御佳控股有限公司

Royal Deluxe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3789

Annual Report 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

BOARD COMMITTEES

Audit Committee

Mr. Kwong Ping Man *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Sio Kam Seng

Remuneration Committee

Mr. Lai Ah Ming Leon *(Chairman)*
Mr. Kwong Ping Man
Mr. Sio Kam Seng
Mr. Wang Kei Ming

Nomination Committee

Mr. Sio Kam Seng *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Wang Kei Ming

Environmental, Social and Governance Committee

Mr. Kwong Ping Man *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Sio Kam Seng
Mr. Wang Kei Ming
Mr. Wang Yu Hin

RISK COMMITTEE

Mr. Lai Ah Ming Leon *(Chairman)* (appointed on 23 March 2022)
Mr. Wang Yu Hin (appointed on 23 March 2022)
Mr. Sio Kam Seng (appointed on 23 March 2022)
Mr. Kwong Ping Man (appointed on 23 March 2022)

COMPANY SECRETARY

Ms. Yim Sau Ping *(FCPA)*

AUTHORISED REPRESENTATIVES

Mr. Wang Kei Ming
Ms. Yim Sau Ping *(FCPA)*

COMPLIANCE ADVISER

Frontpage Capital Limited
26th Floor, Siu On Centre,
188 Lockhart Road,
Wanchai, Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
31st Floor, Gloucester Tower,
The Landmark,
11 Pedder Street,
Central, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Units 4101-04, 41st Floor,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Level 54, Hopewell Centre,
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Hong Kong

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10 Shing Yip Street,
Kwun Tong, Kowloon,
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited

STOCK CODE

3789

WEBSITE

www.royal-deluxe.com

CHAIRMAN'S STATEMENT

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

RESULTS

The novel coronavirus (the "**COVID-19**") pandemic has repeated several rounds during the Financial Year 2022. The Group's revenue decreased by approximately 45.9% to approximately HK$470.4 million for the Financial Year 2022 from approximately HK$870.2 million for the year ended 31 March 2021 (the "**Financial Year 2021**"). Despite a decrease of revenue, the Group reported a gross profit increased by approximately 5.4% to approximately HK$69.7 million for the Financial Year 2022 from approximately HK$66.1 million for the Financial Year 2021.

DIVIDEND

The Board does not recommend the payment of any final dividend for the Financial Year 2022 (Financial Year 2021: Nil).

REVIEW OF OPERATIONS

The 5th wave's outbreak of the Omicron variant that has severely disrupted normal daily activities, further dealing a heavy blow upon the economy. Despite the rollout of mass vaccination programmes in Hong Kong, an end to the Pandemic crisis is far from assured. A 'new normal' has emerged that the construction industry will not be the same when the COVID-19 pandemic is over. Two years after the outbreak of the COVID-19 epidemic, although it is still not over, the Group has grasped some positive experiences such as fully implement compulsory testing and precautionary measures, re-organization of work plans, storing bulk materials on-site and increase using modular construction technologies (for example – Ming Tai Smart Tableform System) in the Group's construction sites.

The Group's major subcontract for formwork and concrete works at Third Runway Concourse Foundation and Substructure works at Hong Kong International Airport ("**HKIA**") has been relaunched, and has since been progressing as scheduled and targets to complete the construction in 2024.

In Financial Year 2022, the Group secured new contracts with a total contract value of approximately HK$151.5 million (31 March 2021: approximately HK$791.1 million), a decrease of approximately 80.6%. As at 31 March 2022, the value of projects on hand was approximately HK$789.5 million (31 March 2021: approximately HK$861.5 million), a decrease of approximately 8.4%. With the projects on hand, it is expected that the performance of the subcontract works will remain steady for the coming years.

OUTLOOK

Looking ahead, having lived with the pandemic for almost two years and the advances being made around China and Hong Kong in controlling it, the local economy is expected to recover gradually.

Nevertheless, the construction industry has also been experiencing a tight labor market and is still subject to various challenges, like looming global interest rate hikes and the persisting Sino-U.S. tensions that may cause further volatility and uncertainty in the market and the Group will take necessary measures to address the impact arising therefrom.

CHAIRMAN'S STATEMENT

In the face of these challenges, the Group will monitor the market closely with a view to identify opportunities to grow and diversify and will continue to apply innovative on-site construction methods and technological advances to operations to strengthen our business foundation and to drive efficiency. Meanwhile, the Group will continue to make efforts to improve on safety, cost control and quality through implementation of good control measures and corporate governance as part of our risk management policy and procedures. The Group will adopt a prudent approach when bidding on upcoming contracts in order to ensure the formwork subcontracting businesses maintain a reasonable gross profit margin and continue to create value for our shareholders.

The Group remains positive that the HKSAR Government's land and housing policies and its proposed infrastructure works, such as the Northern Metropolis Development Strategy, will continue to provide sustainable growth opportunities for the construction market in the long term.

APPRECIATION

In closing, on behalf of the Board, I would like to thank our colleagues for their dedication and contributions and express my sincere gratitude to the customers, business partners, Shareholders and the Board for their unwavering trust and relentless support.

Royal Deluxe Holdings Limited
Wang Kei Ming
Chairman and Executive Director

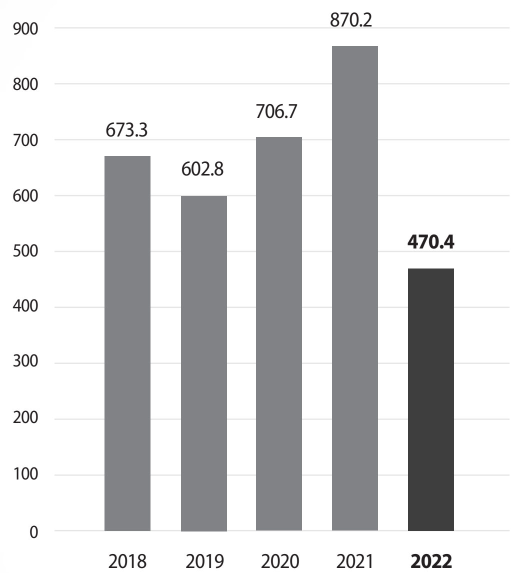
Hong Kong, 24 June 2022

FINANCIAL HIGHLIGHTS

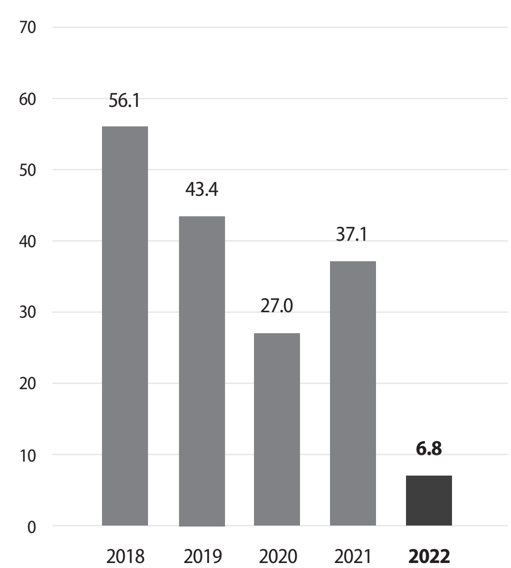
For the year ended 31 March	2022	2021	Change %
Financial Highlights (HK$' million)			
Revenue	**470.4**	870.2	(45.9%)
Gross profit	**69.7**	66.1	5.4%
Profit attributable to owners of the Company	**6.8**	37.1	(81.7%)
Financial Ratios			
Gross profit margin	**14.8%**	7.6%	94.7%
Current ratio	**2.6**	2.2	18.2%
Quick ratio	**2.6**	2.2	18.2%
Gearing ratio	**12.2%**	15.5%	(21.3%)
Debt to equity ratio	**N/A**	N/A	N/A
Return on equity	**2.4%**	13.3%	(82.0%)
Return on total assets	**1.6%**	8.3%	(80.7%)
Interest coverage	**9.4 times**	19.9 times	(52.8%)
Earnings per share attributable to owners of the Company (HK cents)			
– Basic and diluted	**0.56**	3.09	(81.9%)

FINANCIAL HIGHLIGHTS

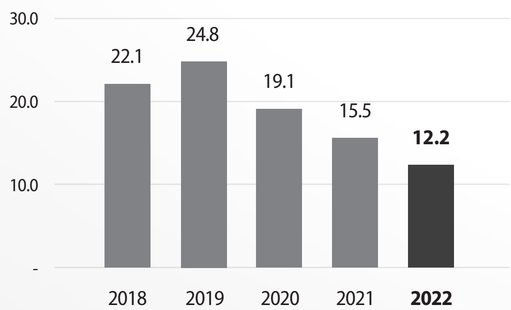
Revenue
HK$'million



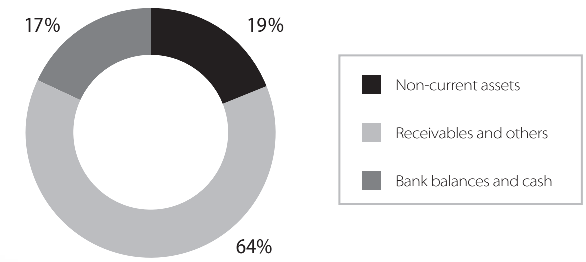
Profit attributable to owners of the Company
HK$'million



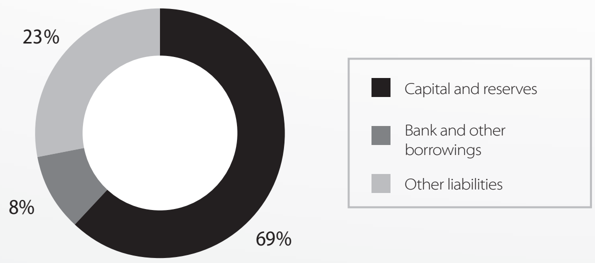
Gearing
Percentage



Asset Employed
At 31 March 2022



Capital and Liabilities
At 31 March 2022



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor specialising in providing formwork works as well as related ancillary services in Hong Kong. In addition, the Group is also specialised in erection of concrete precast component works and scaffolding works on the basis of selected contractors' projects. The Group started its formwork business since 1994 and has accumulated more than 27 years experience in the provision of its services in Hong Kong. The Group actively undertakes large-scale formwork erection projects for building construction and civil engineering works. The direct customers of the Group are main contractors of building construction and civil engineering projects while the ultimate customers are owners of the projects, which include the Hong Kong Government (the "**Government**"), public transport operators, Airport Authority and property developers.

The subsidiary company of the Group has been registered as group 2 Registered Specialist Trade Contractors (the "**RSTCs**") under "S02-Concreting Formwork" and "S05-Erection of Concrete Precast Component" and "S07-Scaffolding" categories with confirmed status and are qualified to tender for the contracts/subcontracts of the designated trades under public works of unlimited value since 1 October 2020.

BUSINESS REVIEW

The outbreak of the COVID-19 pandemic has brought upon unprecedented challenges to the construction industry, and with it, challenges to the Group's business performance during the year. During the year ended 31 March 2022 (the "**Financial Year 2022**"), due to coronavirus restrictions, the logistics of moving goods between Hong Kong and China become increasingly time consuming and expensive, resulting in a significant increase in the cost of key construction materials (such as steel, metal and aluminum profiles).

The fifth wave of the COVID-19 pandemic brought about a fresh wave of challenges. The Group has responded by fully implementing compulsory testing and precautionary measures as well as encouraging all employees and construction site workers to get vaccinated according to the Vaccine Pass requirement since February 2022 to protect the health and safety of our employees against the infection of COVID-19 as well as to ensure on-going projects of the Group were progressing as planned. After Hong Kong's third dose vaccination rate reached 50% in May 2022, the epidemic situation in Hong Kong has stabilised and remained under control. In the meantime, the Government has introduced a new round of the Employment Support Scheme (the "**ESS**") under the Anti-epidemic Fund ("**AEF**"), which enabled the Hong Kong construction industry to become more resilient during the fifth wave pandemic.

The Group's overall revenue for the Financial Year 2022 amounted to approximately HK$470.4 million, representing a decrease of approximately 45.9% or HK$399.8 million as compared with that of approximately HK$870.2 million for the year ended 31 March 2021 (the "**Financial Year 2021**"). For the Financial Year 2022, the Group recorded profit and total comprehensive income of approximately HK$6.8 million as compared to approximately HK$37.1 million for the Financial Year 2021.

The decrease in revenue was primarily attributable to the implementation of preventive measures in our construction sites as a result of the COVID-19 pandemic which negatively affected the efficiency and productivity rate of our ongoing projects. Additionally, the COVID-19 pandemic has continued to pose challenges to the construction of the Third Runway System (the "**3RS**") at Hong Kong International Airport ("**HKIA**"). As a result, the Group's major subcontract for formwork and concrete works at Third Runway Concourse Foundation and Substructure works at HKIA has delayed its commencement for over a year to the fourth quarter of the Financial Year 2022. Notwithstanding these ongoing challenges, the Airport Authority Hong Kong has been maintaining the construction progress of the 3RS, while continuing to implement plans to meet its target to complete the construction of the 3RS in 2024 as planned.

The decrease in profit was primarily attributable to a decrease in other income for the Financial Year 2022 as a result of the absence of non-recurring government subsidies of approximately HK$36.5 million received for the Financial Year 2021 under the ESS and AEF subsidies for employer in the construction sector.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Financial Year 2022, the Group secured ten new contracts with total contract value of approximately HK$151.5 million, representing a decrease of approximately 80.6% compared to that of approximately HK$791.1 million in the Financial Year 2021. Eight of these projects have started contributing revenue to the Group during the Financial Year 2022. As at 31 March 2022, we had a total of ten projects on hand with the estimated total outstanding value of approximately HK$789.5 million for the Financial Year 2022, representing a decrease of approximately 8.4% as compared with approximately HK$861.5 million for the Financial Year 2021. These contracts are expected to be completed in around one to three years.

