium

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

(b) Capital reserve

Capital reserve represents the aggregate of the paid up share capital of the subsidiaries comprising the Group arising from the reorganisation for the purpose of listing of the Company's shares on the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary		–*	–*
Current assets			
Prepayments and other receivables		304	356
Amounts due from subsidiaries		55,574	58,190
Cash and bank balances		195	97
		56,073	58,643
Current liabilities			
Accruals		829	710
Net current assets		55,244	57,933
Net assets		55,244	57,933
EQUITY			
Share capital	23	12,000	12,000
Reserves		43,244	45,933
Total equity		55,244	57,933

* The balance represented an amount less than HK$1,000.

Chan Siu Cheong
Director

Sin Ka Pong
Director

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement of the Company's reserves are as follows:

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2020	77,625	(28,598)	49,027
Loss and total comprehensive expenses for the year	–	(3,094)	(3,094)
Balance at 31 March 2021 and 1 April 2021	77,625	(31,692)	45,933
Loss and total comprehensive expenses for the year	–	(2,689)	(2,689)
Balance at 31 March 2022	77,625	(34,381)	43,244

As at 31 March 2022, the distributable reserves of the Company amounting to HK$43,244,000 (2021: HK$45,933,000).

26. CAPITAL COMMITMENTS

	2022 HK$'000	2021 HK$'000
Contracted but not provided for:		
– Property, plant and equipment	–	573

27. RELATED PARTY TRANSACTIONS

In addition to the balances and transactions detailed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the years ended 31 March 2022 and 2021.

(a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the years ended 31 March 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, fee and allowances	3,755	4,222
Discretionary bonuses	530	130
Retirement benefit scheme contributions	54	75
	4,339	4,427

27. RELATED PARTY TRANSACTIONS (Continued)

(b) Material related party transactions

Name of related party	Nature	2022 HK$'000	2021 HK$'000
Kam Lung Transport Co. (Note (a))	Transportation expense for construction wastes disposal	–	5,786
Ms. Chan Sze Nga (Note (b))	Salary and allowances	1,102	910
Ms. Chan Mei Po (Note (c))	Salary and allowances	715	585
Mr. Tsang Ue Sum (Note (d))	Salary and allowances	364	364
Ms. Chan Mei Lei (Note (e))	Salary and allowances	388	353

Notes:

(a) Kam Lung Transport Co. is a sole proprietorship established by Mr. Tsang Leung Lung, who is also the brother-in-law of Mr. Chan. As at 31 March 2022, the framework transportation agreement expired and no related party transactions constitute continuing connected transactions under the Listing Rules. As at 31 March 2021, these related party transactions constitute continuing connected transactions under the Listing Rules.

(b) Ms. Chan Sze Nga is the daughter of Mr. Chan and the niece of Mr. Tsang Leung Lung.

(c) Ms. Chan Mei Po is the niece of Mr. Chan.

(d) Mr. Tsang Ue Sum is the nephew of Mr. Chan and the son of Mr. Tsang Leung Lung.

(e) Ms. Chan Mei Lei is the niece of Mr. Chan.

28. CONTINGENT LIABILITIES

As at 31 March 2022 and 2021, the Group has been involved in a number of claims, litigations and potential claims against the Group, as a subcontractor, in relation to work-related injuries and non-compliances. The potential claims and litigations against the Group are insured by main contractor's insurance policy. The directors are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made as at 31 March 2022 and 2021 and during the years ended 31 March 2022 and 2021.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliations of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities are as follows:

