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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1581

ANNUAL REPORT 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. Lee Ying Ying (Resigned on 15 March 2022)
Mr. Li Kin Fung (Appointed on 15 March 2022)

AUTHORISED REPRESENTATIVES

Mr. Wu Wing Hang
Ms. Lee Ying Ying (Resigned on 15 March 2022)
Mr. Li Kin Fung (Appointed on 15 March 2022)

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

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

COMPANY'S WEBSITE

www.ppgh.com.hk

STOCK CODE

1581

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Director") of Progressive Path Group Holdings Limited (the "Company"), it is my pleasure to present to you the 2022 annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2022 (the "Year").

The Group's revenue increased by approximately 18.4% to approximately HK$515.9 million for the Year as compared to approximately HK$435.6 million for the year ended 31 March 2021. The Group's profit attributable to owners of the Company increased from approximately HK$3.7 million for the year ended 31 March 2021 to approximately HK$12.1 million for the Year. Such increase in profit during the Year were mainly attributable to (i) the construction projects located at the Three-runway system at Chek Lap Kok Airport and Kai Tak Sport Park were in full swing during the Year and (ii) the construction of community isolation and treatment facilities for the Hong Kong Special Administrative Region (the "HKSAR") government.

Notwithstanding the COVID-19 outbreak since 2020 and the surge in the fifth wave of outbreaks have brought negatively affected the construction industry and have significantly restricted business and daily life activities, the Group has awarded five new projects and two contracts from existing projects with an aggregate sum of approximately HK$83.4 million during the Year. Faced with the uncertainties brought on by the prolonged COVID-19 outbreak, the Group will continue to adopt a more prudent approach in its bid for construction projects.

Though facing challenges in business environment, the Group will continue to focus on its core business of foundation and site formation construction work and construction machinery rental business. The Group will closely monitor the progress in the construction works. Meanwhile, the Group will keep improving and expanding the diversity of our machinery fleet to ensure the continuous provision of high quality, reliable and safe machinery fleet to the construction market. The Board is optimistically confident in the long-term development of the construction industry as the HKSAR government will take infrastructure investment as the main measure to stimulate the economy in the future.

On behalf of the Board, I would like to take this opportunity to extend my appreciation to our staff and colleagues for their continued dedication and professionalism, particularly amid difficult conditions that were exacerbated by the pandemic. Our stakeholders and business partners are important to our business and we give our thanks for their tremendous support and loyalty. In addition, I would like to extend my thanks to our shareholders for your unwavering support. With our operational excellence and expertise in the field, we are poised to create significant shareholder value in the future.

Wu Wing Hang
Chairman

Hong Kong, 28 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The COVID-19 pandemic remained challenging due to the outbreak of the mutant variants. The operation of the construction industry in Hong Kong was inevitably affected by the outbreak of the fifth wave of COVID-19. However, due to relatively stable undertaking of government infrastructure projects, such as Chek Lap Kok Airport, Kai Tak Development Area and construction of community isolation and treatment facilities, the market of construction machinery rental business was still undergoing an improvement during the Year. Meanwhile, the market competition is still very fierce, which lowering the bidding prices for contracts in order to maintain our competitiveness in the market.

The economy of Hong Kong is recovering from COVID-19 with uncertainties and challenges, with some current economic issues, such as increasing commodity prices, inflation and supply chain bottlenecks, potentially threaten the economy. These issues have also leaded to higher material costs and overhead costs in our business.

The HKSAR government will take infrastructure investment as the main measure to stimulate the economy during the epidemic, and will continue to invest in infrastructure to enhance the city's competitiveness. The construction industry is supported by the government to stimulate economic growth, as well as public and private sector investments mainly in housing and infrastructure projects. The introduction of land development proposal of the "Northern Metropolis" and "Lantau Tomorrow Vision" by the HKSAR government which demonstrate the support from government and importance of construction industry to the economy in coming years. It will result in more business opportunities being presented to the market.

BUSINESS AND FINANCIAL REVIEW

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

The overall performance was improved due to better cost control on our construction projects during the Year and the improvement of the construction machinery rental business as a result of the increasing demand from some of the infrastructure and reclamation projects in Hong Kong.

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

MANAGEMENT DISCUSSION AND ANALYSIS

RISKS AND UNCERTAINTIES

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

Operational Risks

The Group derives the revenue from construction works of a non-recurrent nature. We generally enter into contract with our customers on a project-by-project basis and our customers are therefore under no obligation to award new projects to us. As such, there is no guarantee that we will be able to secure new businesses from our existing customers. In addition, there is no guarantee that we will be able to obtain new business when projects in our backlog are completed. Accordingly, the number and scale of projects and the amount of revenue we are able to derive, therefore may vary significantly from period to period.

On the other hand, the Group would subcontract certain parts of a construction project to subcontractors, depending on various factors, such as the availability of the Group resources, cost effectiveness and the complexity of such project. In selecting subcontractors, we will evaluate them based on their technical capability, job reference, pricing competitiveness, labour resources and safety performance. However, there is no assurance that the quality of our subcontractors' works is satisfactory. We may then incur additional costs or be subject to the liability under the contracts with our customers due to the delayed performance or unsatisfactory performance by our subcontractors.

In the construction industry, it is not uncommon for customers to take a relatively longer time to settle the receivables, especially during unexpected crises caused by economic factors. In order to mitigate the pressure on financial liquidity, the Group regularly prepares aging analysis and communicates with the management of customers to get better understanding of the solvency status of customers.

Market Risks

All of the Group's revenue is derived from Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control (e.g. local economic recession, natural disasters, infectious disease outbreaks, etc), or if adverse changes in the government infrastructure spending, the Group's overall business and results of operations may be materially and adversely affected pretentious.

In the meantime, the market may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other epidemics. Many businesses and social activities have been severely disrupted. Government efforts to contain the spread of COVID-19, including city lockdowns or isolation orders, widespread business closures, restrictions on travel and emergency quarantines, have caused significant and unprecedented disruptions to the global economy and normal business operations. We experienced certain disruptions in our operations as a result of the government-imposed measures related to the COVID-19 outbreak. In such case, we experienced a temporary closure in some construction sites during the Year. We have conducted, and will continue to conduct, measures to control the risk of virus spread in our business operations, including providing our staff with knowledge of COVID-19 prevention and control and requiring users to take personal hygiene measures.

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

During the Year, the Group had revenue generated from construction works and construction machinery rental. Set out below is the breakdown of revenue of the Group during the Year and the year ended 31 March 2021:

	Year ended 31 March	
	2022	2021
	HK$'000	HK$'000
Construction works	**177,087**	194,450
Construction machinery rental	**338,861**	241,144
	515,948	435,594

Revenue from construction works

During the Year, the revenue derived from our nine projects (2021: eight projects) amounted to approximately HK$177.1 million (2021: HK$194.5 million), accounting for approximately 34.3% (2021: 44.6%) of our total revenue. Such decrease in revenue was the results of revenue in construction works contributed by the construction projects mainly from the construction peak time has passed in Anderson Road Quarry Site, substantial completion in Ap Lei Chau and completion of project in Tuen Mun – Chek Lap Kok Link during the Year. The Group had awarded five new projects and two contracts from existing projects during the Year. The Group has been actively participating in tenders for new public and private construction projects.

As at 31 March 2022, there were nine projects on hand with total outstanding contract sum amounting to HK$121.2 million. Eight projects are expected to be completed in the year ending 31 March 2023, one project is expected to be completed in the year ending 31 March 2024 and none of them is expected to have any material interruption.

Below set out a list of projects during the Year:

Site location/Project	Type of works	Status
Anderson Road Quarry Site	Foundation and site formation works	Work in progress
Yau Tong	Foundation and site formation works	Completed
Tuen Mun – Chek Lap Kok Link – Northern Connection Sub-sea Tunnel Section	Foundation and site formation works	Completed
West Kowloon Drainage Improvement – Inter-reservoirs Transfer Scheme	Foundation and site formation works	Work in progress
Ap Lei Chau Inland Lot No. 136	Foundation and site formation works	Work in progress
Kai Tak Sports Park	Foundation and site formation works	Work in progress
Temporary Quarantine Facilities at Penny's Bay	Foundation and site formation works	Completed

MANAGEMENT DISCUSSION AND ANALYSIS

Site location/Project	Type of works	Status
Hong Kong International Airport – automatic people mover (APM) and baggage handling system (BHS)	Foundation and site formation works	Work in progress
Tung Tau – Transitional Housing Project	Foundation and site formation works	Work in progress
Kai Tak Development Area – NKIL No. 6591	Foundation and site formation works	Work in progress
Kai Tak Development Area – NKIL No. 6554	Builder's work and general building works	Not yet commenced
Kai Tak Development Area – NKIL No. 6577	Builder's work and general building works	Not yet commenced

Revenue from construction machinery rental

During the Year, the revenue derived from the construction machinery rental amounted to approximately HK$338.9 million (2021: HK$241.1 million), accounting for approximately 65.7% (2021: 55.4%) of our total revenue. The substantial increase in construction machinery rental revenue of the Group was mainly the result of some of the infrastructure and reclamation projects in Hong Kong, namely Three-runway system and Terminal 2 at Chek Lap Kok Airport and Tung Chung New Town Extension, have been in progress during the Year, thus, have increasing demand on our machinery fleet on those sites. In addition, the construction of community isolation and treatment facilities were further increased the demand for our machinery fleet.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit increased by approximately HK$11.7 million, from gross profit of approximately HK$21.9 million for the year ended 31 March 2021 to approximately HK$33.6 million for the Year while the gross profit margin increased by approximately 1.5% as compared with previous year. The increase in gross profit was mainly attributable two (i) the increase in the revenue from construction machinery rental during the Year due to the increasing demand and higher average rental price of our machinery fleet; and (ii) the improvement in gross profit margin on construction works as more use of sub-contractors to perform over the construction works to achieve better cost control and new projects with higher gross profit margin were undertaken by the Group during the Year; as partially set-off by the adverse effect of the increase in the labour cost during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	2022		2021	
	Gross Profit HK$'000	**Gross Profit Margin**	Gross Profit HK$'000	Gross Profit Margin
Construction works	**8,471**	**4.8%**	4,374	2.2%
Construction machinery rental	**25,168**	**7.4%**	17,543	7.3%
	33,639	**6.5%**	21,917	5.0%

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME

The other income of the Group for the Year amounted to approximately HK$7.5 million, representing a decrease of approximately 52.8% compared with approximately HK$16.0 million for the previous year. Such decrease is mainly due to the recognition of non-recurring government grants of approximately HK$13.0 million mainly from the Anti-epidemic Fund launched by the HKSAR government for the previous year, while the government grants from Construction Innovation and Technology Fund of approximately HK$1.3 million was recognised during the Year.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK$23.6 million, representing an increase of approximately 8.1% compared with approximately HK$21.8 million for the previous year. Such increase is mainly attributable to the increase in business volume and insurance costs.

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

	Year ended 31 March	
	2022	2021
	HK$'000	HK$'000
(Reversal of) provision for loss allowance on trade receivables, net	**(2,284)**	7,746
Provision for loss allowance on contract assets	**684**	1,366

The net effect of reversal of loss allowance on trade receivables and contract assets for the Year amounted to approximately HK$1.6 million as compared to net effect of loss allowance of HK$9.1 million for the previous year. The reversal of the loss allowance is mainly due to the recovery of credit impaired debts.

NET PROFIT

The Group reported a net profit of approximately HK$12.1 million (2021: HK$3.7 million), representing an increase of approximately 224.5%. The increase is mainly attributable to the substantial increase in revenue generated from the construction machinery rental and the improvement of gross profit margin during the Year.