Year of award/project	Role	Nature of contract	Status
Year 2019-2020			
18102 Skycity Commercial Development, site A3(B3-L1)	Sub-contractor	Formwork	Work-in-progress
Year 2020-2021			
J13788-1089 L2 Lyric Theatre Complex	Sub-contractor	Formwork	Work-in-progress
C40232-1104923 KTIL240, 98 How Ming Street	Sub-contractor	Formwork	Work-in-progress
C2-227 YW20296 Po Shan Road 23	Sub-contractor	Formwork	Substantially completed
C17101 King Lam Street Commercial Development	Sub-contractor	Formwork	Work-in-progress
AA3405-CRBC-SC-008 3rd Runway Concourse at Hong Kong International Airport	Sub-contractor	Formwork and concrete	Work-in-progress
Year 2021-2022			
Improvement works of residential development at TMTL 542	Sub-contractor	Formwork	Work-in-progress
BC01-3rd Runway 3408 Formwork	Sub-contractor	Formwork	Work-in-progress
BC02-3rd Runway 3408 Scaffolding	Sub-contractor	Scaffolding	Work-in-progress
C21104-0036 Tai Wai Station property development project (Tower T1-8)	Sub-contractor	Formwork	In preparation

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$399.8 million, or 45.9%, from approximately HK$870.2 million for the Financial Year 2021 to approximately HK$470.4 million for the Financial Year 2022. Such decrease was primarily due to the outbreak of COVID-19 which led to the delay in the commencement of the Group's major subcontract of 3RS at HKIA.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK$3.6 million, or 5.4%, from approximately HK$66.1 million for the Financial Year 2021 to approximately HK$69.7 million for the Financial Year 2022. The Group's gross profit margin also increased from approximately 7.6% for the Financial Year 2021 to approximately 14.8% for the Financial Year 2022.

Such increase was mainly attributable to certain completed formwork building projects with averagely lower gross profit margins for the Financial Year 2021 when compared with the new projects commenced for the Financial Year 2022.

Administration and other operating expenses

The Group's administration and other operating expenses primarily comprise of staff costs (including Directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses decreased by approximately HK$10.2 million or 13.5%, from approximately HK$75.6 million for the Financial Year 2021 to approximately HK$65.4 million for the Financial Year 2022, primarily due to the decrease in legal and professional fees and Director's remuneration.

Finance costs

The Group's finance costs decreased by approximately HK$0.8 million or 40.1% from approximately HK$2.0 million for the Financial Year 2021 to approximately HK$1.2 million for the Financial Year 2022, primarily due to the decrease in average amount of bank and other borrowings.

Income tax expense

The Group's income tax expense increased by approximately HK$2.0 million from approximately HK$1.5 million for the Financial Year 2021 to approximately HK$3.5 million for the Financial Year 2022 primarily due to the non-recurring tax exemption on other income in respect of ESS and AEF subsidies for the Financial Year 2021. The effective tax rate for the Financial Year 2022 was approximately 34.0% compared to that of approximately 4.0% for the Financial Year 2021.

Profit and total comprehensive income for the year attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased by approximately HK$30.3 million or 81.7% from approximately HK$37.1 million for the Financial Year 2021 to approximately HK$6.8 million for the Financial Year 2022. The net profit margin also decreased by approximately 2.9% from approximately 4.3% for the Financial Year 2021 to approximately 1.4% for the Financial Year 2022.

Such decrease was primarily attributable to a decrease in other income for the Financial Year 2022 as a result of the absence of non-recurring government subsidies of approximately HK$36.5 million received under the ESS and AEF. If the effect of the ESS and AEF subsidies is excluded, the adjusted net profit margin for the Financial Year 2022 would be 1.4% as compared to 0.1% for the Financial Year 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	2022	2021
Current ratio[1]	**2.6**	2.2
Gearing ratio[2]	**12.2%**	15.5%
Debt to equity ratio[3]	**N/A**	N/A
Interest coverage[4]	**9.4 times**	19.9 times

Notes:

1 Current ratio based on the total current assets divided by the total current liabilities.

2 Gearing ratio based on the total debt (summation of bank borrowings and lease liabilities) divided by total equity and multiplied by 100%.

3 Debt to equity ratio is calculated as total debt (summation of bank borrowings and lease liabilities) less cash and cash equivalents divided by total equity and multiplied by 100%.

4 Interest coverage based on the profit before interest and taxation divided by the total interest expenses incurred.

As at 31 March 2022, the Group's current ratio was approximately 2.6 (31 March 2021: approximately 2.2). Debt to equity ratio figures as at 31 March 2022 and 2021 represented that the Group was in a net cash position. Interest coverage decreased from approximately 19.9 times for the Financial Year 2021 to approximately 9.4 times for the Financial Year 2022, mainly due to the decrease in profit before interest and taxation.

As at 31 March 2022, the Group had total assets of approximately HK$415.7 million (31 March 2021: approximately HK$445.2 million), which is financed by total liabilities of approximately HK$130.3 million (31 March 2021: approximately HK$166.6 million) and total equity of approximately HK$285.4 million (31 March 2021: approximately HK$278.7 million).

As at 31 March 2022, the capital structure of the Group consisted of total equity of approximately HK$285.4 million (31 March 2021: approximately HK$278.7 million) and debts of approximately HK$34.7 million (31 March 2021: approximately HK$43.2 million), which included bank borrowings and lease liabilities.

The Group adopts a prudent approach to cash management. As at 31 March 2022, the Group had bank balance and cash of approximately HK$70.5 million (31 March 2021: approximately HK$85.9 million). Apart from certain debts including bank loans, the Group did not have any material outstanding debts as at 31 March 2022. The Group maintains a variety of credit facilities to meet requirements for working capital. Payment to settle trade payables and wages represented the significant part of the cash outflow of the Group. As of 31 March 2022, the Group has available banking facilities of approximately HK$114.5 million (31 March 2021: approximately HK$108.2 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK$57.0 million (31 March 2021: approximately HK$46.7 million).

Total bank borrowings decreased from approximately HK$42.7 million as at 31 March 2021 to approximately HK$34.5 million as at 31 March 2022 with the maturity profile summarised as follows:

	2022	2021
	HK$'000	HK$'000
Within one year	**20,991**	28,413
In the second year	**816**	803
In the third to fifth year inclusive	**2,562**	2,514
Over five years	**10,144**	11,004
Classified under:		
Current liabilities	**34,513**	42,734
Non-current liabilities	**–**	–

Note: As at 31 March 2022, bank loans balances with maturity that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of approximately HK$13.5 million (31 March 2021: approximately HK$14.3 million) have been classified as current liabilities together with bank loans balances with maturity repayable within one year.

During the Financial Year 2022, the Group had no financial instruments for hedging purpose. As at 31 March 2022, the Group had no fixed-rate bank borrowings (31 March 2021: Nil).

TREASURY POLICY

The Group continues to follow a prudent policy in managing the Group's cash balances and maintain a healthy liquidity position. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. Internally generated cash flow and interest-bearing bank borrowings are the general source of funds to finance the operations of the Group. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

GEARING RATIO

As at 31 March 2022, the gearing ratio is calculated based on the total interest-bearing borrowings and lease liabilities divided by total equity, was approximately 12.2% (31 March 2021: approximately 15.5%). Such decrease was mainly due to the decrease in bank borrowings for financing on-going projects.

The Group's interest-bearing borrowings were primarily used in financing the working capital requirement of its operations, while the lease liabilities was for the lease of premise to support its operations.

CAPITAL EXPENDITURES

The Group generally finances its capital expenditures with internal resources and long-term bank borrowings. During the Financial Year 2022, the Group invested an aggregate of approximately HK$4.2 million (31 March 2021: approximately HK$18.0 million) in the acquisition of machinery and equipment, leasehold improvements, office equipment, furniture and fixtures and motor vehicle.

CAPITAL COMMITMENTS

The Group had no significant capital commitment as at 31 March 2022 (31 March 2021: Nil).

PLEDGE OF ASSETS

As at 31 March 2022, the Group's bank borrowings and general banking facilities were secured by the office premise with an aggregate net carrying value of approximately HK$40.3 million (31 March 2021: approximately HK$41.9 million).

As at 31 March 2022, the Group had pledged to bank an assignment of project proceeds from one construction contract of the Group as security of the Group banking facilities.

As at 31 March 2022, the Group had a restricted time-deposit of approximately HK$3.0 million (31 March 2021: approximately HK$3.0 million) charging to a bank to secure general banking facilities granted to the Group.

As at 31 March 2022, the Group had a deed of charge for unlimited amount securing moneys due in respect of a factoring agreement with a bank for one construction contract.

As at 31 March 2022, the Group had charge over account with certain banks for general banking facilities.

FOREIGN CURRENCY EXPOSURE

The Group's bank borrowings, time deposits and bank balances are principally denominated in Hong Kong dollars.

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in HK$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to United States dollars, the management considers that there is no significant foreign exchange risk with respect to HK$. Therefore, the Group had not employed any financial instrument for hedging. The management monitors the exposure to foreign exchange risks and will consider hedging significant foreign currency exposure should and when appropriate.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Financial Year 2022. Save as disclosed herein, there was no other plan for material investments or capital assets as at 31 March 2022.

CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed "Arbitration" in this annual report, the Group had no material contingent liability as at 31 March 2022 (2021: Nil).

ARBITRATION

As reported in the annual report for the Financial Year 2021 and the interim report for the six months ended 30 September 2021, Ming Tai Construction Engineering Company Limited ("**Ming Tai Construction**"), an indirect wholly-owned subsidiary of the Company (the "**Applicant**"), has submitted two applications for arbitration (the "**Applications**") to the Hong Kong International Arbitration Centre against Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "**Joint Venture**") in year 2019. Pursuant to the Applications, the Applicant initiated an arbitration against the Joint Venture (as the "**Respondent**") in respect of disputes arising from the two subcontracts.

During the Financial Year 2022, as disclosed in the announcement of the Company dated 21 September 2021, the Respondent has filed a defence and counterclaim against the Applicant in September 2021. The Applicant has responded by filing a reply and defence to counterclaim in December 2021 and the Respondent has also filed a reply regarding the counterclaim in January 2022.

The Company noted from its legal advisers that the Applicant has a reasonable chance of proving its case and has an arguable case to defend against the Respondent's counterclaim. Even after setting-off certain counterclaims of the Respondent if they may be successful, the outcome still lies in favour of the Applicant.

As at the date of this annual report, the hearing of the aforementioned arbitration has not yet commenced, thus the effects on the Group cannot be assessed at this moment. Further announcement will be made by the Company in the event of any material development regarding the arbitration if appropriate in due course.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The Directors recognise that employees, customers, suppliers and subcontractors are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees, suppliers and subcontractors and improving the quality of services to the customers.

CUSTOMERS

The Group emphasises its ability to deliver quality work on time to customers. The Directors consider that the Group has established and will be able to continue to maintain a good business relationship with customers and potential customers by delivering "Highquality Work and Flexible Solutions" as well as quality services. Meanwhile, the Group offers "Technical Innovation Processes and Optimized-customer Design" to the customers and the experience operational teams communicate with the customers on a regular basis during the course of subcontracted works to better understand, respond and give feedback, through various channels such as telephone, electronic mails and messages, physical meetings and online conferencing.

SUPPLIERS AND SUBCONTRACTORS

The Group maintains a pre-approved list of suppliers and subcontractors whose admission is subject to the background assessment, including track record, financial conditions, reputation, technical information, pricing and delivery. The Group will only enter into contracts with major suppliers for construction materials and subcontractors on a project-by-project basis without a long-term contract. The quality of the construction materials and the services shall be examined and payments are made according to the contract terms. Nevertheless, the list of suppliers and subcontractors are reviewed and updated from time to time by the Group. The Directors consider that the Group has maintained good business relationships with the suppliers and subcontractors. During the Financial Year 2022, there was no material dispute arising from them causing disruption to the operations of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had 100 full-time employees (31 March 2021: 99 full-time employees). The Group offers a competitive remuneration package that is mainly based on industry practices and individual performance and experience. Remuneration package comprises of salary, a performance-based bonus and Mandatory Provident Fund contributions. Other forms of benefits such as staff medical and training programs are also provided. Employee bonus is distributed based on the performance of the respective employees concerned. Moreover, the Group also provides internal and external training programs which are complementary to certain job functions. The total staff cost included in administration and other operating expenses (including remuneration of Directors and Mandatory Provident Fund contributions) for the Financial Year 2022 amounted to approximately HK$42.7 million (2021: approximately HK$47.5 million).

COVID-19 IMPACT ON OPERATIONS

During the Financial Year 2022, the ongoing COVID-19 pandemic in Hong Kong caused delays in the commencement of the Group's major subcontracts. As demonstrated by the recent outbreak of the Omicron variant, which severely disrupted normal daily activities in Hong Kong, the Group considers the COVID-19 pandemic will continue to pose challenge to the progress of works for the foreseeable future. However, the Group has fully implement compulsory testing and precautionary measures such as vaccination requirements as well as the wide adoption of virtual communication tools in order to minimise the impact of COVID-19 pandemic to the Group. Fortunately, during Financial Year 2022, relatively few employees of the Group were infected and all have since recovered.