	Bank borrowings HK$'000	Lease liabilities HK$'000	Amount due to a director HK$'000	Total HK$'000
As at 1 April 2021	**33,671**	**1,131**	**–**	**34,802**
Cash-flows:				
Proceeds	**4,000**	**–**	**8,632**	**12,632**
Repayment	**(37,671)**	**–**	**–**	**(37,671)**
Capital element of lease rentals paid	**–**	**(1,916)**	**–**	**(1,916)**
Interest element of lease rentals paid	**–**	**(126)**	**–**	**(126)**
Non-cash:				
Settlement by a director (Note 29(b)(iii))	**–**	**–**	**31,000**	**31,000**
Lease modification	**–**	**1,367**	**–**	**1,367**
Entering into new leases (Note 29(b)(i))	**–**	**2,812**	**–**	**2,812**
Interest expenses	**–**	**126**	**–**	**126**
As at 31 March 2022	**–**	**3,394**	**39,632**	**43,026**
As at 1 April 2020	40,453	5,269	–	45,722
Cash-flows:				
Repayment	(75,282)	–	–	(75,282)
Proceeds	68,500	–	–	68,500
Capital element of lease rentals paid	–	(5,277)	–	(5,277)
Interest element of lease rentals paid	–	(152)	–	(152)
Non-cash:				
Entering into new leases (Note 29(b)(i))	–	1,139	–	1,139
Interest expenses	–	152	–	152
As at 31 March 2021	33,671	1,131	–	34,802

(b) Non-cash transactions

During the year ended 31 March 2022:

(i) the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$2,812,000 (2021: HK$1,139,000) was recognised.

(ii) the proceeds from disposal of property, plant and equipment have been net-off with other payables at HK$2,670,000 as the plant and machineries were returned to the machinery vendor.

(iii) deposits paid by a customer amounting HK$31,000,000 was settled by the director on behalf of the Group.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

30.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities:

	2022 HK$'000	2021 HK$'000
Financial assets		
At amortised cost:		
– Trade and other receivables	28,296	21,363
– Cash and bank balances	11,881	8,527
	40,177	29,890

	2022 HK$'000	2021 HK$'000
Financial liabilities		
At amortised costs:		
– Trade and other payables	91,155	81,669
– Amount due to a director	39,632	–
– Bank overdrafts	–	1,061
– Bank borrowings	–	33,671
– Lease liabilities	3,394	1,131
	134,181	117,532

30.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings and bank overdrafts and lease liabilities bearing variables rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The change in interest rate will affect the net profit of the Group. As at 31 March 2022, it is estimated that if there was a decrease/increase of 1% (2021: 1%) in interest rate, with all other variable remaining constant, the Group's consolidated equity and profit after tax would have increased/decreased by approximately HK$Nil (2021: HK$290,000). The 1% increase or decrease represents the reasonable possible change in interest rates over the period until the end of next reporting period. The sensitivity analysis was performed on the same basis for the year ended 31 March 2021.

The exposure to interest rate risk for the Group bank balances is considered immaterial.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group's maximum exposure to credit risk is limited to the carrying amounts of the financial assets at each reporting date as detailed in Note 30.1.

At 31 March 2022, the Group has concentration of credit risk as 1% and 90% (2021: 0% and 85%) of the total trade receivables were due from the Group's largest customer and five largest customers respectively. At 31 March 2022, the aggregate gross amounts of trade receivables from the Group's largest customer and five largest customers amounted to HK$155,000 and HK$13,157,000 respectively (2021: HK$Nil and HK$3,319,000 respectively). The Group does not hold any collateral from its debtors.

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable and contract asset balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

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 each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Internal credit rating, actual or expected significant adverse changes in regulatory, business, financial, economic conditions or technological environment 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 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 are indicators to be incorporated.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables and contract assets.

To measure the ECL of trade receivables and contract assets, individual credit evaluation on significant customers is performed by management. These evaluation focused on the customer payment history and current and future ability for payment taking into account the information specific to the customer as well as pertaining to the current and future general economic environment in which the customer operated.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.3 Credit risk (CONTINUED)

(i) ***Trade receivables and contract assets*** (CONTINUED)

For those not subject to individual credit evaluation or those that have been individually assessed as not impaired, management collectively assessed the ECL taking into account the ageing analysis and historical observed default rates over the expected life of the debtors in respect of those groups of customers. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers and debtors to settle the receivables (including the change in the economic environment arising from COVID-19).