TREASURY POLICY

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2022, the Group had bank balances of approximately HK$17.3 million (2021: HK$16.8 million). The increase is mainly due to the cash generated from operations during the Year. The new bank borrowings during the Year were approximately HK$123.4 million (2021: HK$90.0 million). The total interest-bearing liabilities of the Group including bank borrowings and lease liabilities as at 31 March 2022 was approximately HK$182.2 million (2021: HK$114.3 million). The gearing ratio is calculated based on the amount of total interest-bearing liabilities divided by total equity. The gearing ratio of the Group as at 31 March 2022 was approximately 89.2% (2021: 59.5%).

PLEDGE OF ASSETS

As at 31 March 2022, the Group's bank borrowings and lease liabilities were secured by the ownership interest in leasehold land and building and machinery and equipment with an aggregate net carrying value of approximately HK$120.9 million (2021: HK$78.2 million), deposits and prepayments for life insurances with an aggregate net book value of approximately HK$11.9 million (2021: HK$6.7 million) and pledged deposits with an aggregate net book value of approximately HK$4.3 million (2021: HK$3.9 million).

FOREIGN EXCHANGE RISK

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed 508 (2021: 512) staffs. Total staff costs including Directors' emoluments for the Year amounted to approximately HK$193.6 million (2021: HK$149.7 million). The increase in staff costs mainly due to more overtime allowance and subsidies were given to our staff for urgent projects together with the increase in business volume. The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the qualification and performance of each employee.

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE AND COMMITMENTS

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

	Year ended 31 March	
	2022	2021
	HK$'000	HK$'000
Motor vehicles	**52,141**	19,277
Machinery	**88,220**	43,321
Others	**183**	12,343
	140,544	74,941

As at 31 March 2022, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2022, one of the subsidiaries of the Group was involved in an ongoing employees' compensation claim; whereas another subsidiary of the Group was involved in an ongoing personal injury claim. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case.

EVENTS AFTER THE YEAR

Proposed share consolidation, change in board lot size and rights issue

According to the announcements of the Company dated 24 May 2022 and 7 June 2022, the Company proposed to implement the followings:

(1) a share Consolidation (the "Share Consolidation") on the basis that every five (5) existing shares of HK$0.01 each (the "Existing Share(s)") in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share of HK$0.05 each (the "Consolidated Share(s)"). Upon the Share Consolidation becoming effective, the authorised share capital of the Company will become HK$100,000,000 divided into 2,000,000,000 Consolidated Shares of HK$0.05 each, of which 207,500,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue;

(2) a change in board lot size (the "Change in Board Lot Size") for trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 5,000 Existing Shares to 10,000 Consolidated Shares upon the Share Consolidation becoming effective; and

(3) a rights issue (the "Rights Issue") on the basis of one (1) rights share (the "Rights Share(s)") for every one (1) Consolidated Share held on the date for determining entitlements of the shareholders of the Company to participate in the Rights Issue at the subscription price of HK$0.26 per Rights Share. The maximum net proceeds from the Rights Issue, after deducting all relevant expenses, are estimated to be approximately HK$52.0 million. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 71.8% (or approximately HK$37.3 million), for the acquisition of air compressors in order to enhance the machinery fleet for rental; and (ii) approximately 28.2% (or approximately HK$14.7 million) for general working capital of the Group.

The proposed Share Consolidation, the Change in Board Lot Size and the Rights Issue have not been completed as at the date of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

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

FINAL DIVIDEND

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

PROSPECTS

The outbreak of COVID-19 pandemic has posed significant impacts on global economy and business environment, as well as the construction industry. Since the beginning of 2022, the Omicron variants have started to spread out rapidly, so that some countries have imposed lockdown measures again in an effort to contain the spread of the pandemic, which cast shadows on the initial recovery of the economy. Such inbound travel restrictions have also affected certain parts of the construction related supply chains, including the supply of construction materials and the mobility of labour force. With more than 80% Hong Kong population has injected at least two doses of COVID-19 Vaccine, the pandemic was under control and the economy has gradually recovered from the impact of COVID-19 pandemic, local construction industry has gradually returned to normal, and the revenue from of the Group has also improved.

Moreover, the government reiterated its commitment to continue investing in infrastructure to enhance Hong Kong's competitiveness. In response to the impact of the epidemic on our economy, the government will also position infrastructure investment as a major counter-cyclic measure in stimulating the economy. The government continued its effort on both public and private sector housing, as well as the transitional housing. As mentioned in the Policy Address in 2021, it is expected that the annual capital works expenditure will exceed HK$100 billion in the coming years. It is expected that construction projects will maintain a stable level in the next few years, and the Group expects the construction industry to rebound in the future.

As to the Group, we are confident with the prospects of the Group for the next few years. Furthermore, to maintain our competitiveness, the Group has replaced and enhanced our fleet of machinery to strengthen the market position in Hong Kong to capture more sizeable and profitable projects and construction machinery rental business in the future. However, the Group will closely monitor the negative effect from fierce competition amongst the competitors, together with the increasing direct material cost and labour wages, as well as the possibility of the outbreak of COVID-19 variants in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the change of information of Directors are as follow:

Mr. Lee Man Tai

Mr. Lee, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Yunhong Guixin Group Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8349) with effect from 30 June 2021.

Mr. Wong Yiu Kit Ernest

Mr. Wong, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Samson Paper Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 731) with effect from 26 January 2022.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company while the principal subsidiaries are principally engaged in the construction works and provision of construction machinery rental services. Details of the principal activities of its subsidiaries are set out in notes 1 and 35 to the consolidated financial statements of this annual report. There was no significant change in the Group's principal activities during the Year.

BUSINESS REVIEW

Discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" set out on pages 4 to 12 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

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

PROPERTY, PLANT AND EQUIPMENT

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

RELATIONSHIP WITH KEY STAKEHOLDERS

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

Employees

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

Customers

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

REPORT OF THE DIRECTORS

Sub-contractors and Suppliers

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

SHARE CAPITAL AND SHARES ISSUED DURING THE YEAR

Details of movements during the Year in the share capital of the Company are set out in note 27 to the consolidated financial statements of this annual report.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 55 of this annual report.

As at 31 March 2022, the Group had retained profits amounted to approximately HK$49,216,000 available for distribution to the Company's shareholders.

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 15 November 2016. The principal terms of the Share Option Scheme is set out in note 30 to the consolidated financial statements of this annual report. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. The total number of shares available for issue under the Share Option Scheme is 100,000,000 shares, representing 9.64% of the issued shares of the Company as at the date of this annual report.

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors
Mr. Wu Wing Hang
Mr. Chan Tak Ming

Independent Non-Executive Directors
Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

In accordance with article 108 of the Company's articles of association (the "Articles"), Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai will retire from office as Directors at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

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

DIRECTORS' SERVICE CONTRACT

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

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

MANAGEMENT CONTRACTS

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

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

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

REPORT OF THE DIRECTORS

COMPETING INTERESTS

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

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders has made an annual declaration to the Company up to 31 March 2022, he/it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the controlling shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

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

As at 31 March 2022, interests and long positions in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the shares

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

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

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

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

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

REPORT OF THE DIRECTORS

(iii) Short positions

Other than as disclosed above, as at 31 March 2022, none of the Directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2022, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares of the Company:

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

Notes:

1. 610,995,000 shares were beneficially owned by Profit Gold, which is wholly owned by Mr. Wu.

2. Ms. Kwok, being spouse of Mr. Wu, is deemed to be interest in the 610,995,000 shares held by Mr. Wu under the SFO.

Save as disclosed above, as at 31 March 2022, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

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

	Year ended 31 March	
	2022	2021
Approximate % of total revenue		
from the largest customer	**18.4%**	19.9%
from the five largest customers in aggregate	**62.9%**	66.7%
Approximate % of cost of sales		
from the largest subcontractor	**18.4%**	15.5%
from the five largest subcontractors in aggregate	**23.8%**	30.1%
from the largest supplier	**7.3%**	2.4%
from the five largest suppliers in aggregate	**13.1%**	7.5%

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

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

With respect to the related party transactions as disclosed in note 31 to the consolidated financial statements of this annual report, all transactions which also constitute connected transactions or continuing connected transactions are fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

EVENTS AFTER YEAR

Details of the events after the Year are set out in note 36 to the consolidated financial statements.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely, Mr. Lee Man Tai, Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2022 in conjunction with the Company's Auditor and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2022 have been audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Year and up to the date of this annual report except for the deviation from code provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) of the CG Code as explained in the Corporate Governance Report.

The details of Group's compliance with the CG Code is set out in the Corporate Governance Report from pages 25 to 34 of this annual report.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations amounting to approximately HK$85,000 (2021: HK$8,000).

REPORT OF THE DIRECTORS

DIRECTORS AND OFFICERS INSURANCE

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

ENVIRONMENTAL POLICIES

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

Details are set out in the Environmental, Social and Governance Report (the "ESG Report") from pages 35 to 46 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

On behalf of the Board
Wu Wing Hang
Chairman

Hong Kong, 28 June 2022

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wu Wing Hang (胡永恒) ("Mr. Wu"), aged 43, is the founder of our Group. Mr. Wu is also a member of the nomination and remuneration committee. He was appointed as a Director on 21 April 2016 and was designated as an executive Director on 13 July 2016. He was also appointed as the Chairman of our Group on 13 July 2016. He is currently responsible for overseeing the corporate strategy and operational management of our Group. Mr. Wu is also a director of all the subsidiaries of our Group.

Mr. Wu has over 24 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in City College in Hong Kong in 1995. In 2003, Mr. Wu established Luen Yau Construction Company. He established Luen Yau Construction Company Limited in December 2007 and served as its director.

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

Mr. Chan Tak Ming (陳德明) ("Mr. Chan"), aged 56, was appointed as Director on 31 May 2016 and was designated as an executive Director on 13 July 2016. He is currently responsible for overseeing the rental operation of our Group.

Mr. Chan has over 37 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in Oberlin College in Hong Kong in 1983. Mr. Chan joined our Group in August 2003 as a machine operator and was promoted to the position of head of machine rental department in July 2013.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Wong Yiu Kit Ernest (黃耀傑) ("Mr. Wong"), aged 54, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the remuneration committee and a member of the audit and nomination committees of our Company.

Mr. Wong has over 29 years of experience in venture capital, corporate finance, business development and general management. He was the vice president of Vertex Management (HK), an international venture capital firm in Singapore, from July 2000 to October 2002. He worked at Hong Kong Applied Science and Technology Research Institute Company Limited from November 2002 to April 2008, where he last served as the chief financial officer. He was an executive director of Adamas Finance Asia Limited (formerly known as China Private Equity Investment Holdings Limited) ("Adamas Finance"), a company listed on the London Stock Exchange (stock code: ADAM) and the Frankfurt Stock Exchange (stock code: 1CP1), from May 2008 to February 2014 and a non-executive director of Adamas Finance from February 2014 to June 2019. From October 2014 to August 2019, he worked for KVB Kunlun Financial Group Limited (now known as CLSA Premium Limited) ("Kunlun Financial"), a company listed on the Main Board of the Stock Exchange (stock code: 6877), as the chief financial officer and the company secretary. During the period from May 2018 to August 2019, he was concurrently an executive director of Kunlun Financial. He is currently the president and the group chief financial officer of KVB Holdings Limited since November 2011.

From November 2016 to September 2018, he was an independent non-executive director of Legend Strategy International Holdings Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1355). From February 2017 to August 2019, he was an independent non-executive director of China Regenerative Medicine International Limited, a company listed on GEM of the Stock Exchange (stock code: 8158). From July 2014 to July 2020, he was an independent non-executive director of HongDa Financial Holding Limited (now known as China Wood International Holding Co., Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1822).

He is currently an independent non-executive director of each of RENHENG Enterprise Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3628), Kwong Luen Engineering Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1413), Aidigong Maternal & Child Health Limited, a company listed on the Main Board of the Stock Exchange (stock code: 286), Goldstone Investment Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 901) and Samson Paper Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 731).