ENVIRONMENTAL POLICIES

The Group places emphasis on environmental protection when undertaking its formwork erection works and ancillary services. The Group also respects the environment and is committed to minimising its carbon footprints as a socially responsible enterprise in Hong Kong. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of (CO2) emission. Non-hazardous wastes produced from the Group mainly consist of construction waste such as used timbers, used paper such as office papers and marketing materials. To minimise the impact of carbon footprints on the environment, the Group has been implementing the following practices:

(i) fostering employees' awareness of their responsibilities for the environment and towards complying with environmental legislation and regulations;

(ii) taking into consideration the environmental impacts in project planning and the design of work method statements;

(iii) Use metal moulding and reusable metal tableform to reduce consumption of wood and timbers;

(iv) sorting materials from formwork works for recycling use or disposal, and disposing construction waste at designated dumping areas according to the relevant regulations;

(v) encouraging employees to use both sides of paper;

(vi) reminding employees to practice photocopying wisely;

(vii) separating paper from other waste for easier recycling;

(viii) placing boxes and trays beside photocopiers as containers to collect single-sided paper for reuse purpose; and

(ix) striving to achieve continual improvement of its performance and prevention of pollution.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. Typical commercial offices use more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce its carbon footprint. By adjusting the desired temperature of air conditioning and more natural lighting arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximise efficiency.

The Group also monitors continuously on the compliance with the customer's environmental protection requirements and relevant laws and regulations. During the Financial Year 2022, the Group had not been prosecuted by any governmental authority for any purported breach of any applicable environmental laws and regulations.

SEGMENT INFORMATION

Save as disclosed in note 5 to the consolidated financial statements, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 31 March 2022 and for the Financial Year 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

Uncertain external factors

Despite the construction industry being one of the traditional core industries in Hong Kong, the Group is exposed to market risks and uncertainties of construction industry that may affect the Group included (i) the social, political and economic conditions in Hong Kong; (ii) the approval of the Government's budget and new funding for civil engineering works projects in public sector; (iii) the escalation in purchase price of construction materials or deployment of labour; (iv) the changes in Government policies, trade tensions, financial deterioration; and (v) unanticipated natural disasters.

The Directors have closely monitored works forecast by the Government, the number of new projects to be undertaken by the Housing Authority, tender results of commercial or residential sites so as to adjust the business strategies to participate in projects from public and private sectors. It is the responsibility of the executive Directors to identify and assess the prevailing economic condition and market risks and adopt different strategies from time to time to mitigate market risks. However, the future growth and profitability of the formwork industry largely depends on the continued prosperity of the property market and the construction industry in Hong Kong.

Uncertainty in successful tender

The Group's business relies on successful tenders that determine the award of contracts for formwork erection as well as related ancillary services. Given the non-recurring nature of these contract awards and the Group has no long-term commitment with its customers, the number of contracts awarded to the Group may vary from year to year. Upon completion of its contracts on hand, the Group's financial performance may adversely be affected if the Group is unable to secure new tenders or award new contracts with comparable contract sums or at all. The Formwork industry is highly competitive and the Group is required to build up good reputation and track record, maintain good relationships with customers, suppliers and subcontractors, ensure the availability of machinery and maintain competitive project pricing. If the competition among formwork construction subcontractors intensifies, the Group may be pressured to reduce the quotation, which would have an adverse impact on its financial performance.

Uncertainty in project delay

Any delay in a project would affect the Group's cash position. The Group has regular progress meetings with the main contractors, i.e. its customers, regarding each site's progress. The Group plans the deployment of labour and other resources accordingly. The Group's accounting and finance department also forecasts the works to be done in the forthcoming months in order to plan the liquidity and working capital use and reports to the executive Directors who then considers whether contingency plans are required.

For the Financial Year 2022, the COVID-19 pandemic has delayed the commencement of the Group's major subcontract for formwork and concrete works at Third Runway Concourse Foundation and Substructure works at HKIA for over a year to the fourth quarter of the Financial Year 2022.

Sustainable labour supply

The labour shortage and ageing problem have taken root in the construction industry for a number of years and the Group has leveraged on maintaining good relationships with its on-site and off-site employees and subcontractors. The Group has a list of approved subcontractors which the Group has reviewed and updated regularly to ensure they have maintained sufficient work force. The project team has regular meetings to discuss the deployment of labour, including the timing and number of workers required. The Group conducts early planning in the formwork design stage and recommends system formwork where possible since the assembling of system formwork demands less workmanship as compared to timber formwork and hence is less costly and requires less experienced workers, which in turn is expected to have a greater labour supply.

A recovery in economic activity should enable the Government to expand fiscal expenditure on major infrastructure projects, supporting industry growth. Accordingly, the workforce demand for the construction industry is forecasted to rise, however the supply of formwork workers will not increase dramatically shortly thereafter, which may drive up wages in coming years.

FUTURE PROSPECTS

Over the past two years, the COVID-19 pandemic has negatively affected the Hong Kong economy and the Group's projects completion schedules. Looking ahead, the Government has shifted its focus from mitigating the impact of the COVID-19 pandemic to restructuring the economy and continuing to provide support to both businesses, employees and citizens. The Hong Kong 2022-23 Budget (2022-23 Budget) includes substantial government spending plans to boost the economy and investments for the future. At present, COVID-19 vaccinations remain readily available in Hong Kong. As the COVID-19 pandemic is gradually controlled and economic activities are revived, the Group expects that its projects progress will ramp up and performance will be recovered steadily after.

The Group remains cautious on the impact of interest rate hikes and the persisting Sino-U.S. tensions that may cause further volatility and uncertainty in the construction industry. Looking ahead, the business environment will remain challenging due to the uncertainty of the private properties market and continued intense competition for new project tenders.

The Group remains optimistic in the Government's land and housing policies and its continuing commitment to investment in infrastructure, such as the Northern Metropolis Development Strategy, will provide sustainable growth opportunities for the construction market for the long term. The management believes that the Hong Kong construction segment can seize these opportunities to enhance the profitability and business growth in the long run.

In view of the aforesaid, the Group will continue to apply innovative and cost and time-effective construction methods and technologies to our operations to strengthen our business foundation and to drive efficiency. The Group has accumulated ample experience and know-how, in order to maintain the competitiveness edge, such as safety, cost control and quality. The Group will continue to uphold a prudent and pragmatic business approach, so as to proactively seek opportunities to expand the Group's market share and customer base as well as expand its businesses into different areas which will enhance value to the shareholders of the Company.

EVENT AFTER THE REPORTING PERIOD

On 3 May 2022, the Group renewed the agreement between the Company and Genuine Treasure Construction Material Limited ("**GT Material**") for a fixed term from 3 May 2022 to 31 March 2025 (the "**GTM Framework Agreement**"), pursuant to which GT Material agreed to provide and transport construction materials for the Group from time to time upon the Group's request. The Group also renewed the agreement between the Company and Genuine Treasure Access and Scaffolding Limited ("**GT Scaffolding**") for a fixed term from 3 May 2022 to 31 March 2025 (the "**GTS Framework Agreement**"), pursuant to which GT Scaffolding agreed to provide rental of metal scaffolds, supporting equipment, technical support and transport services to the Group from time to time upon the Group's request.

As the highest of the applicable percentage ratios (as defined under the Listing Rules) for the proposed annual caps under the GTM Framework Agreement and the GTS Framework Agreement exceeds 5%, the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting will be convened and held on 27 July 2022 for, among other things, the independent shareholders of the Company to consider and, if thought fit, to approve the GTM Framework Agreement, the GTS Framework Agreement and the transactions contemplated thereunder.

Save as disclosed in this annual report, there is no other important event affecting the Group since 31 March 2022 and up to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Kei Ming (王麒銘)

Mr. Wang Kei Ming ("**Mr. Joseph Wang**"), aged 60, is the chairman of the Board (the "**Chairman**"), an executive Director and a controlling shareholder of the Company (the "**Controlling Shareholder**"). Mr. Joseph Wang is responsible for the overall strategic management and development of the Group's business operations. Mr. Joseph Wang founded the Group in March 1994. He was appointed as director on 12 April 2016 and re-designated as an executive Director, the Chairman and chief executive officer of the Company (the "**Chief Executive Officer**") on 18 July 2016. He resigned as the Chief Executive Officer on 18 January 2018. Mr. Joseph Wang is also a member of each of the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the Environmental Social and Governance Committee (the "**ESG Committee**") of the Company. Mr. Joseph Wang was appointed as the director of Ming Tai Civil Engineering Company Limited on 28 March 1994 and the director of Ming Tai Construction on 3 May 1999. Mr. Joseph Wang is a director of all other subsidiaries of the Group.

Mr. Joseph Wang has over 44 years of experience in the formwork construction industry, having entered the construction industry as a formwork construction apprentice in 1978. From 1981 to 1993, he continued to gather extensive knowledge and expertise in formwork construction industry by participating in different construction projects. Mr. Joseph Wang then established Ming Tai Civil Engineering Company Limited in March 1994 and expanded his business by establishing Ming Tai Construction and Genuine Treasure Construction Technology Company Limited over the years. Mr. Joseph Wang was the vice president of the Hong Kong Formwork Contractors Association Limited (香港模板商會有限公司) from March 2011 to May 2015 and has been its president since May 2015. Mr. Joseph Wang has been the founding member of the Registered Specialist Trade Contractors Federation (註冊專門行業承造商聯會) and acts as its executive vice president and treasurer since March 2020. Mr. Joseph Wang has been appointed a member of the Committee on Construction Safety of the Construction Industry Council from April 2022 to January 2024 and the Construction Industry Council Approved Technical Talents Training Programme (CICATP) – Intermediate Tradesman Collaboration Training Scheme since August 2019. Mr. Joseph Wang has also been the founding member, executive director and treasurer of Construction Charity Fund Integrated Service Centre Limited, which is a tax-exempt charity in Hong Kong, since September 2021.

Mr. Joseph Wang is the spouse of Ms. Chao Lai Heng, the Chief Executive Officer and a Controlling Shareholder, and the father of Mr. Wang Yu Hin, an executive Director.

Mr. Wang Yu Hin (王宇軒)

Mr. Wang Yu Hin ("**Mr. Benjamin Wang**"), aged 36, is an executive Director. Mr. Benjamin Wang is responsible for overseeing the Group's operation, business development, human resources, and finance and administration. Mr. Benjamin Wang was appointed as an executive Director on 18 July 2016. Mr. Benjamin Wang is also a member of each of the ESG Committee and the risk committee of the Company (the "**Risk Committee**").

Mr. Benjamin Wang graduated with a Bachelor of Science with a major in Chemistry from the University of California, Los Angeles, in September 2006. Mr. Benjamin Wang continued to pursue his postgraduate education in biochemical science in the United States from October 2006 to late 2010. Mr. Benjamin Wang also completed an advanced workshop for general managers (總經理高級研修班) at the Tsinghua University Training Centre of Professional Managers (清華大學職業經理訓練中心) in July 2015. He had worked in Osstem Hong Kong Limited from May 2011 to September 2014 with his last position as assistant sales manager. He then joined Ming Tai Construction as personal assistant to the director in September 2014 and was subsequently promoted to cost controller in January 2016. Mr. Benjamin Wang obtained a Certificate in Safety and Health for Supervisors (Construction) from the Occupational Safety and Health Council in August 2014. Mr. Benjamin Wang is appointed as Deputy Secretary of the Hong Kong Construction Sub-Contractors Association since July 2018. Mr. Benjamin Wang graduated from the EMBA-Global Asia programme offered by HKU Business School, Columbia Business School and London Business School in June 2019. Mr. Benjamin Wang joined Registered Specialist Trade Contractors Federation as Secretary of Youth Committee in May 2021.

Mr. Benjamin Wang is the son of Mr. Joseph Wang, the Chairman, an executive Director and a Controlling Shareholder, and the son of Ms. Chao Lai Heng, the Chief Executive Officer and a Controlling Shareholder.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Ah Ming Leon (黎雅明)

Mr. Lai Ah Ming Leon ("**Mr. Lai**"), aged 65, was appointed as an independent non-executive Director on 17 January 2017. He is the chairman of each of the Remuneration Committee and the Risk Committee and a member of each of the audit committee of the Company (the "**Audit Committee**"), the Nomination Committee and the ESG Committee.

Mr. Lai obtained a Bachelor of Laws with Honours from the University of Wales, University College, Cardiff in July 1982 and subsequently completed a Postgraduate Certificate in Laws at the University of Hong Kong in July 1986. Mr. Lai has been a practising solicitor in Hong Kong and a member of the Law Society of Hong Kong since August 1988 and is the sole proprietor of a law firm in Hong Kong. He has also been an advocate and solicitor of the Supreme Court of Singapore since February 1995. He has been an independent non-executive director of Allan International Holdings Limited (stock code: 684) since December 1995.

Mr. Kwong Ping Man (鄺炳文)

Mr. Kwong Ping Man ("**Mr. Kwong**"), aged 57, was appointed as an independent non-executive Director on 17 January 2017. He is the chairman of each of the Audit Committee and the ESG Committee and a member of each of the Nomination Committee, the Remuneration Committee and the Risk Committee.

Mr. Kwong has rich experience in accounting and administration and is currently a director of O'Park Corporate Services Limited. He had previously worked as accountant, company secretary and chief financial officer at various private companies and companies listed on the Main Board of the Stock Exchange.

Mr. Kwong currently is the independent non-executive director of Tang Palace (China) Holdings Limited (stock code: 1181), Rare Earth Magnesium Technology Group Holdings Limited (stock code: 601) and Landrich Holding Limited (stock code: 2132).

Besides, Mr. Kwong had been an independent non-executive director of the following companies until he retired from his office: Dragon King Group Holdings Limited (stock code: 8493) until April 2021, Century Sunshine Group Holdings Limited (stock code: 509) (formerly known as Century Sunshine Ecological Technology Holdings Ltd. (stock code: 8276)) until June 2019, Elegance Optical International Holdings Limited (stock code: 907) until April 2017, Hao Tian International Construction Investment Group Limited (formerly known as Clear Lift Holdings Limited) (stock code: 1341) until March 2017, Yat Sing Holdings Ltd. (stock code: 3708) until March 2016 and China Candy Holdings Limited (stock code: 8182) until February 2016.