In addition, the Group assesses ECL under HKFRS 9 on trade receivables collectively based on the analysis of credit risk with customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. ECL rate of 0.1% (2021: Nil) applied for balances due less than one year, with loss allowance amounting to HK$11,000 (2021: HK$ Nil) at 31 March 2022. ECL rate of 3.7% (2021: Nil) applied for balances due over one year but within two years, with loss allowance amounting to HK$22,000 (2021: HK$Nil) at 31 March 2022. ECL rate of 58.2% (2021: 57.2%) applied for balance due over two years, will loss allowance amounting to HK$509,000 (2021: HK$787,000) at 31 March 2022.

Contract assets are related to unbilled revenue and retention receivables which have substantially the same risk characteristics as the trade receivables for the same type of contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Contract assets are assessed for ECL which are based on customers which share common risk characteristics, with ECL rate of 3.99% (2021: 3.87%) applied for and loss allowance amounting to HK$5,629,000 (2021: HK$5,397,000) at 31 March 2022. Contract assets are also assessed for ECL which are based on customers individually adjusted for factors specific to the debtors relating to the latest negotiation with the debtors, historical credit loss experience versus the expected collectability of the debtors, and poor economic environment and outlook due to the outbreak of COVID-19 as at 31 March 2022, and loss allowance amount to HK$3,000 (2021: HK$3,000) for the year.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.3 Credit risk (CONTINUED)

(i) ***Trade receivables and contract assets*** (CONTINUED)

ECL allowance of trade receivables

As at 31 March 2022 and 2021, the credit loss allowance of trade receivables is as follow:

	Less than 1 year	1 year to 2 years	Over 2 years	Total
31 March 2022				
Collectively assessed:				
– ECL rate	0.1%	3.7%	58.2%	–
– Gross carrying amount (HK$'000)	13,157	600	875	14,632
– Loss allowance (HK$'000)	(11)	(22)	(509)	(542)
	13,146	578	366	14,090

	Less than 1 year	1 year to 2 years	Over 2 years	Total
31 March 2021				
Collectively assessed:				
– ECL rate	–	–	57.2%	–
– Gross carrying amount (HK$'000)	2,544	–	1,375	3,919
– Loss allowance (HK$'000)	–	–	(787)	(787)
	2,544	–	588	3,132

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.3 Credit risk (CONTINUED)

(i) *Trade receivables and contract assets* (CONTINUED)

ECL allowance of contract assets

As at 31 March 2022 and 2021, the credit loss allowance of contract assets is as follow:

	Collectively assessed	Individually assessed	Total
31 March 2022			
– ECL rate	3.99%	100%	–
– Gross carrying amount (HK$'000)	140,956	3	140,959
– Loss allowance (HK$'000)	(5,629)	(3)	(5,632)
	135,327	–	135,327

	Collectively assessed	Individually assessed	Total
31 March 2021			
– ECL rate	3.87%	100%	–
– Gross carrying amount (HK$'000)	139,583	3	139,586
– Loss allowance (HK$'000)	(5,397)	(3)	(5,400)
	134,186	–	134,186

(ii) *Other receivables*

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward looking information (including the change in the economic environment arising from COVID-19). The Group assessed that some of other receivables have deteriorated significantly in credit quality since initial recognition after considering the factors as set out in Note 2.6. The ECL assessment of other receivables are based on customers which share common risk characteristics or individually, with ECL rate 2.5% (2021: 2.5%) for stage 1 and 7.4% (2021: 7.5%) for stage 2 applied and loss allowance amounting to HK$665,000 (2021: HK$884,000) at 31 March 2022.

The Group's ECL movement of other receivables are disclosed in Note 15.

(iii) *Cash and bank balances*

Cash and bank balances are placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

30.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, its lease liabilities, amount due to a director, bank borrowings and bank overdrafts, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities at the end of each reporting period. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within one year HK$'000	**Over 1 year but within 5 years** HK$'000	**Total undiscounted cash flow** HK$'000	**Carrying amount** HK$'000
At 31 March 2022				
Trade and other payables	**68,700**	**22,455**	**91,155**	**91,155**
Amount due to a director	**39,632**	**–**	**39,632**	**39,632**
Lease liabilities	**2,314**	**1,222**	**3,536**	**3,394**
	110,646	**23,677**	**134,323**	**134,181**
At 31 March 2021				
Trade and other payables	59,506	22,163	81,669	81,669
Bank overdrafts	1,061	–	1,061	1,061
Bank borrowings (Note (a))	33,671	–	33,671	33,671
Lease liabilities	855	312	1,167	1,131
	95,093	22,475	117,568	117,532