Mr. Wong obtained a bachelor's degree in business administration from The University of Hong Kong, a master's degree in management from the Saïd business school of Oxford University, a master's degree of science in investment management from The Hong Kong University of Science and Technology, a master's degree of science in electronic engineering from The Chinese University of Hong Kong and a master's degree of science in major programme management from the University of Oxford in the United Kingdom.

Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. He is also the charter-holder of the Institute of Chartered Financial Analysts. He is the Global council member of the Association of Chartered Certified Accountants and the former chairman of the Association of Chartered Certified Accountants Hong Kong, the former deputy chairman of the HKU Convocation and the past president of the Hong Kong University Graduates Association.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Man Tai (李文泰) ("Mr. Lee"), aged 45, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the audit committee and a member of the remuneration committee of our Company.

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

Mr. Lee has over 20 years of experience in financial and auditing industries. He served as the chief financial officer and company secretary in several listed companies including China Yuanbang Property Holdings Limited, a listed company on the main board of Singapore Exchange Securities Trading Limited with stock code BCD between October 2006 to October 2012, China 33 Media Group Limited (stock code: 8087) between October 2012 and May 2014 and Flying Financial Service Holdings Limited (stock code: 8030) as the chief financial officer between July 2014 to April 2015 and company secretary between August 2014 to April 2015. He also served as the company secretary and financial controller of Chanco International Group Limited (with its name changed to China International Development Corporation Limited) (stock code: 264) from April 2015 to September 2015 and from April 2015 to January 2016 respectively. He is currently the chief financial officer and company secretary of Beaver Group (Holding) Company Limited (stock code: 8275) since June 2021 and August 2021, respectively.

Mr. Lee is currently an independent non-executive director of China Energy Development Holdings Limited (stock code: 228) since January 2016, Rizhao Port Jurong Co., Ltd (stock code: 6117) since December 2019 and Yunhong Guixin Group Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8349) since June 2021.

Mr. Leung Ka Fai (梁家輝) ("Mr. Leung"), aged 43, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the nomination committee and a member of the audit committee of our Company.

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

Mr. Leung has over 10 years of experience in management. Mr. Leung was a district council member of Sha Tin District Council from January 2008 to December 2019. He is a committee member of Yunfu City of the Chinese People's Political Consultative Conference since January 2013. He served as a business director of Beta Field Capital Limited from December 2011 to February 2012 and an independent non-executive director of China Biotech Services Holdings Limited (stock code: 8037) from June 2013 to December 2017. He was also appointed as an independent non-executive director of China Investment Fund Company Limited (stock code: 612, formerly known as China Ding Yi Feng Holdings Limited) from 22 April 2016 to 20 July 2016 and subsequently appointed and redesignated as a non-executive director with effect from 31 October 2016.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Kwok Wai Sheung Melody (郭慧嫦) ("Ms. Kwok"), aged 44, is our human resources and administration manager. She is currently responsible for human resources management, training and education of employees.

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

Ms. Kwok has over 22 years of experience in the construction industry. She joined Luen Yau Construction Company in July 2003 as a human resources and administration manager. Prior to joining our Group, Ms. Kwok worked as a site clerk in Dickson Construction Co., Ltd. from September 1998 to December 2000 and China Harbour Engineering Co. from November 1997 to September 1998.

COMPANY SECRETARY

Mr. Li Kin Fung (李建鋒) ("Mr. Li"), aged 34, joined the Company as a finance manager in February 2018. He is a member of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England and Wales and the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries). He is also a Chartered Accountant of the Institute of Chartered Accountants in England and Wales.

He obtained a bachelor degree of Business Administration in Professional Accounting and Economics from The Hong Kong University of Science and Technology and a master degree in Corporate Governance from The Hong Kong Polytechnic University. He has over 11 years of experience in auditing, financial management and accounting. Prior to joining the Company, Mr. Li worked as an audit manager in the assurance department of an international audit firm.

CORPORATE GOVERNANCE REPORT

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as set out in Appendix 14 of the Listing Rules. Throughout the Year and up to the date of this annual report, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

According to code provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the Year and up to the date of this annual report, the role of the chairman of the Company is performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company is vacated. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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

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

The composition of the Board is as follows:

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

Independent non-executive Directors
Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

Biographical details of each Director and relationship between Board members are set out on pages 21 to 24 of this annual report.

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

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

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

CORPORATE GOVERNANCE REPORT

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

Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Executive Directors		
Mr. Wu Wing Hang	4/4	1/1
Mr. Chan Tak Ming	4/4	1/1
Independent non-executive Directors		
Mr. Wong Yiu Kit Ernest	4/4	1/1
Mr. Lee Man Tai	4/4	1/1
Mr. Leung Ka Fai	4/4	1/1

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

BOARD DIVERSITY

The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, 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. The Board with the assistance of nomination committee of the Company (the "Nomination Committee") shall review the Board Diversity Policy from time to time to ensure that it remains appropriate and effective. During the Year, the Company's existing composition of independent non-executive Directors as well as its senior management team are highly diverse in age, educational background and professional experience.

Pursuant to the amended Rule 13.92 of the Listing Rules (effective from 1 January 2022), the Stock Exchange will not regard a single gender board of directors as achieving member diversity. The Board is aware of the existing single gender composition of the Board and has confirmed that the Nomination Committee will identify and recommend one female candidate to the Board for its consideration on her appointment as a Director no later than 31 December 2024 and continue to apply the principle of appointments based on merit with reference to our Board Diversity Policy as a whole.

Up to the date of this annual report, the Nomination Committee is in progress of identifying suitable female candidate(s) for appointment to the Board.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

BOARD COMMITTEES

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

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

Notes:

C – Chairman of the relevant committee

M – Member of the relevant committee

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules and paragraph C.3 (which has been re-numbered as D.3 since 1 January 2022) of the CG Code, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Man Tai, Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. Mr. Lee Man Tai is the Chairman of the Audit Committee. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditor, and performing the corporate governance function.

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

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the Year to review, and recommend to the Board for approval, the audited consolidated financial statements of the Group for the year ended 31 March 2021, the unaudited interim financial report for the six-month period ended 30 September 2021 and reviewed the internal audit reports including the review and evaluation of internal controls. The individual attendance record of each member at the meetings of Audit Committee are set out below:

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

Subsequent to the year ended 31 March 2022, the Audit Committee held one meeting and have reviewed and recommended to the Board for approval of the audited consolidated financial statements of the Group for the year ended 31 March 2022.

NOMINATION COMMITTEE

Pursuant to paragraph A.5 (which has been re-numbered as B.3 since 1 January 2022) of the CG Code, the Nomination Committee comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Leung Ka Fai and Mr. Wong Yiu Kit Ernest. Mr. Leung Ka Fai is the Chairman of the Nomination Committee. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying and nomination of Directors and making recommendations to the Board on appointment and re-appointment of Directors.

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

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

Name of member of the Nomination Committee	Attendance/ Number of Meetings
Mr. Leung Ka Fai	2/2
Mr. Wu Wing Hang	2/2
Mr. Wong Yiu Kit Ernest	2/2

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

CORPORATE GOVERNANCE REPORT

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

REMUNERATION COMMITTEE

Pursuant to paragraph B.1 (which has been re-numbered as E.1 since 1 January 2022) of the CG Code, the Remuneration Committee comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest and Mr. Lee Man Tai. Mr. Wong Yiu Kit Ernest is the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, among other things, formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of independent non-executive Directors.

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

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

Name of member of the Remuneration Committee	Attendance/ Number of Meetings
Mr. Wong Yiu Kit Ernest	2/2
Mr. Wu Wing Hang	2/2
Mr. Lee Man Tai	2/2

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

COMPANY SECRETARY

The Company Secretary, who is also the chief financial officer of the Company and was appointed on 15 March 2022, is a full time employee of the Company. During the Year, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. His biography is set out on page 24 of this annual report under the section headed "Biographies of the Directors and Senior Management".

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

DISCLOSURE OF INSIDE INFORMATION

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

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

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

	Service Fee HK$'000
Audit services	894
Non-audit services:	
– Interim report	250
– Others*	37
	287
Total	1,181

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

DIVIDEND POLICY

Pursuant to code provision E.1.5 (which has been re-numbered as F.1.1 since 1 January 2022) of the CG Code, the Company has adopted a dividend policy ("Dividend Policy"). This Dividend Policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits, realised or unrealised, or from any reserve set aside from profits which the Board determine is no longer needed, as dividends to the shareholders of the Company.

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

How shareholder can convene an extraordinary general meeting

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

(a) Pursuant to article 64 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "Eligible Shareholder(s)") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

(b) The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business at Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

(c) The requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and

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

CORPORATE GOVERNANCE REPORT

Procedures by which enquiries may be put to the Board

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

Procedures for putting forward proposals at shareholders' meeting

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

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

As of the year ended 31 March 2022 and up to the date of this annual report, there were no changes made to the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Progressive Path Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in construction works and the provision of construction machinery rental services. The report includes the mentioned principal activities which mainly operated in Hong Kong for the year ended 31 March 2022 (the "Year"). The objective of this Environmental, Social and Governance ("ESG") Report is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future.

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

The preparation of this report followed the principles of "Materiality", "Quantitative" and "Consistency" set out in the Reporting Guide which detailed below.

Materiality: Materiality assessment was conducted and reviewed annually to assess ESG factors which are relevant and material to our business operations and stakeholders.

Quantitative: Quantitative KPIs in the ESG Report has been disclosed with explanation, and are applicable for comparisons.

Consistency: ESG data presented in the Report are prepared under consistent methodologies to allow meaningful comparisons of ESG data over time over the years.

BOARD STATEMENT

In order to pursue a successful and sustainable business model, the Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Board has delegated the responsibility of coordinating the implementation of the Group's environment, social and service quality assurance policies to the management.

The Group has incorporated multiple environmental and social measures in our business operation. The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The management with assistance from operational departments key personnel identifies and prioritises the material ESG related issues. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ASSESSMENT AND COMMUNICATION

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

ENVIRONMENTAL

Emissions

In view of the impacts of the environmental and climate-related issues become more severe in recent decades, the Group recognizes the importance of striking balance between operation development and environmental protection. Reducing greenhouse gas emissions is the most important mitigation measure for tackling climate change, and carbon footprint assessment provides the underlying indicators for reducing greenhouse gas emissions.

Air pollutants and greenhouse gas ("GHG") emissions

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group owned vehicles are used for both rental and construction purposes, therefore the Group unable to retrieve usage records for each purpose. As a result, atmospheric emission data for nitrogen oxides and particulate matter are unavailable. Sulphur oxides produced by the combustion of diesel was about *26 kg (2021=43kg).

GHG emission	Unit	2022	2021
Scope 1 – Fuel combustion	Tonne	**4,179**	6,907
Scope 2 – Purchased electricity	Tonne	**3***	6
Scope 3 – Other indirect	Tonne	**4**	4
Total GHG emissions	Tonne	**4,186**	6,917
GHG emission intensity	Tonne/million HK$ revenue***	**8****	16

* The decrease in emissions from purchased electricity resulted from the changes in emission factor.

** Although our revenue increased during the Year, the nature of projects required less diesel and petrol for our machinery and motor vehicles, therefore, less fuel was consumed.

*** During the Year, the Group's total revenue was approximately HK$516 million (2021: approximately HK$435 million). The data will also be used for calculating other intensity data.

We target to reduce 2–3% of the GHG emission intensity in the coming five years. To achieve it, we would actively take the reduction measure as below:

– Arrange regular check on vehicles to maintain the engine functions

– Strictly require to switch off idling vehicles

– Acquire more fuel-saving vehicles

To the best of our knowledge, the Group does not have any non-compliance issues in relation to laws and regulations that relate to air and greenhouse gas emissions including but not limited to the Air Pollution Control Ordinance (Cap.311).