Mr. Kwong obtained a bachelor's degree in commerce accounting from Curtin University of Technology in Australia in August 1996, a postgraduate diploma in corporate administration (part-time) from the Hong Kong Polytechnic University in November 1998 and a master's degree in professional accounting from the Hong Kong Polytechnic University in November 2003. He is a member of the Australian Society of Certified Practicing Accountants (now known as CPA Australia), a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (formerly The Institute of Chartered Secretaries & Administrators) respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Sio Kam Seng (蕭錦成)

Mr. Sio Kam Seng ("**Mr. Sio**"), aged 63, was appointed as an independent non-executive Director on 17 January 2018. He is the chairman of the Nomination Committee and the member of each of the Audit Committee, the Remuneration Committee, ESG Committee and the Risk Committee.

Mr. Sio graduated from The Queen's University of Brighton in 2002 with a Bachelor of Science in Construction Engineering and Management. He obtained a Postgraduate Diploma and a master's degree in Business Administration from the University of Wales in 2005 and 2012, respectively. He is currently a member of the Institute of Certified Management Accountants and the Institute of Public Accountants in Australia, the Society of Environmental Engineers, the Chartered Institute of Building, the Hong Kong Institute of Directors, and the Hong Kong Management Association. He is also a fellow member of Life Management Institute, an associate member of the Chartered Institute of Arbitrators and a senior associate member of Australian and New Zealand Institute of Insurance and Finance.

Mr. Sio has over 24 years of experience in the insurance industry. Prior to joining the Group, he worked at HSBC Insurance Company Limited from 1989 to 1992 and his last position was area manager. He then served in Sime Insurance Brokers (HK) Ltd from 1993 to 1995 with his last position as assistant general manager. He then worked at Man Sang Holdings Inc from 1995 to 1997 and his last position was chief executive officer. He served in Howden Insurance Brokers (HK) Limited from 1998 to 2017 and his last position was chief executive officer. He has been a director of China Metro-Rural Holdings Limited since 2009, a company that develops and operates integrated agricultural logistics platforms and engages in rural-urban migration redevelopment in mainland China. He has also been a deputy chief executive officer of Lockton Companies (Hong Kong) Limited since 1 January 2018, a company that provides risk consulting and insurance broking services.

SENIOR MANAGEMENT

Ms. Chao Lai Heng (周麗卿)

Ms. Chao Lai Heng ("**Ms. Chao**"), aged 56, was appointed as the Chief Executive Officer on 18 January 2018. Ms. Chao is a Controlling Shareholder.

Ms. Chao completed the advanced class of excellent leading (卓越領導高級研修班) in August 2013 and class of chairman of strategic emerging industries investment (戰略性新興產業投資董事長高級研修班) in June 2017 at the School of Continuing Education, Tsinghua University. Prior to joining the Company, Ms. Chao worked for Ming Tai Construction, an indirect wholly-owned subsidiary of the Company, in the position of Manager from 1 September 2012 to 31 December 2015, and was a director of Oi Shun Ming Building Construction Limited from 1 September 2006 to 31 August 2012. Ms. Chao has been a director of Chao Feng Holdings Limited since 1 January 2016, a company that manages various types of industrial, business and real estate investment.

Ms. Chao is the spouse of Mr. Joseph Wang, the Chairman, an executive Director and a Controlling Shareholder, and the mother of Mr. Benjamin Wang, an executive Director.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Ho Lam (吳浩霖)

Mr. Ng Ho Lam ("**Mr. Ng**"), aged 46, is the chief operating officer of the Group. Mr. Ng is primarily responsible for the Group's business operations, formulating business strategies and leading the operation team to achieve business goals.

Mr. Ng joined the Group as assistant project manager in March 2010 and was subsequently promoted to project manager in April 2011, senior project manager in September 2013, deputy project director in December 2015 and general manager in April 2018, respectively. He was promoted to his current position in January 2022.

Mr. Ng has over 30 years of experience in the construction industry and has been the registered skilled worker of rigger/metal formwork erector (C341). He started working as a construction worker from 1991 and worked at various construction companies in Hong Kong after completing Form 5 of secondary education. Prior to joining the Group, Mr. Ng worked as a foreman at Shui Wing Engineering Co. Limited from 2000 to 2008 and as a director at Lik Wah Engineering Limited from 2008 to 2010.

Mr. Chan Wing Seng (陳永成)

Mr. Chan Wing Seng ("**Mr. Chan WS**"), aged 55, is the financial controller of the Group. Mr. Chan WS is responsible for overseeing the Group's financial and human resources operations, compliance affairs and strategic management. He joined the Group in May 2013.

Mr. Chan WS has over 30 years of experience in accounting and administration. Prior to joining the Group, Mr. Chan WS worked for Yeebo LCD Limited (stock code: 259), as financial controller from 2005 to 2006. He then worked for Hung Wan Construction Company Limited, as financial controller from 2006 to 2012. During 2012, he worked in Gemdale Properties and Investment Corporation Limited (stock code: 535), as senior manager–finance.

Mr. Chan WS obtained a Certificate in Accountancy from the Tuen Mun Technical Institute in June 1988 and a Higher Certificate in Accountancy and a Post-experience Certificate in Accountancy from the Hong Kong Polytechnic University in November 1991 and October 1995, respectively. He then obtained his Master's degrees of Professional Accounting and Corporate Governance from the Hong Kong Metropolitan University (formerly the Open University of Hong Kong) in June 2004 and June 2009, respectively. Mr. Chan WS has been an accredited accounting technician of the Hong Kong Association of Accounting Technicians since June 1990. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since September 1996 and each of the Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) since November 2009. Mr. Chan WS has also been a fellow member of the Association of Chartered Certified Accountants since June 2001. Furthermore, Mr. Chan WS obtained the Construction Safety Supervisor from the Construction Industry Council since June 2015 and obtained a Certificate in Sustainability Professionals from the University of Hong Kong School of Professional and Continuing Education in September 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Yiu Kwok (陳耀國)

Mr. Chan Yiu Kwok ("**Mr. Chan YK**"), aged 61, is the commercial director of the Group. He joined the Group as commercial director in August 2011. Mr. Chan YK is primarily responsible for overseeing the Group's quantity surveyance, contract disputes and litigations. Mr. Chan YK obtained a Certificate in Building Studies from Morrison Hill Technical Institute of Vocational Training Council Hong Kong in July 1983 and a Higher Certificate in Building Studies from the Hong Kong Polytechnic University in November 1987. He then obtained an Associate Diploma in Engineering (Electrical Engineering) from the Southern Sydney Institute of the New South Wales Technical and Further Education Commission in July 1995, and received his Bachelor of Applied Science in Construction Management and Economics from Curtin University of Technology in Australia in April 2001.

Mr. Chan YK has been a Registered Professional Surveyor in the Quantity Surveying Division of the Surveyors Registration Board of Hong Kong since July 2007. Mr. Chan YK became associate member in Quantity Surveying Division of The Society of Surveying Technicians in 1990 and member each of The Association of Cost Engineers in 2000, The Association for Project Management in 2001, The Australian Institute of Building in 2001, The Chartered Institute of Building in 2002, The Chartered Institution of Civil Engineering Surveyors in 2003 and The Hong Kong Institute of Surveyors in 2005. In 2004, he also became a professional member of The Royal Institution of Chartered Surveyors.

Prior to joining the Group, Mr. Chan YK worked in Nishimatsu Construction Company Limited with his last position as senior quantity surveyor from 1995 to 1998. He then served in Chun Wo Construction & Engineering Company Limited and his last position was assistant quantity surveying manager from 1999 to 2001. From 2001 to 2011, he worked in Maeda Corporation and his last position was quantity surveying manager.

COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏)

Ms. Yim Sau Ping ("**Ms. Yim**"), aged 39, prior to joining the Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), now known as Boill Healthcare Holdings Limited, a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on GEM of the Stock Exchange, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of four companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017 respectively. She has accumulated more than 13 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust and safeguarding interest of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). In the opinion of the Board, the Company has fully complied with the CG Code during the Financial Year 2022.

The key corporate governance practices of the Group are summarised as follows:

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standards of dealing set out in the Model Code and there was no event of non-compliance during the Financial Year 2022.

DIRECTORS' RESPONSIBILITIES AND DELEGATION

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management is delegated power and authority given by the Board for the day-to-day management and operations of the Group. The management is accountable to the Board for the Company's overall operation. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1) To develop and review the policies and practices on corporate governance of the Group and make recommendations;

2) To review and monitor the training and continuous professional development of the Directors and the senior management;

3) To review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4) To develop, review and monitor the code of conduct applicable to the Directors and the employees of the Group; and

5) To review the Company's compliance with the CG Code as set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report of the Company.

BOARD COMPOSITION

The Board currently comprises two executive Directors and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

Biographical details of the Directors are set out in "Biographical Details of Directors and Senior Management" in this annual report.

The current proportion of independent non-executive Director is higher than what is required by Rules 3.10A, 3.10(1) and (2) of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company which has been renewed and is commencing from 8 February 2020. The letters of appointment of Mr. Lai, Mr. Kwong and Mr. Sio have been renewed and are for an initial term of three years commencing from 8 February 2020. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Company's memorandum and articles of association and the applicable Listing Rules.

Pursuant to article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every 3 years. Article 112 of the Company's memorandum and articles of association provides that any Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after their appointment and are subject to re-election by shareholders of the Company. Any Director appointed by the Board, as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr. Lai and Mr. Kwong will retire from office at the forthcoming annual general meeting of the Company to be held on Thursday, 1 September 2022. Each of them, both being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Lai and Mr. Kwong as independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Joseph Wang was the Chairman and Ms. Chao was the Chief Executive Officer during the Financial Year 2022.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as to ensure that the interests of all shareholders of the Company are taken into account. The requirement regarding the representation of independent non-executive Directors is, that there must be more than one-third of the members of the Board with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Financial Year 2022, the Company has provided and all Directors have attended at least one training course on the updates of the Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules.

BOARD COMMITTEES

The Board has established five Board committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee, the ESG Committee and the Risk Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.royal-deluxe.com. All Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expenses.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, carrying out training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. During the Financial Year 2022, the Chairman held at least one meeting with the independent non-executive Directors without the presence of other executive Directors.

Details of all Directors' attendance at Board meetings and Board's committee meetings held during the Financial Year 2022:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	ESG Committee Meeting	Risk Committee Meeting (Note)	Annual General Meeting
	Number of Meetings Attended/Held						
Executive Directors:							
Mr. Wang Kei Ming	4/4	–	1/1	1/1	1/1	–	1/1
Mr. Wang Yu Hin	4/4	–	–	–	1/1	–	1/1
Independent Non-executive Directors:							
Mr. Lai Ah Ming Leon	4/4	2/2	1/1	1/1	1/1	–	1/1
Mr. Kwong Ping Man	4/4	2/2	1/1	1/1	1/1	–	1/1
Mr. Sio Kam Seng	4/4	2/2	1/1	1/1	1/1	–	1/1

Note: The Risk Committee was established on 23 March 2022.

AUDIT COMMITTEE

The Audit Committee was established on 17 January 2017. The chairman of the Audit Committee is Mr. Kwong, the independent non-executive Director, and other members include Mr. Lai and Mr. Sio, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules which mandate that the Audit Committee must comprise a minimum of three members, comprising non-executive Directors only, the majority of the members of the Audit Committee must be independent non-executive Directors and must be chaired by an independent non-executive Director. At least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Financial Year 2022, the Audit Committee held two meetings to (i) review the condensed consolidated financial statements for the six months ended 30 September 2021; (ii) review the reports from the auditors, accounting principles and practices adopted by the Group, management representation letters and management's response in relation to the annual results for the Financial Year 2021; (iii) review the consolidated financial statements for the Financial Year 2021; and (iv) review the Company's internal control procedures and risk management system and recommend the same to the Board for approval.

The Group's consolidated financial statements for the Financial Year 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Financial Year 2022 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 17 January 2017. The chairman of the Remuneration Committee is Mr. Lai, the independent non-executive Director, and other members include Mr. Joseph Wang, the Chairman and the executive Director, Mr. Kwong and Mr. Sio, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The principle role and functions of the Remuneration Committee are to review the remuneration packages of individual executive Directors and key executives, including salaries, bonuses, benefits in kind and the terms of which they participate in any share options and other plans considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration and making recommendations to the Board from time to time. The Remuneration Committee held one meeting to review the remuneration packages and remunerations of Directors and senior management and considered that they are fair and reasonable for the Financial Year 2022. No Director or any of his associates is involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 17 January 2017. The chairman of the Nomination Committee is Mr. Sio, the independent non-executive Director, and other members include Mr. Joseph Wang, the Chairman and the executive Director, Mr. Lai and Mr. Kwong, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and the Company's website.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, the independence of independent non-executive Directors and making recommendations to the Board on appointment or re-appointment of Director. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

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

During the Financial Year 2022, the Nomination Committee held one meeting to review and recommend the re-election of Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The ESG Committee was established on 31 March 2020. The chairman of ESG Committee is Mr. Kwong, the independent non-executive Director, and other members include Mr. Joseph Wang, the Chairman and the executive Director, Mr. Benjamin Wang, the executive Director, Mr. Lai and Mr. Sio, the independent non-executive Directors. The written terms of reference of the ESG Committee are posted on the Stock Exchange's website and the Company's website.

The ESG Committee is responsible for reviewing the Company's environmental, social and governance policies and practices and monitoring the implementation of the same. Two subcommittees, the ESG Working Group (the "**ESGWG**") and the Corporate Safety, Health and Environmental Committee (the "**CSHEC**"), are delegated by the ESG Committee in order to ensure sufficient Board oversight of and input into ESG management strategy. The ESGWG monitors material ESG aspects within the operations, while the CSHEC is specific established for the corporate safety, health and environmental policies operations.