Note:

(a) Bank borrowings with a repayment on demand clause are included in the "On demand or within one year" time band in the above maturity analysis. As at 31 March 2021, the aggregate undiscounted principal amounts of these bank loans amounted to HK$33,671,000. The maturity analysis of the term loans based on agreed scheduled repayments set out in the loan agreements is summarised as follows. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.4 Liquidity risk (CONTINUED)

Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments

	Within one year HK$'000	Over 1 year but within 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 March 2022	–	–	–	–
At 31 March 2021	31,938	342	32,280	33,671

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash.

30.5 Fair value measurement

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values at 31 March 2022 and 2021 due to their short maturities.

31. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. For this purpose gearing ratio is calculated based on total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings include bank borrowings, bank overdrafts, amount due to a director and lease liabilities. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The gearing ratio at the 31 March 2022 and 2021 was as follows:

	2022 HK$'000	2021 HK$'000
Total borrowings		
Bank overdrafts	–	1,061
Bank borrowings	–	33,671
Amount due to a director	39,632	–
Lease liabilities	3,394	1,131
	43,026	35,863
Total equity	80,788	77,832
Gearing ratio	53.3%	46.1%

32. INTERESTS IN SUBSIDIARIES

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

Name of Company	Place of incorporation	Date of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest		Principal activities
				2022	2021	
Directly held by the Company						
Affluent Century Investments Limited ("Affluent Century")	The BVI	16 March 2017	1 ordinary share	100%	100%	Investment holding
Indirectly held by the Company						
Art Ventures Worldwide Limited ("Art Ventures")	The BVI	20 March 2017	2 ordinary shares	100%	100%	Investment holding
Luxury Golden Worldwide Limited ("Luxury Golden")	The BVI	20 March 2017	2 ordinary shares	100%	100%	Investment holding
Hong Chang Construction Foundations (Holdings) Limited ("HCC Foundations")	Hong Kong	14 April 2009	1,000 ordinary shares	100%	100%	Undertaking foundation works in Hong Kong
Hong Chang Construction Transportation Engineering Company Limited ("HCC Transportation")	Hong Kong	15 October 1996	100,000 ordinary shares	100%	100%	Provision of equipment rental in Hong Kong

FINANCIAL SUMMARY

	For the year ended 31 March				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Results					
Revenue	**511,568**	446,846	213,121	400,056	367,220
Direct costs	**(492,696)**	(437,990)	(197,088)	(442,444)	(326,487)
Gross profit/(loss)	**18,872**	8,856	16,033	(42,388)	40,733
Other income	**5,836**	5,526	3,369	6,174	7,132
Administrative expenses	**(21,823)**	(21,635)	(24,495)	(28,751)	(25,496)
Reversal/(Provision) of expected credit loss, net	**232**	10,505	(15,849)	(1,727)	–
Finance costs	**(444)**	(1,866)	(1,972)	(1,106)	(746)
Profit/(Loss) before income tax	**2,673**	1,386	(22,914)	(67,798)	21,623
Income tax credit/(expense)	**283**	(734)	(2,832)	(485)	(5,574)
Profit/(Loss) and total comprehensive income/(expenses) for the year attributable to equity holders of the Company	**2,956**	652	(25,746)	(68,283)	16,049
Earnings/(Loss) per share attributable to equity holders of the Company Basic and diluted (HK cents)	**0.25**	0.05	(2.15)	(5.97)	1.78

	As at 31 March				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Assets and Liabilities					
Current assets	**188,731**	166,853	155,135	172,106	166,012
Non-current assets	**34,059**	35,115	30,656	23,332	19,128
Current liabilities	**136,668**	119,404	103,180	86,513	100,017
Non-current liabilities	**5,334**	4,732	5,431	5,999	3,539
Total equity	**80,788**	77,832	77,180	102,926	81,584

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