Waste Management

Due to the business nature of the Group, no hazardous waste was generated. Reduction target for hazardous waste is also not applicable to us. The main non-hazardous wastes of the Group are construction-related which are all disposed of at public filling areas and landfills respectively according to the Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong). The Group also strictly follow the requirements of the EPD and the main contractors. We engage qualified construction waste collector to handle construction waste if necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group disposed approximately 922 tonnes non-hazardous waste (construction waste) to landfill, sorting facility and public filling areas as required by Environmental Protection Department. The intensity of the non-hazardous waste was 1.79 tonnes per million HK$ revenue. Other than that, waste generated at construction sites was mainly handled by the main contractors that the Group worked with. As the work nature and arrangements from main contractors varies from each construction sites, reduction target for construction waste is not applicable to us.

Apart from above, the Group disposed 748kg (2021: 808kg) of paper during the Year, with intensity of 1kg/million HK$ revenue (2021: 2kg/million HK$ revenue). The Group would continue to encourage employees to sort and recycle waste to achieve the objectives of waste mitigation. In view of the Group's strict control on the paper usage, reduction target of 1–2% in intensity is set in coming five years, compared to the performance during the Year as its baseline, by introducing and encouraging more electronic means than paper during business communication.

During the Year, to the best of our knowledge, the Group did not experience any non-compliance issues in relation to laws and regulations that relate to discharges into water and land, and generation of hazardous and non-hazardous waste including but not limited to the Waste Disposal Ordinance (Cap. 354).

Use of Resources

Environmental protection is the responsibility of every staff of the Group. The focus is on reducing natural resource consumption. The Group promotes the paperless office, encourages employees to maximize the use of electronic communications and electronic documents, avoid unnecessary printing and copying, reduce paper consumption, and recycle office wastepaper and other office supplies. To put into practice the concept of the "4Rs" (Reduce, Reuse, Recycle and Replace) in our offices and site offices, we have implemented stages of time regarding environmental policies.

The measures taken by us includes:

– Reduce paper usage by double-sided copying and frequent use of electronic information systems for communication and documentation;

– Switch off lights and electrical facilities/appliances (computers and printers) when leaving the workplace or when they are not in use; to purchase and use energy-efficient products;

– Use natural lighting and ventilation in site offices;

– Encourage a paperless work environment in terms of internal and external email communication; and

– Place recycling bins in offices to encourage recycling.

As a business in the construction industry, the Group is mainly engaged in the construction of infrastructure, real estate, urban complexes, etc., which do not involve consumption of packaging materials or packaging material-related businesses. Therefore, this indicator is not applicable. The Company did not encounter problem in sourcing water as water in project sites was supplied by main contractor while water in head office was supplied by management office. The water consumption data and water efficiency target are also not applicable for us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, the natural resources consumed is as follows:

Use of natural resources	Unit	2022	2021
Direct energy consumption – Diesel	L	**1,596,854****	2,637,185
	L/million HK$ revenue	**3,095**	6,049
Direct energy consumption – Petrol	L	**2,246****	5,474
	L/million HK$ revenue	**4**	13
Indirect energy consumption – Electricity	kWh	**9,246**	9,485
	kWh/million HK$ revenue	**18**	22

** Although our revenue increased during the Year, the nature of projects required less diesel and petrol for our machinery and motor vehicles, therefore, less fuel was consumed.

The Group targets to reduce the intensity of electricity consumption to below 16kWh/million HK$ revenue for the year ending 31 March 2027 by optimising the use of electrical devices and replacing the broken appliance to more energy-saving ones.

The Environment and Natural Resources

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

Sustainable development is important for our business, the Group regularly monitors the potential impact of its business operations on the environment and promotes a green office and production environment through four basic principles: reducing, reusing, recycling and replacing. At the same time, the Group verifies the effective use of resources each year, to ensure continuous improvement in this field. The Group has also engaged the Hong Kong Quality Assurance Agency to carry out regular confirmation of our ISO 14001 qualification for management of waste and resource provision in our construction works.

Due to our business nature, the operation of vehicles and the construction processes create noise, which may affect people living or working nearby. To mitigate the disturbance to the community and environment, we adopted certain noise pollution control on our operations. We strictly implement the guidelines regarding construction noise pollution caused by our main contractors, and comply with the Noise Control Ordinance (Cap. 400, Laws of Hong Kong). Under the Noise Control Ordinance, all construction activities are controlled by means of a system of Construction Notice Permits ("CNP") issued by the EPD. In addition, the carrying out of general construction works using powered mechanical equipment is prohibited between 7 p.m. and 7 a.m., and at any time on a general holiday, including Sundays, unless a valid CNP is in force.

In our daily operations, we seek to minimise impact on wastewater pollution. Based on the guidelines from main contractors, we have set up a wastewater collection basin in each construction site for wastewater handling.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CLIMATE CHANGE

The Group deeply aware that climate change may adversely affect our business in different ways, thereby we are committed to continuously reduce carbon footprint to mitigate the impacts on climate change. The Group regularly review the policies to identify and mitigate the impacts raised from climate change and raise employees' awareness regarding GHG emission, energy consumption and climate change.

Acute risk and chronic risk are both physical risks resulting from climate change. Extreme weather events such as rainstorm, typhoon or heatwaves will cause safety risk to our workers, affect our work process for construction works and interrupt the supply chain logistics, leading to suspension or delay in project delivery. To address the risk, the Group has established work arrangements and measures under typhoon and rainstorm and regularly updated such information to employee. Also, the Group has regularly reviewed the base of approved supplier to ensure we can source the materials from alternate one in case the supply chain was affected by extreme weather events. We ensured that enough liquid and shaded rest area are supplied in the construction sites to mitigate the harm of heatwaves.

Transitioning to a lower-carbon economy may cause changes in legal, technology, and market environment to address mitigation and adaptation requirements related to climate change. In view of us, changes in vehicles emission requirement may be our major transition risk. Due to our business nature, it is expected that change in customers preference do not have a material impact to our operations. The Group will continue monitor the market environment and regulation updates to ensure regulatory requirement and client expectation are met.

EMPLOYMENT AND LABOUR PRACTICES

Employment

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 March 2022, the Group has 508 (2021: 512) staff, including office and site staff. The composition of our staff was as shown in the following table. Due to the nature of our business, male employees represent a major part of our labour force. Due to our operational locations, all our staff members are located in Hong Kong. Moreover, since the major business of the Group is construction as a sub-contractor, the majority of our employees are junior level staff.

	No. of staff	Distribution (%)
Gender		
Male	474	93%
Female	34	7%
Age Group		
18–25	14	3%
26–35	49	10%
36–45	109	21%
46–55	148	29%
56–65	150	30%
66 or above	38	7%
Employment type		
Full time staff	77	15%
Casual staff	431	85%

In order to reduce the loss of talents, we regularly review employee benefits to enhance employees' initiative and increase returning employees. We strive to maintain employee turnover rate at an acceptable level so as to facilitate accumulation of professional skills and experience. The casual workers leave and re-join the Group frequently during the year. As such, we considered that the turnover rate is not meaningful for disclosure. During the Year, the Group's employee turnover rate for full time staffs was about 27%, which is categorized by gender and age group as follows:

Gender		**Age Group**					
Male	Female	18–25	26–35	36–45	46–55	56–65	>66
33%	11%	100%^	14%	29%	15%	8%	100%^

^ The relatively high turnover rate resulted from certain numbers of staffs in the category joined and left during the Year.

Our staff enjoys equality of opportunity while working with us. Under our human resources policies, we comply firmly with the relevant laws and legislation such as the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480) and Disability Discrimination Ordinance (Cap. 487) of the Laws of Hong Kong. For the year ended 31 March 2022, the Group did not notice of non-compliance in laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

Under a philosophy that puts life and safety first, the Group upholds best-in-industry work safety standards and practices. The Group has obtained ISO 45001:2018 accreditation for our occupational health and safety management system, which is committed to taking account of occupational health and safety requirements.

Prior to the commencement of each project, we employ a Registered Safety Officer (" RSO") and establish relevant safety policies and procedures with regular review by the Board. Our RSO is responsible for providing basic safety rules and training to our staffs and sub-contractors, monitoring the work environment and staff facilities regularly, acting as a key contact for emergency and injury reporting, and working out annual safety assessments in both offices and sites. Moreover, the Group has specifically engaged a registered safety auditor to oversee the implementation of the health and safety policies and to update the policies annually so as to ensure that the Group maintains a high standard of health and safety.

We ensure our site staff are provided with full sets of Personal Protective Equipment ("PPE") such as safety helmets, harnessing, earplugs, goggles, dust masks, gloves, safety shoes and reflective waistcoats. All our machinery and site vehicles also undertake regular performance and safety testing. The Company attaches great importance to safety training and focuses on the frontline and operational personnel. Through pre-work education and project site broadcast and billboard measures, the Company raises the safety awareness of staff and guarantees operational safety. At the same time, close communication and collaboration with main contractors is also important, so that we can obtain timely updates from them. Safety meetings and site inspections are held regularly to monitor the health and safety of workers.

The statistics of lost days due to work injury and work-related fatalities are as below:

Occupational health and safety statistics	2022	2021
Number of work injuries	**7**	6
Number of lost days due to work injury	**552**	1,110

	2022	2021	2020
Number of work-related fatalities	**Nil**	Nil	Nil

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

During the year ended 31 March 2022, the Group did not aware of any non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

Training and Development

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

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

Except above mentioned induction training session, the Group has also organised both internal and external course to employees. During the Year, 21% of our employees being trained with average training hours per employee 1.5 hours. The training details are as below:

	Training distribution (%)	**Average training hours**
Gender		
Male	100%^	1.6
Employment Category		
Senior	6%	13.75
Middle	1%	0.5
Entry	93%	1.36

^ Due to our business nature, male employees are normally the majority in our workforce. The training arranged was based on the occupational needs for employee. The Group does not have bias towards gender when arranging training.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

The Group has zero tolerance for use of forced or child labour, or the hiring of illegal immigrants in either our office or construction sites. Our human resources department imposes stringent controls in the recruitment process to prevent such illegal recruitment. The Group has implemented a strict recruitment procedure through the Human Resource Department and upon discovery of any child labour and use of forced labour, the person will be dismissed immediately. The Board will discuss and review the discovered event to prevent it from happening again. Additionally, we prohibit all forms of forced labour, child labour and employment of illegal workers in any workplaces, and are committed to complying with the relevant laws and regulations.

During the year ended 31 March 2022, the Group did not aware of any non-compliance with relevant laws and regulations relating to preventing child and forced labour.

OPERATING PRACTICES

Supply Chain Management

The Group believes that the reliability and quality of construction works are crucial to our reputation. For this reason, it has implemented quality control procedures with documentation covering all stages of our construction processes, from procurement of raw materials to completion of construction works, allowing us to verify and ensure the consistency of quality.

During the Year, the Group has maintained 128 suppliers and subcontractors which are all based in Hong Kong to shorten the transportation distance. When selecting new suppliers or sub-contractors, we perform fair assessment taking into account their quality of work or services, on-time delivery record, financial stability, past performance and reputation. In recent years, the selection criteria also extended to environmental protection and occupational health and safety. New suppliers or subcontractors that have known violation in environmental protection or occupational health and safety regulation will be given lower priority for consideration.

The Group has adopted and implemented a quality control system that complies with international standard ISO 9001:2015. In carrying out procurements, we ensure that the services or goods are sourced from the approved suppliers' list. We also evaluate existing suppliers' and sub-contractors' performance on a regular basis. Also, full time staff has been arranged in construction sites to monitor subcontractor's performance of our required environmental and social policy.