During the Financial Year 2022, the ESG Committee held one meeting to review ESG report for the Financial Year 2021.

RISK COMMITTEE

The Risk Committee was established on 23 March 2022. The chairman of the Risk Committee is Mr. Lai, the independent non-executive Director, and other members include Mr. Benjamin Wang, the executive Director, Mr. Sio and Mr. Kwong, the independent non-executive Directors. The written terms of reference of the Risk Committee are posted on the Stock Exchange's website and the Company's website.

The Risk Committee is responsible for monitoring and overseeing the risk policies and strategies of the Group, and also support the Board in overseeing the management of climate risks and providing directions to address the impact of climate change and consider climate-related risks and opportunities in a holistic manner.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Yim as its Company Secretary. Ms. Yim possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Joseph Wang, the Chairman and an executive Director, is the primary contact person for Ms. Yim.

For the Financial Year 2022, Ms. Yim undertook no less than 15 hours of relevant professional training to develop her skills and knowledge. The biographical details of Ms. Yim is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

BOARD DIVERSITY POLICY

The Board adopted a Board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider Board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of this Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. This also ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximize shareholders' value.

Re-election of Director at General Meeting

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the Criteria including but not limited to:

(a) the overall contribution and service to the Company of the retiring Director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and

(b) whether the retiring Director(s) continue(s) to satisfy the Criteria.

The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the corporate governance report, on the composition of the Board, and launch a formal process to monitor the implementation of the Nomination Policy as appropriate.

Review of Nomination Policy

The Nomination Committee will launch a formal process to review the Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Disclosure of Nomination Policy

A summary of the Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report.

In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment are performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and the management of the Company for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the Financial Year 2022 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the Financial Year 2022 as required under code provision D.2.5 of CG Code. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the financial statements audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Risk Committee, which was delegated by the Board, will review the effectiveness of the Group's risk management system. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

AUDITORS' REMUNERATION

During the Financial Year 2022, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audit and non-audit services were as follows:

Services rendered	**Remuneration paid/payable HK$'000**
Audit services	
– Statutory audit services	822
Non-audit services	
– Assisting in reviewing the disclosure of interim financial report	180
	1,002

SHAREHOLDERS' RIGHT

One of the measures to safeguard shareholders' interest and rights is to separate resolutions proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and the Company after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 64 of the Company's memorandum and articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- defines the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguards the confidentiality of the inside information before it is properly disclosed to public; and

- communicates with the Group's stakeholders, including shareholders, investors, analysts, etc. in accordance with procedures which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with its shareholders as follows:

(i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.royal-deluxe.com;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company continues to promote investor relations and enhance communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the Financial Year 2022, there was no change in the Company's memorandum and articles of association.

DIRECTORS' REPORT

The Board hereby presents the annual report together with the audited consolidated financial statements of the Group for the Financial Year 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong. The details of the principal activities of the subsidiaries are set out in note 33 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Financial Year 2022.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 April 2016. Its registered office and principal place of business are at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22/F., T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Pursuant to the Dividend Policy, the declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the memorandum and articles of association of the Company. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and this Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year 2022 and the state of affairs of the Company and the Group as at 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income, note 34 to the consolidated financial statements and the consolidated statement of financial position in this annual report respectively.

The Board does not recommend the payment of any final dividend in respect of the Financial Year 2022 (Financial Year 2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 1 September 2022 (the "**2022 AGM**"). To determine the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 29 August 2022 to Thursday, 1 September 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2022 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from Monday, 15 August 2022), for registration not later than 4:30 p.m. on Friday, 26 August 2022.

BUSINESS REVIEW

The review of the Group's business for the Financial Year 2022 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" on pages 3 to 4 and "Management Discussion and Analysis" on pages 7 to 17 of this annual report. The description of principal risks and uncertainties the Group is facing and key performance indicators are set out in the section headed, "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in note 31(b) to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to minimising the adverse impact to the environment caused by business operations. In order to comply with the applicable environmental protection laws and regulations, the Group established an environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal. The Group will continue to reduce the impacts of its operation on the environment and continue to make efforts to pursue green.

The ESG report of the Group will be published on the Stock Exchange's website and the Company's website within five months after the Financial Year 2022 .

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Financial Year 2022, there was no material breach or non-compliance with the applicable laws and regulation by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group treasures the relationship with all of its stakeholders and attempts to engage them through different initiatives. Human capital is the most valuable asset of the Group. The Group provides and reviews regularly the remuneration packages, training programmes, and staff engagement activities to keep it competitive and attract, nurture and retain talents and employees.

A long-term good relationship with business partners (as well as suppliers and customers) brings benefits for the Group and is important in accomplishing its immediate and long-term goals.

Apart from the connection in business relationship, the Group also engages its customers and suppliers to collaborate and strive for better performance in business operation, environment, and community investment. The Group encourages employees to engage in community activities voluntarily.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Financial Year 2022 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

The Company's total issued share capital as at 31 March 2022 was 1,200,000,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital of the Company during the Financial Year 2022 are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Financial Year 2022 are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company's reserves available for distribution to owners comprising the aggregate amount of share premium less accumulated losses, amounted to approximately HK$33.6 million.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 110. This summary does not form part of the audited consolidated financial statements of the Group.

DIRECTORS

The Directors of the Company during the Financial Year 2022 and up to the date of this annual report were as follows:

Executive Directors

Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

Information regarding Directors' emoluments are set out in note 10 to the consolidated financial statements.

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

By virtue of article 108 and article 112 of the memorandum and articles of association of the Company, Mr. Lai and Mr. Kwong will retire at the 2022 AGM and, all being eligible, will offer themselves for re-election at the said meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACT

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Controlling Shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the Financial Year 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the Financial Year 2022 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any director or their respective associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire the rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the Financial Year 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2022, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of director/chief executive	Capacity/Nature of interest	Number of underlying shares of the Company held	Approximate percentage of shareholding
Mr. Joseph Wang (note)	Interested in controlled corporations/ Interest of spouse	850,800,000	70.9%
Ms. Chao (note)	Interested in controlled corporations/ Interest of spouse	850,800,000	70.9%
Mr. Benjamin Wang	Beneficial owner	9,880,000	0.8%

Note:

Each of Mr. Joseph Wang and Ms. Chao holds 50% of the issued share capital of Wang K M Limited ("**Wang K M**"), which directly holds 66.8% of the shares of the Company. Each of Mr. Joseph Wang and Ms. Chao also holds 50% of the issued share capital of K C Limited, which directly holds 4.1% of the shares of the Company. Ms. Chao is the spouse of Mr. Joseph Wang. Therefore, Each of Mr. Joseph Wang and Ms. Chao is deemed, or taken to be, interested in the same number of shares of the Company in which Wang K M and K C Limited are interested for the purpose of the SFO. Mr. Joseph Wang is the sole director of each of Wang K M and K C Limited.

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executive of the Company had any interest 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under the provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors or chief executive of the Company, as at 31 March 2022, the following persons/entities (other than the Directors or chief executive of the Company) had or were deemed to have an interest or a short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of the Company or any other member of the Group:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of underlying shares of the Company held	Approximate percentage of shareholding
Wang K M	Beneficial owner	801,600,000	66.8%
K C Limited	Beneficial owner	49,200,000	4.1%

Save as disclosed above, as at 31 March 2022, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures" above, who had or were deemed to have an interest or a short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 17 January 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider that the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus and note 26 of the consolidated financial statements.

For the Financial Year 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Two non-exempt continuing connected transaction agreements have been renewed on 3 May 2022 and will continue to be carried out between the Company and Genuine Treasure Construction Material Limited ("**GT Material**") and Genuine Treasure Access and Scaffolding Limited ("**GT Scaffolding**") respectively for a fixed term from 3 May 2022 to 31 March 2025.

GT Material and GT Scaffolding are companies incorporated in Hong Kong with limited liability on 10 March 2000 and 20 December 2013 respectively. Both GT Material and GT Scaffolding are wholly-owned by Ms. Wang Mung Nien Ann, the sister of Mr. Joseph Wang, the Chairman and an executive Director, and the aunt of Mr. Benjamin Wang, an executive Director. GT Material and GT Scaffolding are therefore connected persons of the Company under the Listing Rules.

GTM Framework Agreement

On 3 May 2022, the Group renewed the agreement between the Company and GT Material for a fixed term from 3 May 2022 to 31 March 2025 (the "**GTM Framework Agreement**"), pursuant to which GT Material agreed to provide and transport construction materials to the Group from time to time upon the request by the Group. The annual cap for the three years ending 31 March 2023, 2024 and 2025 are approximately HK$17,500,000, HK$17,500,000 and HK$17,000,000 respectively. An extraordinary general meeting (the "**EGM**") will be convened and held on 27 July 2022 for, among other things, the independent shareholders of the Company to consider and, if thought fit, to approve the GTM Framework Agreement and the transactions contemplated thereunder.

The Group has a good and long standing relationship with GT Material and the Group has purchased construction materials from GT Material since 2003. Construction materials purchased from GT Material are used to build timber formwork and GT Material has in the past provided tailor-made services according to the Group's product specifications. The Directors confirm that the quality and delivery of construction materials from GT Material have satisfied the Group's requirements. The GTM Framework Agreement offers no exclusivity rights to GT Material and the Group has the liberty to source any materials that may be supplied by any other supplier. The Group maintains a list of qualified suppliers which the Group acquires construction materials or services from. As the Group also selects other independent suppliers from time to time, the Directors are of the view that it will be in the interest of the Group to continue such transactions with GT Material to diversify its supplies base so as to obtain a stable supply of materials or services.

Taking into account that the services provided to the Group are under normal commercial terms and are reached after arm's length negotiations and are being carried out in the usual and ordinary course of business of each of the parties, the Board is of the view that the terms of the GTM Framework Agreement (including the annual caps) are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GTS Framework Agreement

On 3 May 2022, the Group renewed the agreement between the Company and GT Scaffolding for a fixed term from 3 May 2022 to 31 March 2025 (the "**GTS Framework Agreement**"), pursuant to which GT Scaffolding agreed to provide rental of metal scaffolds, supporting equipment, technical support and transport services to the Group from time to time upon the requested by the Group. The annual cap for the three years ending 31 March 2023, 2024 and 2025 are approximately HK$37,000,000, HK$40,000,000 and HK$40,000,000 respectively. The EGM will be convened and held on 27 July 2022 for, among other things, the independent shareholders of the Company to consider and, if thought fit, to approve the GTS Framework Agreement and the transactions contemplated thereunder.

The Group has established the business relationship with GT Scaffolding since 2014. Having considered (i) the GT Scaffolding's expertise in providing and assembling metal scaffolds; (ii) the knowledge of the properties, loading capacities and correct assembly methods for the metal scaffolds it provides; (iii) job references from assembling large scale and complex metal scaffolding falsework; and (iv) the more favourable prices generally offered by GT Scaffolding as compared with other independent third parties due to good and long standing relationship with GT Scaffolding, the Directors are of the view that it is in the best interest of the Group to include GT Scaffolding in the qualified list of vendors and renew the transactions for the provision of rental of metal scaffolds, supporting equipment, technical support and transport services from GT Scaffolding.

Taking into account that the services provided to the Group are under normal commercial terms and are reached after arm's length negotiations and are being carried out in the usual and ordinary course of business of each of the parties, the Board is of the view that the terms of the GTS Framework Agreement (including the annual caps) are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Directors, including the independent non-executive Directors, consider that all of the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been and will be entered into in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Group and holder(s) of the Share(s) (the "**Shareholder(s)**") as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions for the year ended 31 March 2022 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme are set out in note 27 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sub-section headed "Related Party Transactions and Connected Transactions" in "Directors' Report" on pages 42 to 44 and note 29 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Financial Year 2022.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

For particulars of the contracts of significance between the Group and the Controlling Shareholders, Wang K M, Mr. Joseph Wang and Ms. Chao or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the Controlling Shareholders or their respective subsidiaries, please refer to the paragraph headed "Related Party Transactions and Connected Transactions" in "Directors' Report" on pages 42 to 44 and note 29 to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save for service contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the Financial Year 2022.

COMPETING BUSINESS

During the Financial Year 2022, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Joseph Wang and Wang K M (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 17 January 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

On 13 January 2021, Ms. Chao subscribed for 1 issued share capital of Wang K M, which currently represents 50% shareholdings in Wang K M. Accordingly, Wang K M is beneficially owned as to 50% by Mr. Joseph Wang and 50% by Ms. Chao. Ms. Chao became one of the Controlling Shareholder.

Each of the Covenantors further undertakes that if any of he/she/it or his/her/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/she/it shall (and he/she/it shall procure his/its close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the convenantors also gave certain non-competition undertakings under the Deed of Non-competition as set out in the paragraph headed "Relationship with our controlling shareholders – Non-competition undertaking" in the Prospectus.

During the Financial Year 2022, the Company had not received any information in writing from any of the Covenantors in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Covenantors or their associates (other than any member of the Group), and the Company has received an annual written confirmation from the Covenantors in respect of his/her/its associates' compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that the Covenantors had complied with the Deed of Non-competition.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities secured or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which include discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once every year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management of the Company.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 10 to the consolidated financial statements.

The remuneration of the senior management of the Group who are non-Director and non-Chief Executive Officer for the Financial Year 2022 falls within the following bands:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	–
HK$1,000,001 to HK$2,000,000	3
Above HK$2,000,000	–

PRE-EMPTIVE RIGHTS

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

DONATION

Charitable donations made by the Group during the Financial Year 2022 amounted to approximately HK$204,000 (2021: HK$167,000).

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, throughout the Financial Year 2022 and as at the latest practicable date prior to the issue of this annual report, the Directors confirm that the Company maintained a sufficient public float of at least 25% in the issued share capital of the Company as required under the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Financial Year 2022.

MAJOR CUSTOMERS

During the Financial Year 2022, the Group's five largest customers accounted for approximately 86.3% (2021: 96.0%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 35.6% (2021: 43.4%) of the total revenue.

None of the Directors or any of their close associates, or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

MAJOR SUPPLIERS

During the Financial Year 2022, the Group's five largest suppliers accounted for approximately 64.5% (2021: 65.9%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 21.1% (2021: 19.5%) of the total purchases.

None of the Directors or any of their close associates, or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the corporate governance report on pages 23 to 35 of this annual report.

AUDITORS

The consolidated financial statements of the Group for the Financial Year 2022 were audited by HLB Hodgson Impey Cheng Limited. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting. The Company has not changed its external auditors in any of the preceding three years.

On behalf of the Board
Royal Deluxe Holdings Limited
Wang Kei Ming
Chairman and Executive Director

Hong Kong, 24 June 2022

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

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

TO THE SHAREHOLDERS OF ROYAL DELUXE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Royal Deluxe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 109, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgements, 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 matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of revenue and contract assets in Notes 5 and 18 respectively to the consolidated financial statements. We identified the recognition of contract revenue, costs of construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets (Continued)	
	• Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined. • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis. • Testing the actual costs incurred on construction works. • Evaluating the reasonableness of progress towards completion of construction works by obtaining the certificates issued by customers or payment applications confirmed by internal surveyor.
Impairment of trade receivables and contract assets	
Refer to key sources of estimation uncertainty in Note 4 and the disclosures of trade receivables and contract assets in Notes 17 and 18 respectively to the consolidated financial statements. We identified the impairment of trade receivables and contract assets as a key audit matter due to the use of judgements and estimates in assessing the expected credit losses of trade receivables and contract assets. In determining the expected credit losses, the Group takes into consideration the credit quality of trade receivables and contract assets using forward-looking and past collection history of the customer which may require management's judgements.	Our audit procedures in relation to impairment of trade receivables and contract assets mainly included: • Obtaining an understanding and evaluating the methodologies and assumptions used by the Group in assessing expected credit losses. • Testing on a sample basis the accuracy of ageing analysis of trade receivables. • Testing the accuracy of the historical default data and evaluating if historical loss rates have been appropriately adjusted based on forward-looking information. • Testing the accuracy of the calculation of the loss allowances as at 31 March 2022. • Testing the subsequent settlements of trade receivables on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Kwok Kin Leung.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 24 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
Revenue	5	**470,420**	870,204
Direct costs		**(400,672)**	(804,055)
Gross profit		**69,748**	66,149
Other income, other gains and losses, net	6	**7,580**	49,649
Administration and other operating expenses		**(65,385)**	(75,584)
(Provision)/reversal of loss allowance on trade and other receivables and contract assets, net		**(468)**	468
Finance costs	7	**(1,221)**	(2,040)
Profit before tax	8	**10,254**	38,642
Income tax expense	9	**(3,488)**	(1,535)
Profit and total comprehensive income for the year		**6,766**	37,107
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**6,778**	37,113
– Non-controlling interests		**(12)**	(6)
		6,766	37,107
		HK cents	HK cents
Earnings per share attributable to owners of the Company			
– Basic and diluted	12	**0.56**	3.09

Details of dividend are disclosed in Note 11 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	13	**41,187**	46,301
Right-of-use assets	14	**37,390**	35,898
Club membership		**1,188**	1,188
Deferred tax assets	24	**344**	284
		80,109	83,671
Current assets			
Inventories	16	**2,034**	–
Trade and other receivables	17	**52,062**	80,407
Contract assets	18	**210,479**	195,285
Bank balances and cash	19	**70,532**	85,873
Current tax recoverable		**497**	4
		335,604	361,569
Total assets		**415,713**	445,240
Current liabilities			
Trade and other payables	20	**91,731**	118,447
Lease liabilities	21	**196**	280
Borrowings	23	**34,513**	42,734
Current tax liabilities		**3,696**	4,801
		130,136	166,262
Net current assets		**205,468**	195,307
Total assets less current liabilities		**285,577**	278,978

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Deferred tax liabilities	24	**132**	103
Lease liabilities	21	**–**	196
		132	299
Net assets		**285,445**	278,679
Capital and reserves			
Share capital	25	**12,000**	12,000
Reserves		**273,500**	266,722
Equity attributable to owners of the Company		**285,500**	278,722
Non-controlling interests		**(55)**	(43)
		285,445	278,679

The consolidated financial statements on pages 52 to 109 were approved and authorised for issue by the board of directors on 24 June 2022 and signed on its behalf by:

Mr. Wang Kei Ming
Director

Mr. Wang Yu Hin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 25)	**Share premium HK$'000**	**Special reserve HK$'000** (Note)	**Retained profits HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
Balance at 1 April 2020	12,000	100,344	1,020	133,633	246,997	(37)	246,960
Profit and total comprehensive income for the year	–	–	–	37,113	37,113	(6)	37,107
Final 2020 dividend paid	–	(5,388)	–	–	(5,388)	–	(5,388)
Balance at 31 March 2021 and 1 April 2021	12,000	94,956	1,020	170,746	278,722	(43)	278,679
Profit and total comprehensive income for the year	**–**	**–**	**–**	**6,778**	**6,778**	**(12)**	**6,766**
Balance at 31 March 2022	**12,000**	**94,956**	**1,020**	**177,524**	**285,500**	**(55)**	**285,445**

Note:

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the corporate reorganisation undertaken on 28 June 2016 in preparation for the listing of the Company's shares.

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 tax	**10,254**	38,642
Adjustments for:		
Depreciation of property, plant and equipment	**9,344**	8,901
Depreciation of right-of-use assets	**1,674**	2,944
Amortisation of premium and other expenses charged on life insurance policy	**–**	63
Loss on written off or disposal of items of property, plant and equipment	**–**	305
Provision/(reversal) of loss allowance on trade and other receivables and contract assets, net	**468**	(468)
Interest expenses	**1,221**	2,040
Interest income	**(9)**	(53)
Interest income on deposits and prepayments for life insurance policy	**–**	(120)
Loss on surrender of life insurance policy	**–**	188
Loss on early termination of lease	**–**	17
Exchange gain	**–**	(8)
Operating cash flows before movements in working capital	**22,952**	52,451
(Increase)/decrease in inventories	**(2,034)**	1,849
Decrease in trade and other receivables	**28,360**	56,114
Increase in contract assets	**(15,677)**	(54,067)
Decrease in trade and other payables	**(26,716)**	(3,612)
Decrease in contract liabilities	**–**	(15,290)
Cash generated from operations	**6,885**	37,445
Interest received	**9**	53
Interest paid	**(1,201)**	(1,750)
Hong Kong Profits Tax refunded	**292**	10,254
Hong Kong Profits Tax paid	**(5,409)**	(3,866)
Net cash generated from operating activities	**576**	42,136
Cash flows from investing activities		
Purchases of property, plant and equipment	**(4,230)**	(17,897)
Purchases of right of use of assets	**(3,166)**	–
Proceeds from surrender of life Insurance policy	**–**	3,773
Increase in restricted bank deposits	**(3)**	(6)
Net cash used in investing activities	**(7,399)**	(14,130)

	Note	2022 HK$'000	2021 HK$'000
Cash flows from financing activities			
Dividends paid		**–**	(5,388)
Proceeds from borrowings		**23,500**	100,112
Repayment of borrowings		**(31,721)**	(100,835)
Repayment of lease liabilities		**(300)**	(1,691)
Net cash used in financing activities		**(8,521)**	(7,802)
Net (decrease)/increase in cash and cash equivalents		**(15,344)**	20,204
Cash and cash equivalents at the beginning of year		**82,858**	62,654
Cash and cash equivalents at the end of year	19	**67,514**	82,858

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability under the companies law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 February 2017 (the "Listing"). Its parent company and ultimate holding company is Wang K M Limited, a company incorporated in the British Virgin Islands and is owned as to 50% by Mr. Wang Kei Ming, an executive Director, and 50% by Ms. Chao Lai Heng, spouse of Mr. Wang Kei Ming.

The addresses of the registered office and the principal place of business of the Company are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22nd Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

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

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

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 goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Costs to fulfil a contract

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

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

For a 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 the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with infinite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for used are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to 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.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

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

Interest income which are derived from the Group's ordinary course of business are presented as other income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at financial assets at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

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

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

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

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

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

(ii) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments;
- Past-due status;
- Historical repayment basis;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and borrowings) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is 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.

Cash and cash equivalents

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Construction contracts revenue recognition

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

Provision of ECL for trade receivables and contract assets

The management of the Group estimates the amount of lifetime ECL for trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, past due status and repayment history of respective trade receivables and contract assets. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about lifetime ECL for the Group's trade receivables and contract assets are disclosed in Note 31(b).

5. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

Disaggregation of revenue from contracts with customers

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers		
– Provision of formwork erection and related ancillary services	**451,420**	828,938
– Provision of fit-out services	**19,000**	41,266
	470,420	870,204
Timing of revenue recognition		
– Over time	**470,420**	870,204

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 HK$'000	2021 HK$'000
Provision of formwork erection and related ancillary services	**–**	15,290

Performance obligation for contracts with customers

The Group provides formwork erection and related ancillary services and fit-out services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the progress towards completion of the contract using output method.

Retention receivables, prior to expiration of maintenance period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the maintenance period expires. The maintenance period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2022 amounted to approximately HK$808,233,000 (2021: HK$861,537,000). Management expects that all the remaining performance obligations will be recognised as revenue ranging from one to three (2021: one to four years) from the end of the reporting period.

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

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

	2022 HK$'000	2021 HK$'000
Customer A	**167,494**	377,885
Customer B	**85,630**	110,503
Customer C	**64,850**	N/A[1]
Customer D	**N/A**[1]	225,501

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

6. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2022 HK$'000	2021 HK$'000
Other income		
Bank interest income	**9**	53
Interest income on deposits and prepayments for life insurance policy	**–**	120
Income from sale of scrap materials	**4,008**	4,514
Government grants (Note)	**–**	36,520
Sundry income	**3,563**	8,944
	7,580	50,151
Other gains and losses, net		
Net foreign exchange gain	**–**	8
Loss on written off or disposal of property, plant and equipment	**–**	(305)
Loss on surrender of life insurance policy	**–**	(188)
Loss on early termination of lease	**–**	(17)
	–	(502)
	7,580	49,649

Note:

During the year ended 31 March 2021, government grants received from Government's Anti-epidemic Fund (the "AEF") subsidies for employer in construction sector, Employment Support Scheme (the "ESS") and a one-off non-accountable subsidy of each goods vehicle of approximately HK$31,164,000, HK$5,286,000 and HK$70,000 respectively.

7. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	**1,201**	1,907
Interest on lease liabilities	**20**	133
	1,221	2,040

8. PROFIT BEFORE TAX

	2022 HK$'000	2021 HK$'000
Profit before tax has been arrived at after charging:		
Employee benefits expense (Note (i)):		
Salaries and other benefits in kind	**77,789**	106,820
Discretionary bonuses	**6,543**	7,023
Contributions to retirement benefit scheme	**2,133**	3,307
Total employee benefits expense, including directors' emoluments	**86,465**	117,150
Amortisation of premium and other expenses charged on life insurance policy	**–**	63
Auditors' remuneration	**822**	1,200
Depreciation of property, plant and equipment (Note (ii))	**9,344**	8,901
Depreciation of right-of-use assets (Note (iii))	**1,674**	2,944
Short-term lease expenses in respect of:		
– Land and buildings	**4,465**	94
– Plant and equipment	**12,803**	27,319

Notes:

(i) During the year ended 31 March 2022, total employee benefits expense amounting to approximately HK$43,793,000 (2021: approximately HK$69,699,000), was included in direct costs and amounting to approximately HK$42,672,000 (2021: approximately HK$47,451,000), was included in administration and other operating expenses.

(ii) During the year ended 31 March 2022, depreciation of property, plant and equipment of approximately HK$6,135,000 (2021: approximately HK$5,145,000), was charged to direct costs and approximately HK$3,209,000 (2021: approximately HK$3,756,000), was charged to administration and other operating expenses.

(iii) During the year ended 31 March 2022, depreciation of right-of-use assets of approximately HK$Nil (2021: approximately HK$1,500,000), was charged to direct costs and approximately HK$1,674,000 (2021: approximately HK$1,444,000), was charged to administration and other operating expenses.

9. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current income tax:		
– Hong Kong Profits Tax	3,519	1,514
Adjustment in respect of prior years	–	(5)
Total current income tax	3,519	1,509
Deferred tax (Note 24)	(31)	26
Total income tax expense recognised in profit or loss	3,488	1,535

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the years ended 31 March 2022 and 2021.