Product Responsibility

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

During the year ended 31 March 2022, no complaint was received from customers regarding our services and the quality of our construction works. Further, the Group has not identified any non-compliance with the relevant laws and regulations in respect of health and safety, advertising, labelling and privacy matters relating to products and services provided during the Year.

Apart from work quality, we emphasis great attention regarding customers' data and sensitive personal and business data. The Group has established policy regarding consumer data protection and privacy protection. All client communication content should be kept confidential with only limited access by authorized persons. The Group prohibits its staff to transmit or disclose any personal and customer-related sensitive data. The Group's personal data is protected by passwords or stored in a specific location which could only be accessed by the responsible department personnel.

The Group respects intellectual property rights including copyrights, patents and trademarks by not infringing any third-party interests. Requirement has been delivered to employees to ensure that no download or upload of any unauthorised software including freeware, shareware and demo programmes without consent from the Management.

The Group's advertising channel is our website, no public advertising activities was held by the Group. We have regularly reviewed the information disclosed in website to ensure that the information is accurate and proper for use. Due to our business nature, recall procedures for safety and health reasons is not applicable to us. Therefore, no such disclosure on relevant policies is disclosed.

Anti-Corruption

At the heart of the Group lie our core values of honesty, integrity and fair play. The Group expects all directors, officers and employees to uphold those values at all times. An anti-corruption policy and whistleblowing programs are included in our staff handbook and internal control manual to demonstrate this commitment. We have also set up a separate email address as a confidential whistleblowing channel to the Audit Committee, to allow employees to report any misconduct or malpractice observed. Investigation will be held for each compliant. Any person who seeks to prevent a communication of malpractice or impropriety concern, or to impede any investigation will be subject to disciplinary proceedings which may result in dismissal.

In November 2021, the Group arranged a training for updates of anti-corruption and ESG requirements to the Board with aim to strengthen their understanding of anti-corruption laws as well as recent updates in ESG disclosure requirement.

To the best of our understanding, there was no concluded legal cases regarding corrupt practices brought against us or our employee during the Year. During the year ended 31 March 2022, the Group did not notice any non-compliance with the relevant laws and regulations regarding bribery, extortion, fraud and money laundering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY INVOLVEMENT

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

During the Year, we extended the donation to Kai Tak Sports Initiative Foundation Limited and Chun Wo Charitable Foundation Limited. Kai Tak Sports Initiative Foundation Limited was set up to encourage and support the development of community sports and increase sports participation levels in Hong Kong while Chun Wo Charitable Foundation Limited was set up to promote and support community services, education and training, health care services, sports, culture and recreation, environmental and various charitable activities. The charities benefited from it include but not limited to The Community Chest and Oxfam Hong Kong.

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

INDEPENDENT AUDITOR'S REPORT

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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

TO THE MEMBERS OF PROGRESSIVE PATH GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Progressive Path Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 52 to 115, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

REVENUE RECOGNITION FROM CONSTRUCTION WORKS

Refer to note 7 to the consolidated financial statements and the accounting policies from pages 61 to 63.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 March 2022 the Group recognised revenue from construction works of approximately HK$177,087,000. As stated in note 3 to the consolidated financial statements, the Group recognised contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the accumulated actual cost incurred to date over the total budgeted contract cost. Accordingly, revenue recognition from construction works involves a significant degree of management judgements and estimates, with estimates being made to assess the total budgeted contract cost and stage of completion of the contracts. We have identified the revenue recognition from construction works as a key audit matter because the amount is significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group.	Our audit procedures were designed to review the management's assessment, and its judgements and estimations used in the revenue recognition from construction works. We have discussed with the project managers and the management of the Group and sample checked the supporting documents, such as construction contracts, variation orders and payment certificates to assess the reasonableness of the management's estimation of the budgeted revenue and total budgeted contract cost. We have recalculated the percentage of completion based on accumulated actual cost incurred to date over the total budgeted contract cost. We have assessed the reliability of management's assessment in total budgeted contract cost by considering the historical actual costs and estimation of total budgeted contract cost of completed projects.

LOSS ALLOWANCE ON TRADE RECEIVABLES AND CONTRACT ASSETS

Refer to notes 18 and 19 to the consolidated financial statements and the accounting policies from pages 70 to 74.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2022, the carrying amounts of the Group's trade receivables and contract assets are approximately HK$162,514,000 and HK$48,510,000, net of accumulated loss allowance on trade receivables and contract assets of approximately HK$23,080,000 and HK$430,000, respectively. In assessing the loss allowance made under the expected credit loss ("ECL") model, the management of the Group and the independent valuer used judgements and estimates to determine the historical credit loss experience and forward-looking information specific to the debtors and their economic environments. We have identified the loss allowance on trade receivables and contract assets as a key audit matter because the carrying amounts of trade receivables and contract assets are significant to the consolidated financial statements as a whole and there is involvement of a significant degree of judgements and estimates made by the management of the Group and the independent valuer.	Our audit procedures were designed to review the management's assessment of the ECL model adopted for the loss allowance on trade receivables and contract assets. We have obtained an understanding of the methodology for the ECL model, development processes and its relevant controls, through review of documentation, discussion with management of the Group and independent valuer. We have also assessed the reasonableness of judgements and estimates made by the management of the Group and independent valuer on model adoption and parameters selection. We have examined the key data inputs in the ECL model on a sample basis to assess their accuracy and reasonableness.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
28 June 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	7	**515,948**	435,594
Cost of sales		**(482,309)**	(413,677)
Gross profit		**33,639**	21,917
Other income	8	**7,537**	15,984
Administrative expenses		**(23,581)**	(21,815)
Reversal of (provision for) loss allowance on trade receivables	18	**2,284**	(7,746)
Provision for loss allowance on contract assets	19	**(684)**	(1,366)
Finance costs	9	**(6,477)**	(5,322)
Profit before taxation	11	**12,718**	1,652
Income tax (expense) credit	10	**(587)**	2,086
Profit and total comprehensive income for the year		**12,131**	3,738
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**12,131**	3,738
– Non-controlling interest		**–**	–
		12,131	3,738
EARNINGS PER SHARE	16		
– Basic and diluted		**1.17 HK cents**	0.36 HK cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	17	**214,779**	149,637
Deposits paid for acquisition of property, plant and equipment		**3,596**	4,655
Pledged rental deposits	21a	**799**	1,789
		219,174	156,081
Current assets			
Trade receivables	18	**162,514**	149,503
Contract assets	19	**48,510**	50,267
Deposits, prepayments and other receivables	20	**20,126**	14,948
Pledged rental deposits	21a	**–**	2,157
Pledged bank deposits	21b	**3,477**	–
Bank balances and cash	22	**17,256**	16,781
		251,883	233,656
Current liabilities			
Trade and other payables	23	**76,794**	75,883
Bank borrowings	24	**78,837**	40,602
Income tax payable		**3**	38
Lease liabilities	25	**41,407**	39,389
		197,041	155,912
Net current assets		**54,842**	77,744
Total assets less current liabilities		**274,016**	233,825

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Non-current liabilities			
Lease liabilities	25	**61,919**	34,275
Deferred tax liabilities	26	**7,987**	7,571
		69,906	41,846
Net assets		**204,110**	191,979
Capital and reserves			
Share capital	27	**10,375**	10,375
Reserves		**193,751**	181,620
Equity attributable to owners of the Company		**204,126**	191,995
Non-controlling interest		**(16)**	(16)
Total equity		**204,110**	191,979

The consolidated financial statements on pages 52 to 115 were approved and authorised for issue by the board of directors on 28 June 2022 and are signed on its behalf by:

Wu Wing Hang
Director

Chan Tak Ming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 2020	10,375	109,078	35,457	33,347	188,257	(16)	188,241
Profit and total comprehensive income for the year	–	–	–	3,738	3,738	–	3,738
At 31 March 2021 and 1 April 2021	**10,375**	**109,078**	**35,457**	**37,085**	**191,995**	**(16)**	**191,979**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**12,131**	**12,131**	**–**	**12,131**
At 31 March 2022	**10,375**	**109,078**	**35,457**	**49,216**	**204,126**	**(16)**	**204,110**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**12,718**	1,652
Adjustments for:		
Government grants	**(1,280)**	(13,009)
Gain on disposal of property, plant and equipment	**(3,300)**	(1,482)
(Reversal of) provision for loss allowance on trade receivables	**(2,284)**	7,746
Provision for loss allowance on contract assets	**684**	1,366
Finance costs	**6,477**	5,322
Depreciation of property, plant and equipment	**71,662**	60,086
Operating cash flows before movements in working capital	**84,677**	61,681
Increase in trade receivables	**(10,727)**	(13,129)
Decrease (increase) in contract assets	**1,073**	(11,967)
(Increase) decrease in deposits, prepayments and other receivables	**(45)**	2,118
Increase in trade and other payables	**911**	11,592
Cash generated from operations	**75,889**	50,295
Hong Kong Profits Tax (paid) refunded	**(206)**	22
NET CASH GENERATED FROM OPERATING ACTIVITIES	**75,683**	50,317
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(39,241)**	(28,611)
Deposits paid for acquisition of property, plant and equipment	**(3,596)**	(4,655)
Placement of pledged deposits	**(4,276)**	–
Withdrawal of pledged deposits	**3,946**	–
Purchase of life insurances	**(5,133)**	–
Proceeds from early surrender of life insurance	**–**	3,269
Proceeds from disposal of property, plant and equipment	**7,040**	5,635
NET CASH USED IN INVESTING ACTIVITIES	**(41,260)**	(24,362)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(66,986)**	(44,034)
Interest paid	**(6,477)**	(5,322)
Repayment of bank borrowings	**(85,176)**	(76,056)
New bank borrowings raised	**123,411**	89,982
Government grants received	**1,280**	13,009
Repayment to related company	**–**	(260)
NET CASH USED IN FINANCING ACTIVITIES	**(33,948)**	(22,681)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**475**	3,274
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**16,781**	13,507
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**17,256**	16,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

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

The Company is an investment holding company while the principal subsidiaries of the Company are principally engaged in the construction works and provision of construction machinery rental.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for its first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 April 2021:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[2]
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information[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 the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[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 Cycle[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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Revenue recognition

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract assets and contract liabilities

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

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

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

The Group recognised revenue from construction works.

Construction works

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

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

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

Revenue from construction works is recognised over time.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Variable consideration

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

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

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

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

Leasing

Definition of a lease

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

The Group as lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

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

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

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

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

Right-of-use assets

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

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

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

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

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

The Group as lessor

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

Borrowing costs

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

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

Government grants

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

Government grants relating 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.

Retirement benefits cost

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

Short-term employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority the Group intends to settle current tax liabilities and assets on a net basis.

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.

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

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Ownership interests in leasehold land and buildings

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on property, plant and equipment, right-of-use assets included in property, plant and equipment and deposits paid for acquisition of property, plant and equipment (Continued)

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

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

Cash and cash equivalents

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

Investments in subsidiaries

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

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

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

Amortised cost and effective interest method

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Amortised cost and effective interest method (Continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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

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

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

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 contract assets subject to impairment assessment under HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

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

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

Definition of default

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Credit-impaired financial assets

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

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

Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Measurement and recognition of the ECL

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Revenue recognition from construction works

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

During the year ended 31 March 2022, the Group recognised revenue from construction works of approximately HK$177,087,000 (2021: HK$194,450,000).

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using the straight line method. The estimated useful life reflects the estimates of the periods made by the management of the Group that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. If the future economic benefits from the use of the Group's property, plant and equipment differs from the original estimates, such differences may impact the depreciation for the year and the estimates will be changed in the future period. During the year ended 31 March 2022, the management of the Group determined that there is no revision of useful lives of property, plant and equipment.

As at 31 March 2022, the carrying amount of, plant and equipment is approximately HK$214,779,000 (2021: HK$149,637,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Loss allowance on trade receivables and contract assets

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

As at 31 March 2022, the carrying amounts of the trade receivables and contract assets are approximately HK$162,514,000 (2021: HK$149,503,000) and HK$48,510,000 (2021: HK$50,267,000), net of accumulated loss allowance of approximately HK$23,080,000 (2021: HK$25,364,000) and HK$430,000 (2021: HK$2,523,000), respectively.

Provision for loss allowance on trade receivables and contract assets of approximately nil (2021: HK$7,746,000) and HK$684,000 (2021: HK$1,366,000) have been recognised during the year ended 31 March 2022, respectively.

Reversal of loss allowance on trade receivables of approximately HK$2,284,000 (2021: nil) has been recognised during the year ended 31 March 2022.

Income tax

As disclosed in note 26, no deferred tax asset has been recognised in respect of the estimated unused tax losses and of approximately HK$44,740,000 (2021: HK$52,267,000) due to the unpredictability of future profit streams. In addition, no deferred tax asset has been recognised as at 31 March 2022 and 2021 in respect of tax losses as it was not probable that taxable profit will be available against which the deductible temporary differences can be utilised. In case where the actual outcome differs from the management's assessment above, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 **HK$'000**	2021 HK$'000
Financial assets		
Financial assets at amortised cost (including bank balances and cash)	**194,162**	176,716
Financial liabilities		
Financial liabilities at amortised cost	**155,631**	116,485

Financial risk management objectives and policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk – interest rate risk

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

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

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2021: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2021: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2022 would decrease/increase by approximately HK$653,000 (2021: HK$336,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank borrowings.

Credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

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

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

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

The Group has concentration of credit risk as 16% (2021: 6%) and 53% (2021: 37%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively within the construction works segment and construction machinery rental segment as at 31 March 2022.

The Group's concentration of credit risk by geographical location is primarily in Hong Kong, which accounted for 100% (2021: 100%) of the total trade receivable as at 31 March 2022.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group's exposure to credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

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

	Note	Internal credit rating	12-month or lifetime ECL	31 March 2022 Gross carrying amount HK$'000	31 March 2022 Loss allowance HK$'000	31 March 2022 Net carrying amount HK$'000	31 March 2021 Gross carrying amount HK$'000	31 March 2021 Loss allowance HK$'000	31 March 2021 Net carrying amount HK$'000
Trade receivables	18	Note	Lifetime ECL (simplified approach)	**185,594**	**(23,080)**	**162,514**	174,867	(25,364)	149,503
Contract assets	19	Note	Lifetime ECL (simplified approach)	**48,940**	**(430)**	**48,510**	52,790	(2,523)	50,267
Deposits, other receivables and staff advance	20	Performing	12-month ECL	**3,157**	**–**	**3,157**	2,516	–	2,516
Deposits for life insurances	20	Performing	12-month ECL	**6,959**	**–**	**6,959**	3,970	–	3,970
Pledged deposits	21	Performing	12-month ECL	**4,276**	**–**	**4,276**	3,946	–	3,946
Bank balances and cash	22	Performing	12-month ECL	**17,256**	**–**	**17,256**	16,781	–	16,781

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables with significant outstanding balances which are assessed individually, the management of the Group determines the ECL on the remaining balances collectively by using a provision matrix grouped by common risk characteristic. The provision rate applied is estimated using the historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 18 and 19 include further details on the loss allowance for trade receivables and contract assets respectively.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

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

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

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

The table includes both interest and principal cash flows.

	As at 31 March 2022				
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	76,794	–	–	76,794	76,794
Bank borrowings	78,837	–	–	78,837	78,837
	155,631	–	–	155,631	155,631

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

Lease liabilities	46,018	36,819	27,818	110,655	103,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

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

Lease liabilities	42,168	18,893	16,916	77,977	73,664

As at 31 March 2022, bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK$78,837,000 (2021: HK$40,602,000). Taking into account the Group's consolidated financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash flows will amount to approximately HK$80,429,000 (2021: HK$42,456,000).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION

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

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Construction works	**177,087**	194,450
Revenue from provision of machinery rental within the scope of HKFRS 16		
– Construction machinery rental	**338,861**	241,144
	515,948	435,594

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

	2022 HK$'000	2021 HK$'000
Timing of revenue recognition		
– Over time	**177,087**	194,450

Transaction price allocated to the remaining performance obligations

As at 31 March 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK$121,178,000 (2021: HK$148,118,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 18 (2021: 18) months.

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

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

- Construction works; and
- Construction machinery rental

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 31 March 2022

	Construction works HK$'000	Construction machinery rental HK$'000	Total HK$'000
Revenue			
External revenue	177,087	338,861	515,948
Inter-segment revenue	–	165,409	165,409
Segment revenue	177,087	504,270	681,357
Eliminations			(165,409)
Group's revenue			515,948
Segment profit	6,788	15,226	22,014
Unallocated income			7,537
Unallocated corporate expenses			(10,356)
Unallocated finance costs			(6,477)
Profit before taxation			12,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 March 2021

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Segment assets

	2022 HK$'000	2021 HK$'000
Construction works	141,214	129,097
Construction machinery rental	296,170	232,975
Total segment assets	437,384	362,072
Corporate and other assets	33,673	27,665
Total assets	471,057	389,737

Segment liabilities

	2022 HK$'000	2021 HK$'000
Construction works	77,515	67,669
Construction machinery rental	100,653	79,935
Total segment liabilities	178,168	147,604
Corporate and other liabilities	88,779	50,154
Total liabilities	266,947	197,758

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

– All assets are allocated to operating segments, other than pledged deposits, deposits and prepayments for life insurances, certain other receivables and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segment; and

– All liabilities are allocated to operating segments, other than certain other payables, bank borrowings, income tax payable and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

In measuring the Group's segment assets and liabilities, property, plant and equipment and lease liabilities of approximately HK$214,779,000 (2021: HK$149,637,000) and HK$103,326,000 (2021: HK$73,664,000) were allocated to construction works and construction machinery rental segments. However, the relevant gain on disposal of property, plant and equipment and interest on lease liabilities of approximately HK$3,300,000 (2021: HK$1,482,000) and HK$4,790,000 (2021: HK$4,090,000) respectively were not included in the measurement of segment results. Should the gain on disposal of property, plant and equipment and interest on lease liabilities be included in the measurement of segment results, the segment profit of construction works would be approximately HK$6,401,000 (2021: segment loss of approximately HK$2,116,000) and segment profit of construction machinery rental would be approximately HK$14,122,000 (2021: HK$1,240,000) for the year ended 31 March 2022.

Other segment information

For the year ended 31 March 2022

	Construction works HK$'000	Construction machinery rental HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets (note)	48,359	92,185	–	140,544
Deposits paid for acquisition of property, plant and equipment	1,234	2,362	–	3,596
Depreciation of property, plant and equipment	24,597	47,065	–	71,662
Reversal of loss allowance on trade receivables	(594)	(1,690)	–	(2,284)
Provision for loss allowance on contract assets	684	–	–	684
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:				
Gain on disposal of property, plant and equipment	–	–	(3,300)	(3,300)
Finance costs	–	–	6,477	6,477
Income tax expense	–	–	587	587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2021

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	2022 HK$'000	2021 HK$'000
Customer A[1]	**94,849**	70,940
Customer B[2]	**67,999**	N/A[3]
Customer C[1]	**66,243**	86,587
Customer D[2]	**53,054**	64,818

1 Revenue from construction works and construction machinery rental segments
2 Revenue from construction machinery rental segment
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group

Geographical information

During the year ended 31 March 2022, the Group is organised into two operating segments as construction works and construction machinery rental (2021: two operating segments as construction works and construction machinery rental) primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these segments. Accordingly, no geographical information is presented.

8. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Government grants (note)	**1,280**	13,009
Sales of scrap materials	**89**	210
Insurance claims	**1,350**	414
Auxiliary and other service income	**1,518**	869
Gain on disposal of property, plant and equipment	**3,300**	1,482
	7,537	15,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. OTHER INCOME (Continued)

Note: During the year ended 31 March 2022, the Group received the following government grants:

(i) government grants in respect of the Employment Support Scheme from the Hong Kong Special Administrative Region Government (the "HKSAR Government") with amount of HK$11,969,000 recognised during the year ended 31 March 2021 (2022: nil);

(ii) government grants in respect of transport trades under Anti-epidemic Fund from the HKSAR Government to licensed motor vehicles registered owners with amount of HK$1,040,000 (2022: nil) recognised during the year ended 31 March 2021; and

(iii) government grants in respect of construction technologies adopted under the Construction Innovation and Technology Fund from the HKSAR Government with amount of HK$1,280,000 (2021: nil) recognised.

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

9. FINANCE COSTS

	2022 **HK$'000**	2021 HK$'000
Interest on:		
– bank borrowings	**1,687**	1,232
– lease liabilities	**4,790**	4,090
	6,477	5,322

10. INCOME TAX EXPENSE (CREDIT)

	2022 **HK$'000**	2021 HK$'000
Current tax:		
– Hong Kong Profits Tax	**115**	46
Under-provision in prior years:		
– Hong Kong Profits Tax	**56**	–
Deferred taxation (note 26)	**416**	(2,132)
Income tax expense (credit)	**587**	(2,086)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

10. INCOME TAX EXPENSE (CREDIT) (Continued)

Notes:

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

(b) Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 March 2022 and 2021, Hong Kong profits tax of the qualified entities of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other entities of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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

	2022 HK$'000	2021 HK$'000
Profit before taxation	**12,718**	1,652
Tax calculated at the domestic income tax rate of 16.5% (2021: 16.5%)	**2,098**	272
Tax effect of expenses not deductible for tax purpose	**21**	809
Tax effect of income not taxable for tax purpose	**(211)**	(2,147)
Tax effect of tax losses not recognised	**(1,245)**	(917)
Tax effect of utilisation of tax losses previously not recognised	**3**	44
Tax effect of utilisation of deductible temporary difference not recognised	**–**	(81)
Effect of two-tiered profits tax rates regime	**(125)**	(56)
Effect of tax exemption granted (note)	**(10)**	(10)
Under-provision in prior years	**56**	–
Income tax expense (credit)	**587**	(2,086)

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2021/2022 to a ceiling of HK$10,000 (2021: year of assessment 2020/2021 to a ceiling of HK$10,000) for each entity respectively.

Details of the deferred taxation are set out in note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. PROFIT BEFORE TAXATION

	2022 HK$'000	2021 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 12)	**4,361**	4,361
Other staff:		
– Salaries, wages, allowances and other benefits	**183,530**	140,338
– Retirement benefits scheme contributions	**5,686**	4,960
Total staff costs	**193,577**	149,659
Auditor's remuneration	**894**	894
Depreciation of property, plant and equipment	**71,662**	60,086
Exchange loss	**46**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

12. DIRECTORS' EMOLUMENTS

The emoluments paid to each of the 5 (2021: 5) directors were as follows:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings for the year are as follows:				
Year ended 31 March 2022				
Executive directors				
Mr. Wu (note)	**–**	**3,575**	**18**	**3,593**
Mr. Chan Tak Ming (note)	**–**	**390**	**18**	**408**
Independent non-executive directors				
Mr. Lee Man Tai	**120**	**–**	**–**	**120**
Mr. Leung Ka Fai	**120**	**–**	**–**	**120**
Mr. Wong Yiu Kit, Ernest	**120**	**–**	**–**	**120**
	360	**3,965**	**36**	**4,361**
Year ended 31 March 2021				
Executive directors				
Mr. Wu (note)	–	3,575	18	3,593
Mr. Chan Tak Ming (note)	–	390	18	408
Independent non-executive directors				
Mr. Lee Man Tai	120	–	–	120
Mr. Leung Ka Fai	120	–	–	120
Mr. Wong Yiu Kit, Ernest	120	–	–	120
	360	3,965	36	4,361

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

12. DIRECTORS' EMOLUMENTS (Continued)

No chief executive was appointed during the years ended 31 March 2022 and 2021.