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

	2022 HK$'000	2021 HK$'000
Profit before tax	10,254	38,642
Tax at Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	1,692	6,376
Tax effect of temporary differences not recognised	584	(2,665)
Tax effect of income not taxable for tax purpose	(438)	(6,040)
Tax effect of expenses not deductible for tax purpose	1,056	2,012
Tax effect of tax losses not recognised	1,694	2,462
Utilisation of tax losses previously not recognized	(895)	(404)
Tax effect of the two-tiered profits tax rates regime	(165)	(165)
Adjustment in respect of prior years	–	(5)
Tax reduction	(40)	(36)
Income tax expense for the year	3,488	1,535

As at 31 March 2022, the Group had unused tax losses of approximately HK$43,758,000 (2021: HK$38,909,000), subject to agreement by the Inland Revenue Department, that are available for offset against future profits and may be carried forward indefinitely.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Details of the emoluments to each of the directors and chief executive of the Company are as follows:

	Fees	Salaries and other benefits in kind	Discretionary bonuses	Contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2022					
Executive directors					
Mr. Wang Kei Ming	**–**	**12,000**	**–**	**18**	**12,018**
Mr. Wang Yu Hin	**–**	**2,810**	**209**	**18**	**3,037**
Independent non-executive directors					
Mr. Kwong Ping Man	**198**	**–**	**–**	**–**	**198**
Mr. Lai Ah Ming Leon	**198**	**–**	**–**	**–**	**198**
Mr. Sio Kam Seng	**198**	**–**	**–**	**–**	**198**
Chief executive officer					
Ms. Chao Lai Heng	**–**	**4,800**	**400**	**18**	**5,218**
	594	**19,610**	**609**	**54**	**20,867**
For the year ended 31 March 2021					
Executive directors					
Mr. Wang Kei Ming	–	12,000	5,000	18	17,018
Mr. Wang Yu Hin	–	2,479	421	18	2,918
Independent non-executive directors					
Mr. Kwong Ping Man	198	–	–	–	198
Mr. Lai Ah Ming Leon	198	–	–	–	198
Mr. Sio Kam Seng	198	–	–	–	198
Chief executive officer					
Ms. Chao Lai Heng	–	4,800	–	18	4,818
	594	19,279	5,421	54	25,348

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

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 March 2022 (2021: Nil).

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two were directors and one was chief executive officer (2021: two were directors and one was chief executive officer) of the Company whose emoluments are disclosed above. The emoluments in respect of the remaining two (2021: two) highest paid individuals are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other benefits in kind	**2,900**	2,797
Discretionary bonuses	**626**	1,226
Contributions to retirement benefit scheme	**36**	36
	3,562	4,059

The emoluments of the highest paid employees who are non-director and non-chief executive whose emoluments fell within the following bands are as follow:

	Number of individuals	
	2022	2021
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**–**	1
	2	2

During the years ended 31 March 2022 and 2021, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIVIDEND

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

12. EARNINGS PER SHARE

	2022 HK$'000	2021 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**6,778**	37,113

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,200,000**	1,200,000

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and equipment HK$'000	Office and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
Balance at 1 April 2020	17,501	5,127	13,623	8,039	2,145	5,353	51,788
Additions	–	83	16,853	743	10	291	17,980
Disposals/written off	–	(904)	–	(3)	–	–	(907)
Balance at 31 March 2021 and 1 April 2021	17,501	4,306	30,476	8,779	2,155	5,644	68,861
Additions	**1,566**	**–**	**2,128**	**416**	**120**	**–**	**4,230**
Disposals/written off	**–**	**–**	**–**	**–**	**(36)**	**(1,847)**	**(1,883)**
Balance at 31 March 2022	**19,067**	**4,306**	**32,604**	**9,195**	**2,239**	**3,797**	**71,208**
Accumulated depreciation							
Balance at 1 April 2020	1,013	3,024	1,214	2,214	1,814	4,982	14,261
Depreciation expense	1,174	1,190	4,681	1,466	168	222	8,901
Eliminated on disposals/ written off	–	(601)	–	(1)	–	–	(602)
Balance at 31 March 2021 and 1 April 2021	2,187	3,613	5,895	3,679	1,982	5,204	22,560
Depreciation expense	**644**	**619**	**6,135**	**1,635**	**159**	**152**	**9,344**
Eliminated on disposals/ written off	**–**	**–**	**–**	**–**	**(36)**	**(1,847)**	**(1,883)**
Balance at 31 March 2022	**2,831**	**4,232**	**12,030**	**5,314**	**2,105**	**3,509**	**30,021**
Carrying amounts							
Balance at 31 March 2022	**16,236**	**74**	**20,574**	**3,881**	**134**	**288**	**41,187**
Balance at 31 March 2021	15,314	693	24,581	5,100	173	440	46,301

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the terms of the leases or useful life
Leasehold improvements	Over the shorter of lease term or 25%
Office and other equipment	20%
Furniture and fixtures	25%
Motor vehicles	25%
Plant and equipment	20%

14. RIGHT-OF-USE ASSETS

	Warehouse HK$'000	Leasehold land HK$'000	Office premise HK$'000	Total HK$'000
Carrying amount as at 1 April 2020	3,819	36,777	–	40,596
Additions	–	–	565	565
Depreciation charge	(1,500)	(1,350)	(94)	(2,944)
Adjustment upon termination of lease	(2,319)	–	–	(2,319)
Carrying amounts as at 31 March 2021 and 1 April 2021	–	35,427	471	35,898
Additions	**–**	**3,166**	**–**	**3,166**
Depreciation charge	**–**	**(1,391)**	**(283)**	**(1,674)**
Carrying amount as at 31 March 2022	**–**	**37,202**	**188**	**37,390**

	2022 HK$'000	2021 HK$'000
Expenses relating to short-term leases, excluding short-term leases of low value assets	**17,268**	27,413
Total cash outflow for leases		
– within operating cash flows	**17,268**	27,413
– within financing cash flows	**300**	1,691

For both years, the Group leases various offices premises for its operations. Lease contracts are entered into for fixed term of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns certain office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for scaffolding and equipment.

15. DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICY

The Group entered into a life insurance policy with an insurance company to insure Mr. Wang Kei Ming. Under the policy, Ming Tai Construction Engineering Company Limited ("Ming Tai Construction"), an indirect wholly-owned subsidiary of the Company, is the beneficiary and policy holder and the total insured sum is United States Dollars ("US$") 1,033,000 (equivalent to approximately HK$8,021,000). Ming Tai Construction is required to pay upfront deposits of approximately US$500,000 (equivalent to approximately HK$3,883,000). Ming Tai Construction can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payments of approximately US$500,000 (equivalent to approximately HK$3,883,000) plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the twentieth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Ming Tai Construction a minimum guaranteed interest of 3% per annum for the insured period.

The Group terminated the life insurance policy in March 2021. A loss on surrender of life insurance policy of approximately HK$188,000 was charged to the statement of profit or loss and other comprehensive income during the year ended 31 March 2021.

16. INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Raw materials and consumables	**2,034**	–

17. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**38,825**	78,100
Less: loss allowance for trade receivables	**(89)**	(126)
	38,736	77,974
Deposits and other receivables	**1,504**	1,212
Prepayments	**11,857**	1,235
Less: loss allowance for deposits and other receivables	**(35)**	(14)
	52,062	80,407

The Group allows a credit period ranging from 7 to 45 days (2021: 7 to 45 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Group.

The ageing analysis of trade receivables presented based on the date of progress certificates issued by customers, at the end of the reporting period, are as follow:

	2022 HK$'000	2021 HK$'000
0 – 30 days	**30,368**	43,685
31 – 60 days	**6,929**	18,507
61 – 90 days	**1,528**	15,750
Over 180 days	**–**	158
	38,825	78,100

Details of impairment assessment of trade and other receivables are set out in Note 31(b).

18. CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Analysed as current:		
Retention receivables of construction contracts (Note (a))	**61,155**	77,638
Unbilled revenue of construction contracts (Note (b))	**150,703**	118,543
Less: loss allowance for contract assets	**(1,379)**	(896)
	210,479	195,285

Notes:

(a) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are usually one to two years after the completion of construction work.

(b) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional 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 trade receivables when the rights become unconditional, which is typically at the time when the Group obtains the certification of the completed construction work from the customers.

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

Details of the impairment assessment are set out in Note 31(b).

19. BANK BALANCES AND CASH

	2022 HK$'000	2021 HK$'000
Bank balances and cash in the consolidated statement of financial position	**70,532**	85,873
Less: restricted bank balances	**(3,018)**	(3,015)
Cash and cash equivalents in the consolidated statement of cash flows	**67,514**	82,858

Restricted bank balances are short-term fixed deposits with interest rate at 0.05% (2021: 0.10%) per annum and placed in bank to secure general banking facilities as at 31 March 2022.

Bank balances earn interests at floating rate based on daily bank deposit rates and are placed with creditworthy banks with no recent history of default.

20. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**28,299**	33,236
Bills payables	**23,046**	18,840
Retention payables	**7,856**	9,784
Other payables and accruals	**32,530**	56,587
	91,731	118,447

The credit period on trade payables is generally 30 to 60 days (2021: 30 to 60 days).

As at 31 March 2022, included in trade payables was approximately HK$1,427,000 (2021: HK$102,000) payable to a related company, Genuine Treasure Construction Material Limited. Mr. Wang Kei Ming's close family member is the substantial shareholder and director of Genuine Treasure Construction Material Limited.

As at 31 March 2022, included in trade payables was approximately HK$3,906,000 (2021: HK$3,029,000) payable to a related company, Genuine Treasure Access and Scaffolding Limited. Mr. Wang Kei Ming's close family member is the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

The ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period, are as follows:

	2022 HK$'000	2021 HK$'000
0 – 30 days	**17,766**	23,452
31 – 60 days	**5,870**	7,084
61 – 90 days	**4,036**	556
91 – 180 days	**599**	1,293
Over 180 days	**28**	851
	28,299	33,236

As at 31 March 2022, bills payables have original maturities of ranging from 111 days to 120 days (2021: from 103 days to 122 days).

Except for retention payables of approximately HK$2,253,000 (2021: HK$2,487,000) as at 31 March 2022 which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

21. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable		
Within one year	**196**	280
Within a period of more than one year but not than two years	**–**	196
	196	476
Less: amount due for settlement within 12 months shown under current liabilities	**(196)**	(280)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	196

22. CONTRACT LIABILITIES

When the Group receives payment in advance before the construction activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on satisfaction of performance obligation in relevant contract. The Group did not have any contract liabilities as at 31 March 2022 and 2021.

23. BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank loans – secured	**34,513**	42,734

Notes:

(i) All bank loans of the Group as at 31 March 2022 and 2021 contain unconditional repayment on demand clauses and are included in current liabilities.

(ii) As at 31 March 2022, the bank loans bear interest at floating rates ranging from 2.31% to 5.25% per annum (2021: 3.13% to 4.75% per annum).

(iii) The Group's banking facilities granted by certain banks were secured/guaranteed by:

- Unlimited corporate guarantee by the Company as at 31 March 2022 and 2021;
- Leasehold land included in right-of-use assets and building included in property, plant and equipment owned by the Group with aggregate carrying amount of approximately HK$40,326,000 (2021: HK$41,923,000) and an assignment of insurance policy in respect of the property as at 31 March 2022 and 2021;
- Charge over account with certain banks for approximately HK$24,369,000 (2021: HK$45,983,000) as at 31 March 2022;
- Charge on fixed deposits for approximately HK$3,017,000 (2021: HK$3,015,000) as at 31 March 2022;
- Deed of charge for unlimited amount securing moneys due in respect of a factoring agreement with a bank as at 31 March 2022 and 2021; and
- An assignment of project proceeds of a construction contract of the Group as security as at 31 March 2022 and 2021.

24. DEFERRED TAX

The movements in the Group's deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	ECL provision	Losses available for offsetting against future taxable profits	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2020	247	141	388
Charged to profit or loss	(76)	(28)	(104)
At 31 March 2021 and 1 April 2021	171	113	284
(Charged)/credited to profit or loss	**78**	**(18)**	**60**
At 31 March 2022	**249**	**95**	**344**

Deferred tax liabilities

	Depreciation allowances in excess of the related depreciation
	HK$'000
At 1 April 2020	181
Credited to profit or loss	(78)
At 31 March 2021 and 1 April 2021	103
Charged to profit or loss	**29**
At 31 March 2022	**132**

Deferred tax assets have been recognised in respect of approximately HK$580,000 (2021: HK$695,000) of the Group's tax losses at 31 March 2022. Deferred tax assets have not been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams in certain group entities.

25. SHARE CAPITAL

	Number of Ordinary shares	Share capital HK$
Ordinary share of HK$0.01 each		
Authorised:		
At 1 April 2020, 31 March 2021 and 2022	**2,000,000,000**	**20,000,000**
Issued and fully paid:		
At 1 April 2020, 31 March 2021 and 2022	**1,200,000,000**	**12,000,000**

26. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") pursuant to a resolution passed on 17 January 2017. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

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

Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange.

The 10% limit as mentioned above may be refreshed at any time by approval of the Company's shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

26. SHARE OPTION SCHEME (Continued)

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by Company's shareholders in general meeting with such grantee and his close associates abstaining from voting. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Company's shareholders and the date of board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

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

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the board of directors and notified to a participant and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the options; and (iii) the nominal value of a share on the date of grant of the option.

The Scheme will remain in force for a period of ten years commencing from 17 January 2017 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Company's shareholders in general meeting.

There was no share option granted to eligible participants during the year ended 31 March 2022 (2021: Nil). There were no outstanding share options as at 31 March 2022 (2021: Nil).

27. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of an independent trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group in respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,133,000 (2021: HK$3,307,000) and represent contributions paid or payable to the MPF Scheme by the Group for the year ended 31 March 2022.

No forfeited contribution is available to reduce the contribution payable in the future years as at 31 March 2022 and 2021.

28. CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31 March 2022 and 2021.

29. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

Details of outstanding balances with related parties are set out in Note 20.

(b) Material related party transactions

The Group entered into the following material related party transactions during the years ended 31 March 2022 and 2021:

Name of related parties	**Nature**	**2022** **HK$'000**	2021 HK$'000
Genuine Treasure Construction Material Limited (Note (i))	Purchase of construction materials	**–**	6,558
	Transportation and plant hiring charge	**6,636**	1,778
Genuine Treasure Access and Scaffolding Limited (Note (ii))	Scaffolding & equipment rental charge and transportation charge	**13,082**	24,520

Notes:

(i) Mr. Wang Kei Ming's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.

(ii) Mr. Wang Kei Ming's close family member was the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

(iii) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

The related party transactions in respect of items (i) and (ii) above also constitute connected transactions and/or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

29. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	**25,818**	30,779
Post-employment benefits	**108**	108
	25,926	30,887

30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings net of cash and cash equivalents, and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associated with the capital. In view of this, the Group manages its overall capital structure through the payment of dividends and the issue of new shares.

The net debt-to-equity ratio at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
Debts (Note (i))	**34,709**	43,210
Less: cash and cash equivalents (Note (ii))	**(67,514)**	(82,858)
Net debt	**(32,805)**	(39,648)
Equity (Note (iii))	**285,445**	278,679
Net debt-to-equity ratio	**N/A**	N/A

Notes:

(i) Debts represent borrowings and lease liabilities as detailed in Notes 23 and 21 respectively.

(ii) Cash and cash equivalents as detailed in Note 19.

(iii) Equity includes all capital and reserves and non-controlling interests.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost	**110,737**	165,045
Financial liabilities		
Financial liabilities at amortised cost	**126,440**	161,657

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets included in trade and other receivables, bank balances and cash, trade and other payables, borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Foreign currency risk management

The majority of the Group's transactions and balances for the years ended 31 March 2022 and 2021 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

(ii) Interest rate risk management

The Group's exposure to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 23 for details of the borrowings). The Group continuously evaluates its debt portfolio to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's bank borrowings.

The directors of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period and the interest rates of bank deposits are not expected to change significantly.

31. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk management (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points increase and decrease are used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate on borrowings had been 100 basis points higher and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2022 and 2021 would decrease by approximately HK$288,000 and HK$357,000 respectively as a result of the Group's exposure to interest rates on its variable-rate bank borrowings. If interest rate had been 100 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the post-tax profit.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year ended exposure does not reflect the exposure during the year.

(iii) Price risk

As the Group has no significant investments in financial assets measured at FVTPL or FVTOCI, the Group is not exposed to significant equity price risk.

In virtue of the exposure on equity price risk being minimal, the respective quantitative disclosures have not been prepared.

31. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

At 31 March 2022, the Group had certain concentration of credit risk as 56% (2021: 75%) and 39% (2021: 35%) of the Group's trade receivables and contract assets respectively were due from the Group's largest single customers.

In order to minimise the credit risk, the management of the Group monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

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

Internal credit rating	Description	Trade receivables/ contract assets	Bank balances/ Deposits and other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settles after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no reasonable expectations of recovery	Amount is written off	Amount is written off

31. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

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

	12m or lifetime ECL	2022 Gross carrying amounts	2021 Gross carrying amounts
Financial assets at amortised costs			
Trade receivables (Note (iii))	Lifetime ECL	**38,825**	78,100
Deposits and other receivables (Note (ii))	12m ECL	**1,504**	1,212
Bank balances (Note (i))	12m ECL	**70,532**	85,870
Other items			
Contract assets (Note (iii))	Lifetime ECL	**211,858**	196,181

Notes:

(i) All bank balances were placed in banks with high credit rating assigned by international credit-rating agencies or with good reputation. In the opinion of the directors of the Company, credit risk on these bank balances is insignificant.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The balances of these deposits and other receivables are not past due.

(iii) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items individually and/or by using a provision matrix, grouped by combined effect of internal credit rating and/or external credit ratings where available, past due status and repayment history for general customers.

The loss allowances for trade receivables, deposits and other receivables and contract assets were determined as follows:

	Weighted average loss rate	Gross carrying amounts HK$'000	Loss allowances HK$'000	Net carrying amounts HK$'000
As at 31 March 2022				
Trade receivables	**0.23%**	**38,825**	**(89)**	**38,736**
Deposits and other receivables	**2.33%**	**1,504**	**(35)**	**1,469**
Contract assets	**0.65%**	**211,858**	**(1,379)**	**210,479**
As at 31 March 2021				
Trade receivables	0.16%	78,100	(126)	77,974
Deposits and other receivables	1.16%	1,212	(14)	1,198
Contract assets	0.46%	196,181	(896)	195,285

31. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table shows the movement in lifetime ECL that has been recognised or reversed for trade receivables and contract assets under the simplified approach and ECL that has been recognised or reversed for deposits and other receivables.

	Trade receivable		Contract assets	Deposits and other receivables			
	Lifetime ECL – not credit–impaired	Lifetime ECL – credit–impaired	Lifetime ECL – not credit–impaired	12m ECL	Lifetime ECL – not credit–impaired	Lifetime ECL – credit–impaired	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2020	564	14	899	20	–	7	1,504
Loss allowance reversed	(564)	(14)	(183)	(16)	–	(7)	(784)
Loss allowance recognised	126	–	180	10	–	–	316
As at 31 March 2021 and 1 April 2021	126	–	896	14	–	–	1,036
Loss allowance reversed	**(108)**	**–**	**(550)**	**(12)**	**–**	**–**	**(670)**
Loss allowance recognised	**71**	**–**	**1,033**	**33**	**–**	**–**	**1,137**
As at 31 March 2022	**89**	**–**	**1,379**	**35**	**–**	**–**	**1,503**

Changes in the loss allowances for trade receivables and contract assets are mainly due to changes in the gross amounts of trade receivables and contract assets during the year and impact of changing economic environment and customers' credit risk profile.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

31. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

	Weighted average effective interest rate	On demand or within one year HK$'000	One to five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amounts HK$'000
As at 31 March 2022					
Non-derivative financial liabilities					
Trade and other payables	**–**	**91,731**	**–**	**91,731**	**91,731**
Lease liabilities	**6.3%**	**200**	**–**	**200**	**196**
Borrowings	**3.1%**	**34,513**	**–**	**34,513**	**34,513**
		126,444	**–**	**126,444**	**126,440**
As at 31 March 2021					
Non-derivative financial liabilities					
Trade and other payables	–	118,447	–	118,447	118,447
Lease liabilities	6.3%	299	200	499	476
Borrowings	3.6%	42,734	–	42,734	42,734
		161,480	200	161,680	161,657

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank loans based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

	Weighted average effective interest rate	Within one year HK$'000	One to five years HK$'000	Over five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Bank loans – secured						
As at 31 March 2022	**3.1%**	**21,459**	**4,461**	**11,436**	**37,356**	**34,513**
As at 31 March 2021	3.6%	28,850	4,403	12,386	45,639	42,734

31. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank loans	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000
	(Note 23)	(Note 21)	
At 1 April 2020	43,457	3,771	47,228
Proceeds from borrowings	100,112	–	100,112
Repayment of borrowings	(100,835)	–	(100,835)
New lease entered	–	565	565
Early termination of lease	–	(2,302)	(2,302)
Interest on lease liabilities	–	133	133
Repayment of lease liabilities	–	(1,691)	(1,691)
At 31 March 2021 and 1 April 2021	42,734	476	43,210
Proceeds from borrowings	**23,500**	**–**	**23,500**
Repayment of borrowings	**(31,721)**	**–**	**(31,721)**
Interest on lease liabilities	**–**	**20**	**20**
Repayment of lease liabilities	**–**	**(300)**	**(300)**
At 31 March 2022	**34,513**	**196**	**34,709**

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2022 are set out as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
MT Construction Limited	British Virgin Islands (the "BVI")	US$1	100% (direct)	Investment holding
MT Engineering Limited	BVI	US$1	100% (direct)	Investment holding
MT Technology Limited	BVI	US$1	100% (direct)	Investment holding
MT Sunshine Limited	BVI	US$1	100% (direct)	Dormant
Lucky Profit Enterprises Limited	BVI	US$100	100% (direct)	Investment holding
Ming Tai Construction	Hong Kong	HK$1,000,000	100% (indirect)	Provision of formwork erection and related ancillary services
Ming Tai Civil Engineering Company Limited	Hong Kong	HK$10,000	100% (indirect)	Provision of formwork erection and related ancillary services
Genuine Treasure Construction Technology Company Limited	Hong Kong	HK$10,000	100% (indirect)	Development of construction technology and rental of tableform and services
Harvest Full Properties Limited	Hong Kong	HK$100	100% (indirect)	Properties holding and investment
Rich Tone Capital Resources Limited	Hong Kong	HK$100	100% (indirect)	Investment holding
Win Tai Billion Limited	Hong Kong	HK$100	100% (indirect)	Building construction
Apex Union Development Limited	Hong Kong	HK$100	100% (indirect)	Investment holding
Champion Time Engineering Limited	Hong Kong	HK$100	100% (indirect)	Provision of fit-out services
H.S. Design Service Company Limited	Hong Kong	HK$100	100% (indirect)	Provision of engineering design services
MTG Formwork Company Limited	Hong Kong	HK$100	55% (indirect)	Dormant
Jadeite Corporation Limited	Hong Kong	HK$100	100% (indirect)	Provision of formwork erection and related ancillary services
Harvest Rich Properties Limited	Hong Kong	HK$100	100% (indirect)	Property holding and investment
Ming Tai (Macau) Construction Engineering Limited	Macau	Macau Pataca 25,000	100% (indirect)	Dormant

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	**62,585**	62,585
Current assets		
Prepayments	**136**	146
Amounts due from subsidiaries	**95,299**	81,302
Bank balances and cash	**18,493**	16,530
	113,928	97,978
Total assets	**176,513**	160,563
Current liabilities		
Other payables and accruals	**1,607**	1,017
Amount due to a subsidiary	**100**	4,361
	1,707	5,378
Net current assets	**112,221**	92,600
Net assets	**174,806**	155,185
Capital and reserves		
Share capital	**12,000**	12,000
Reserve	**162,806**	143,185
Total equity	**174,806**	155,185

Mr. Wang Kei Ming
Director

Mr. Wang Yu Hin
Director

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the company's reserves

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2020	100,344	129,214	(80,256)	149,302
Loss and total comprehensive expense for the year	–	–	(729)	(729)
Final 2020 dividend paid	(5,388)	–	–	(5,388)
Balance at 31 March 2021 and 1 April 2021	94,956	129,214	(80,985)	143,185
Profit and total comprehensive income for the year	**–**	**–**	**19,621**	**19,621**
Balance at 31 March 2022	**94,956**	**129,214**	**(61,364)**	**162,806**

Special reserve

Special reserve represents the difference between the nominal value of shares issued by the Company pursuant to the corporate reorganisation undertaken on 28 June 2016 and the aggregate net asset value of the subsidiaries acquired.

35. ARBITRATION

Ming Tai Construction, a wholly-owned subsidiary of the Group, submitted two applications for arbitration (the "Applications") to the Hong Kong International Arbitration Centre against Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "Joint Venture") in 2019. Pursuant to the Applications, Ming Tai Construction (as the "Applicant") initiated an arbitration against the Joint Venture (as the "Respondent") in respect of disputes arising from two subcontracts. The Respondent indicated to counterclaim against the Applicant.

The Applicant claims, among others, that the Joint Venture failed to properly assess extensions of time and value sums due to Ming Tai Construction under the two subcontracts entered between Ming Tai Construction and the Joint Venture in June 2012 and September 2015, respectively, and caused delay and disruption to the progress and completion of the subcontract works and such delay and disruption caused Ming Tai Construction to incur loss and/or expense. The Applicant seeks, among other things, relief for the extension of time for the two subcontracts and loss suffered by them in the aggregate amount of approximately HK$273 million, being the outstanding payment by the Joint Venture under the two subcontracts.

The Applicant has filed its statement of claim in December 2019 and the Respondent has filed a request for further and better particulars of the statement of claims in February 2020.

35. ARBITRATION (Continued)

During the year ended 31 March 2021, the Applicant has filed a response to request for further and better particulars in May 2020 and two case management conferences have been held and direction orders have been made in July 2020 and January 2021 respectively to ensure efficient conduct of the arbitration proceedings. An amended of statement of claim was filed by the Applicant in March 2021 following the latest case management conference and revised the aggregate amount of claim to approximately HK$292 million.

During the year ended 31 March 2022, the Respondent has filed a defence and counterclaim against the Applicant in September 2021. The Applicant has responded by filing a reply and defence to counterclaim in December 2021 and the Respondent has also filed a reply regarding the counterclaim in January 2022. The Company noted from its legal advisers that the Applicant has a reasonable chance of proving its case and has an arguable case to defend against the Respondent's counterclaim.

As at the date of the approval of these consolidated financial statements, the hearing of the aforementioned arbitration has not yet commenced and the effects on the Group cannot be assessed at this moment.

36. NON-CONTROLLING INTERESTS

The directors of the Company consider that the non-controlling interests of the Group during the reporting period were insignificant to the Group and thus no summarised financial information of the non-wholly owned subsidiary is required to be presented in the consolidated financial statements.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**470,420**	870,204	706,680	602,772	673,275
Direct costs	**(400,672)**	(804,055)	(614,755)	(496,314)	(563,636)
Gross profit	**69,748**	66,149	91,925	106,458	109,639
Profit before tax	**10,254**	38,642	32,962	54,342	67,977
Income tax expense	**(3,488)**	(1,535)	(6,032)	(10,966)	(11,917)
Profit and total comprehensive income for the year	**6,766**	37,107	26,930	43,376	56,060
Attributable to:					
– Owners of the Company	**6,778**	37,113	26,967	43,376	56,060
– Non-controlling interests	**(12)**	(6)	(37)	–	–
	6,766	37,107	26,930	43,376	56,060

ASSETS AND LIABILITIES

	As at 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**415,713**	445,240	434,964	366,999	376,383
Total liabilities	**(130,268)**	(166,561)	(188,004)	(146,969)	(152,915)
	285,445	278,679	246,960	220,030	223,468
Equity attributable to:					
– Owners of the Company	**285,500**	278,722	246,997	220,030	223,468
– Non-controlling interests	**(55)**	(43)	(37)	–	–
	285,445	278,679	246,960	220,030	223,468