The directors of the Company did not waive or agree to waive any emoluments paid by the Group during the years ended 31 March 2022 and 2021. No emoluments were paid by the Group to the directors of the Company as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2022 and 2021.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments, one (2021: one) was director of the Company whose emoluments are set out in note 12. The emoluments of the remaining four (2021: four) highest paid individuals were as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and other benefits	**4,504**	4,468
Retirement benefits scheme contributions	**72**	72
	4,576	4,540

Their emoluments were within the following bands:

	2022 Number of individuals	2021 Number of individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**3**	3

No emoluments were paid by the Group to the five highest paid individuals as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

15. RETIREMENT BENEFITS SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% (2021: 5%) of relevant payroll costs, capped at HK$1,500 (2021: HK$1,500) per month, to the MPF Scheme, in which the contribution is matched by employees.

During the year ended 31 March 2022, the amount charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$5,722,000 (2021: HK$4,996,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

There were no contributions forfeited by the Group on behalf of its employees who left the schemes prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 March 2022 and 2021, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

16. EARNINGS PER SHARE

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

	2022 **HK$'000**	2021 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the year attributable to owners of the Company	**12,131**	3,738

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	**1,037,500**	1,037,500

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Ownership interest in leasehold land and building HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Leasehold improvement HK$'000	Right-of-use assets HK$'000	Total HK$'000
COST							
At 1 April 2020	9,686	47,813	159,896	291	813	213,283	431,782
Additions	–	8,662	22,051	71	76	44,081	74,941
Transfer in (out)	–	27,998	59,409	–	–	(87,407)	–
Derecognition	–	–	–	–	–	(1,380)	(1,380)
Disposals	–	(12,248)	(36,739)	–	–	–	(48,987)
At 31 March 2021 and 1 April 2021	**9,686**	**72,225**	**204,617**	**362**	**889**	**168,577**	**456,356**
Additions	**–**	**21,225**	**22,488**	**42**	**141**	**96,648**	**140,544**
Transfer in (out)	**–**	**46,980**	**36,809**	**–**	**–**	**(83,789)**	**–**
Disposals	**–**	**(11,854)**	**(22,200)**	**–**	**–**	**–**	**(34,054)**
At 31 March 2022	**9,686**	**128,576**	**241,714**	**404**	**1,030**	**181,436**	**562,846**
ACCUMULATED DEPRECIATION							
At 1 April 2020	1,226	45,334	106,316	207	813	138,951	292,847
Charge for the year	388	2,262	25,344	45	16	32,031	60,086
Transfer in (out)	–	27,402	55,151	–	–	(82,553)	–
Derecognition	–	–	–	–	–	(1,380)	(1,380)
Eliminated on disposals	–	(12,188)	(32,646)	–	–	–	(44,834)
At 31 March 2021 and 1 April 2021	**1,614**	**62,810**	**154,165**	**252**	**829**	**87,049**	**306,719**
Charge for the year	**387**	**3,740**	**24,705**	**43**	**50**	**42,737**	**71,662**
Transfer in (out)	**–**	**43,506**	**26,992**	**–**	**–**	**(70,498)**	**–**
Eliminated on disposals	**–**	**(11,854)**	**(18,460)**	**–**	**–**	**–**	**(30,314)**
At 31 March 2022	**2,001**	**98,202**	**187,402**	**295**	**879**	**59,288**	**348,067**
CARRYING VALUES							
At 31 March 2022	**7,685**	**30,374**	**54,312**	**109**	**151**	**122,148**	**214,779**
At 31 March 2021	8,072	9,415	50,452	110	60	81,528	149,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

At 31 March 2022, the Group's ownership interest in leasehold land and building with carrying value of approximately HK$7,685,000 (2021: HK$8,072,000) have been pledged to secure bank borrowings obtained by the Group.

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

	2022 **HK$'000**	2021 HK$'000
Leasehold land	**8,944**	11,383
Motor vehicles	**37,602**	21,298
Machinery	**75,602**	48,847
	122,148	81,528

The Group has lease arrangements for leasehold land located in Hong Kong, building, motor vehicles and machinery during the years ended 31 March 2022 and 2021. The lease terms are generally ranged from 2 to 5 years (2021: 1.5 to 5 years).

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

Additions to the right-of-use assets for the year ended 31 March 2022 amounted to approximately HK$96,648,000 (2021: HK$44,081,000), due to new leases of leasehold land located in Hong Kong, motor vehicles and machinery.

During the year ended 31 March 2022, the Group transferred the right-of-use assets with carrying amount of approximately HK$13,291,000 (2021: HK$4,854,000 to motor vehicles and machinery under property, plant and equipment upon full repayment of respective lease liabilities.

During the year ended 31 March 2021, the cost and the accumulated depreciation of approximately HK$1,380,000 (2022: nil) has been derecognised due to the expiry of the lease in respect of building classified as right-of-use assets. No gain or loss was recognised during the year ended 31 March 2021 (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables, at amortised cost	**185,594**	174,867
Less: loss allowance on trade receivables	**(23,080)**	(25,364)
	162,514	149,503

As at 31 March 2022 the gross amount of trade receivables arising from contracts with customers in respect of construction works and construction machineries rental amounted to approximately HK$14,338,000 (2021: HK$22,423,000) and HK$148,176,000 (2021: HK$127,080,000) respectively.

The Group does not hold any collateral over these balances.

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

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

	2022 HK$'000	2021 HK$'000
Within 30 days	**29,583**	34,408
31 to 60 days	**48,054**	44,734
61 to 90 days	**13,016**	17,943
91 to 180 days	**26,241**	8,989
181 to 365 days	**29,819**	19,452
Over 365 days	**15,801**	23,977
	162,514	149,503

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. TRADE RECEIVABLES (Continued)

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

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

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
For the year ended 31 March 2022			
On collectively basis:			
– Not yet due	0.07%	29,848	20
– Past due 1–90 days	0.07%	60,254	40
– Past due 91–180 days	2.4%	22,106	537
– Past due 181–365 days	2.4%	11,234	273
– Past due 1–2 years	62.0%	1,964	1,218
– Past due over 2 years	100%	8,145	8,145
		133,551	10,233
On individually basis	3%–100%	52,043	12,847
		185,594	23,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. TRADE RECEIVABLES (Continued)

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

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

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**25,364**	17,618
(Reversal of) provision for loss allowance on trade receivables	**(2,284)**	7,746
At the end of the year	**23,080**	25,364

The following significant changes in the gross carrying amount of trade receivables mainly contributed to the decrease in the loss allowance during the year ended 31 March 2022:

– amounts recovered from a customer with ECL resulted in an decrease in loss allowance of approximately HK$2,440,000 for the year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

19. CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Unbilled revenue of construction contracts (note (i))	**14,064**	22,767
Retention receivables of construction contracts (note (ii))	**34,876**	30,023
	48,940	52,790
Less: loss allowance on contract assets	**(430)**	(2,523)
	48,510	50,267

Notes:

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

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

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

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

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

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

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
For the year ended 31 March 2022			
On individually basis	**0.88%**	**48,940**	**430**
For the year ended 31 March 2021			
On individually basis	4.8%	52,790	2,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

19. CONTRACT ASSETS (Continued)

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

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**2,523**	1,157
Loss allowance recognised on contract assets	**684**	1,366
Written off	**(2,777)**	–
At the end of the year	**430**	2,523

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Deposits (note (a))	**3,114**	1,415
Other receivable (notes (a))	**8**	1,004
Staff advance (note (a))	**35**	97
Prepayments	**5,059**	5,718
Deposits and prepayments for life insurances (notes (a) and (b))	**11,910**	6,714
	20,126	14,948

Notes:

(a) The Group measures the loss allowance for deposits, other receivables, staff advance and deposits for life insurances at an amount equal to 12-month ECL. The Group recognised 12-month ECL for such balances based on the internal credit rating of receivables. As at 31 March 2022 and 2021, the management of the Group estimates the 12-month ECL on such balances was insignificant.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

(b) On 27 January 2015, 15 February 2015 and 9 January 2017, Luen Yau Construction, the wholly-owned subsidiary of the Company, entered into life insurance policies with insurance companies in which Mr. Wu, the executive director of the Company, was the insured person while Luen Yau Construction was the owner of the life insurance policies. The Company paid an upfront payment with aggregate amount of approximately HK$9,651,000, for the policies. During the year ended 31 March 2022, Luen Yau Construction, the wholly-owned subsidiary of the Company, entered into three additional life insurance policies with insurance companies in which Mr. Wu, the executive director of the Company, was the insured person while Luen Yau Construction was the owner of the life insurance policies. and the Company paid an upfront payments with aggregate amount of approximately HK$5,133,000. The interest income from life insurances of approximately HK63,000 (2021: HK$84,000) has been recognised in other income (note 8).

The balance has been classified under current assets as the Group may request a partial surrender or full surrender of the life insurance policies at any time and receive cash back based on the value set out in the life insurance policies at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged and surrender charge (the "Cash Value").

The prepayments of life insurance premium are amortised to profit or loss over the insured periods and the deposits placed are carried at amortised cost using the effective interest method. The deposits paid for the life insurance policies carry guaranteed interests at interest rate 3.35% to 3.65% (2021: 3.65%) plus a premium determined by the insurance company during the period of the life insurance policies. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the life insurance policies, excluding the financial effect of surrender charge.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

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

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

	2022 HK$'000	2021 HK$'000
Deposits	6,959	3,970
Prepayments	4,951	2,744
	11,910	6,714

21. PLEDGED DEPOSITS

(a) Pledged rental deposits for lease liabilities

	2022 HK$'000	2021 HK$'000
– Non-current portion	799	1,789
– Current portion	–	2,157
	799	3,946

As at 31 March 2022, pledged rental deposits with aggregate amount of approximately HK$799,000 (2021: HK$3,946,000) represented the deposits pledged to secure the lease liabilities which amount of approximately HK$799,000 will be maturing in January 2025 (2021: HK$1,789,000 will be maturing in June 2022) and classified as non-current assets. As at 31 March 2021, HK$2,157,000 was matured within one year and classified as current assets (2022: nil). During the year, an amount of pledged deposits of HK$1,789,000 was refunded due to early repayment of lease liabilities.

(b) Pledged bank deposits for short term loan

	2022 HK$'000	2021 HK$'000
– Non-current portion	–	–
– Current portion	3,477	–
	3,477	–

As at 31 March 2022, pledged bank deposits amount of approximately HK$3,477,000 was pledged to secure short-term bank loans and will be matured within one year and classified as current assets (2021: nil). The pledged bank deposits carried interest at prevailing market interest rates during the year ended 31 March 2022 (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

22. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rates during the years ended 31 March 2022 and 2021.

23. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**37,919**	38,032
Other payables	**19,276**	17,393
Accruals	**19,599**	20,458
	76,794	75,883

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

	2022 HK$'000	2021 HK$'000
Within 30 days	**5,995**	10,489
31 to 60 days	**7,001**	11,012
61 to 90 days	**3,816**	4,451
91 to 365 days	**19,584**	10,287
Over 365 days	**1,523**	1,793
	37,919	38,032

The average credit period granted is 30 (2021: 30) days. The Group has financial risk management in place to ensure that all payables are settling within the credit timeframe.

24. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Secured	**18,131**	4,182
Unsecured	**60,706**	36,420
	78,837	40,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

24. BANK BORROWINGS (Continued)

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

	2022 HK$'000	2021 HK$'000
Within one year	**49,685**	27,516
After one year but within two years	**7,100**	2,588
After two years but within five years	**19,835**	6,848
After five years	**2,217**	3,650
	78,837	40,602
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**29,152**	13,086
Carrying amount repayable within one year and contains a repayment on demand clause	**49,685**	27,516
	78,837	40,602
Amount shown under current liabilities	**(78,837)**	(40,602)
Amount shown under non-current liabilities	**–**	–

(a) The bank borrowings were denominated in HK$ as at 31 March 2022 and 2021.

(b) As at 31 March 2022, bank borrowings carried interest at effective interest rates ranging from 1.27% to 3.75% per annum (2021: from 2% to 3.75% per annum).

(c) During the year ended 31 March 2022, the Group obtained new bank borrowings of approximately HK$123,411,000 (2021: HK$89,982,000) for Group's working capital purpose and repaid bank borrowings of approximately HK$85,176,000 (2021: HK$76,056,000).

(d) As at 31 March 2022, secured bank borrowings consisted of (i) bank borrowing of approximately HK$1,883,000 (2021: HK$2,239,000) secured by a mortgage charged over the Group's ownership interest in leasehold land and building with carrying value of HK$7,685,000 (2021: HK$8,072,000); (ii) bank borrowings of approximately HK$16,248,000 (2021: HK$1,943,000) secured by the deposits and prepayments for life insurance of approximately HK$11,910,000 (2021: HK$6,714,000) and by the pledged deposits of approximately HK$3,477,000 (2021: nil).

(e) As at 31 March 2022, unsecured bank borrowings of approximately HK$16,065,000 (2021: HK$16,619,000) was guaranteed by (i) the Company; (ii) Mr. Wu, the executive director of the Company; and (iii) HKMC Insurance Limited, a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited, which provided guarantees under the SME Financing Guarantee Scheme.

(f) As at 31 March 2022 and 2021, all banking facilities were guaranteed by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

24. BANK BORROWINGS (Continued)

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

	2022 HK$'000	2021 HK$'000
Facility amount	**90,170**	60,849
Utilisations		
– Bank borrowings	**78,837**	40,602
Unutilised facility amount	**11,333**	20,247

25. LEASE LIABILITIES

(a) Lease liabilities

	2022 HK$'000	2021 HK$'000
Analysed for reporting purposes as:		
Current	**41,407**	39,389
Non-current	**61,919**	34,275
	103,326	73,664

	2022 HK$'000	2021 HK$'000
Amounts payable under lease liabilities		
Within one year	**41,407**	39,389
After one year but within two years	**34,440**	17,980
After two years but within five years	**27,479**	16,295
	103,326	73,664
Less: amount due for settlement within 12 months (shown under current liabilities)	**(41,407)**	(39,389)
Amount due for settlement after 12 months	**61,919**	34,275

As at 31 March 2022, the lease liabilities in respect of leased motor vehicles and machinery under hire purchase agreements amounted to approximately HK$94,009,000 (2021: HK$62,198,000) were secured by the lessor's title to the leased assets and the pledged deposits (note 21).

During the year ended 31 March 2022, the Group entered into a number of new lease agreements in respect of leasehold land, motor vehicles and machinery and recognised lease liabilities of approximately HK$96,648,000 (2021: HK$44,081,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. LEASE LIABILITIES (Continued)

(b) Amounts recognised in profit or loss

	2022 HK$'000	2021 HK$'000
Depreciation expense on right-of-use assets included in property, plant and equipment:		
– Leasehold land	**2,439**	813
– Building	**–**	197
– Motor vehicles	**11,138**	12,200
– Machinery	**29,160**	18,821
Interest expense on lease liabilities	**4,790**	4,090

During the year ended 31 March 2022, all lease payments are all fixed payments and the total cash outflows for leases amounting to approximately HK$71,775,000 (2021: HK$48,124,000).

26. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised and movements thereon, after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity during the year:

	Loss allowances on trade receivables and contract assets HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 April 2020	3,098	(12,801)	(9,703)
Credited to profit or loss	1,504	628	2,132
At 31 March 2021 and 1 April 2021	**4,602**	**(12,173)**	**(7,571)**
(Charged) credited to profit or loss	**(722)**	**306**	**(416)**
At 31 March 2022	**3,880**	**(11,867)**	**(7,987)**

As at 31 March 2022, the Group has estimated unused tax losses of approximately HK$44,740,000 (2021: HK$52,267,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of estimated unused tax losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

27. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary share of HK$0.01 each		
Authorised		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	10,000,000,000	100,000
Issued and fully paid		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	1,037,500,000	10,375

28. PLEDGE OF ASSETS

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

	2022 HK$'000	2021 HK$'000
Property, plant and equipment	**120,889**	78,217
Deposits and prepayments for life insurance	**11,910**	6,714
Pledged bank deposits	**3,477**	–
Pledged deposits	**799**	3,946
	137,075	88,877

29. CONTINGENT LIABILITIES

As at 31 March 2022, one of the subsidiaries of the Group was involved in an ongoing employees' compensation claim; whereas another subsidiary of the Group was involved in an ongoing personal injury claim. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance and subcontractors' indemnity. Accordingly, no provision for the contingent liabilities in respect of the litigations is necessary, after due consideration of each case.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

30. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 15 November 2016 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7 December 2026. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

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

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

No share options have been granted since the adoption of the scheme and during the years ended 31 March 2022 and 2021.

31. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

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

(b) Compensation of key management personnel

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

	2022	2021
	HK$'000	HK$'000
Short-term benefits	**7,605**	7,545
Post-employment benefits	**90**	90
	7,695	7,635

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

31. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantee provided by a related party

	2022 HK$'000	2021 HK$'000
Mr. Wu	**18,000**	18,000

During the year ended 31 March 2021, the Group obtained a new banking facility with total facility amount of approximately HK$18,000,000 (2022: nil), in which Mr. Wu, an executive director of the Company and the ultimate beneficial owner of the Company, has provided guarantee for such banking facility.

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 change. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued interest HK$'000	**Amount due to a related company** HK$'000 (note 24)	**Bank borrowings** HK$'000 (note 24)	**Lease liabilities** HK$'000 (note 25)	**Total** HK$'000
At 1 April 2020	–	260	26,676	73,617	100,553
Financing cash flows:					
– Addition	–	–	89,982	–	89,982
– Repayments	(5,322)	(260)	(76,056)	(44,034)	(125,672)
Non-cash changes:					
– Interest recognised	5,322	–	–	–	5,322
– New leases arrangement	–	–	–	44,081	44,081
At 31 March 2021 and 1 April 2021	**–**	**–**	**40,602**	**73,664**	**114,266**
Financing cash flows:					
– Addition	**–**	**–**	**123,411**	**–**	**123,411**
– Repayments	**(6,477)**	**–**	**(85,176)**	**(66,986)**	**(158,639)**
Non-cash changes:					
– Interest recognised	**6,477**	**–**	**–**	**–**	**6,477**
– New leases arrangement	**–**	**–**	**–**	**96,648**	**96,648**
At 31 March 2022	**–**	**–**	**78,837**	**103,326**	**182,163**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

33. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2022, the Group entered into new lease arrangements in respect of leasehold land, motor vehicles and machinery with a total capital value at the inception of the leases of approximately HK$96,648,000 (2021: HK$44,081,000).

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2022 HK$'000**	2021 HK$'000
Non-current asset			
Investments in subsidiaries		**106,532**	106,532
Current assets			
Deposits, prepayments and other receivables		**177**	169
Amounts due from subsidiaries	(a)	**82,828**	86,124
Bank balances and cash		**56**	126
		83,061	86,419
Current liabilities			
Other payables		**1,951**	1,943
Amount due to a subsidiary	(a)	**3,797**	3,797
		5,748	5,740
Net current assets		**77,313**	80,679
Net assets		**183,845**	187,211
Capital and reserves			
Share capital		**10,375**	10,375
Reserves	(b)	**173,470**	176,836
Total equity		**183,845**	187,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

Notes:

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

(b) Movements in reserves

	Share premium HK$'000	**Other reserve** HK$'000 (Note)	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2020	109,078	106,532	(35,515)	180,095
Loss and total comprehensive expense for the year	–	–	(3,259)	(3,259)
At 31 March 2021 and 1 April 2021	**109,078**	**106,532**	**(38,774)**	**176,836**
Loss and total comprehensive expense for the year	**–**	**–**	**(3,366)**	**(3,366)**
At 31 March 2022	**109,078**	**106,532**	**(42,140)**	**173,470**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
			Direct		Indirect		
			2022	2021	**2022**	2021	
Neotime Global Limited	BVI	United States dollar ("US$") 1	**100%**	100%	**–**	–	Investment holding
Lufa Global Investments Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Luen Yau Holdings Limited	BVI	US$100	**100%**	100%	**–**	–	Investment holding
Luen Yau Construction	Hong Kong	HK$1	**–**	–	**100%**	100%	Construction works and construction machinery rental services
Luen Yau Machinery Construction Company Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Construction machinery rental services
Luen Yau Management Services Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Provision of management services to fellow subsidiaries
Luen Yau Management Company Limited	BVI	US$1	**–**	–	**100%**	100%	Inactive
Full King (International) Aluminum System Formwork Technology Limited	Hong Kong	HK$10,000	**–**	–	**51%**	51%	Inactive

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

36. EVENT AFTER THE REPORTING PERIOD

On 24 May 2022, the Company proposed to implement a share consolidation (the "Share Consolidation") on the basis that every five (5) existing shares in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share.

The Company proposed to raise gross proceeds of up to approximately HK$54 million (assuming full subscription under the rights issue) by issuing up to 207,500,000 rights shares at the subscription price of HK$0.26 per rights share (assuming no further issue of new share(s) and no repurchase of share(s) by the Company on or before the record date) on the basis of one (1) rights share for every one (1) consolidated share held on the record date ("Rights Issue"). The Rights Issue is only available to the qualifying shareholders and will not be extended to the excluded shareholder(s) (if any).

The Share Consolidation and Rights Issue are conditional upon, among other things, as at the date of this report, the Share Consolidation and Rights Issue are still not yet approved by the shareholders and the approval by the shareholders will be by way of poll at an extraordinary general meeting on 10 August 2022.

Details are set out on announcement dated on 24 May 2022 and 7 June 2022.

FINANCIAL SUMMARY

	For the year ended 31 March				
	2022 HK$'000	2021 HK$'000	2020 HK$'000 (Restated)	2019 HK$'000 (Note)	2018 HK$'000 (Note)
Revenue and Profit (Loss)					
Revenue	**515,948**	435,594	312,074	221,338	381,816
Cost of sales	**(482,309)**	(413,677)	(298,739)	(240,653)	(345,198)
Gross profit (loss)	**33,639**	21,917	13,335	(19,315)	36,618
Other income	**7,537**	15,984	4,491	7,769	8,176
Administrative expenses	**(23,581)**	(21,815)	(21,251)	(27,914)	(30,300)
Reversal of loss allowance on trade receivables	**2,284**	–	6,557	–	–
Provision for loss allowance on trade receivables	**–**	(7,746)	(10,190)	–	–
Provision for loss allowance on contract assets	**(684)**	(1,366)	(1,060)	–	–
Finance costs	**(6,477)**	(5,322)	(6,304)	(5,265)	(6,533)
Profit (loss) before taxation	**12,718**	1,652	(14,422)	(44,725)	7,961
Income tax (expense) credit	**(587)**	2,086	(1,196)	(774)	(2,248)
Profit (loss) and total comprehensive income (expense) for the year	**12,131**	3,738	(15,618)	(45,499)	5,713
Profit (loss) and total comprehensive income (expense) for the year attributable to the owners of the Company	**12,131**	3,738	(15,598)	(45,499)	5,713
Loss and total comprehensive expense for the year attributable to non-controlling interest	**–**	–	(20)	–	–
	12,131	3,738	(15,618)	(45,499)	5,713
Earnings (loss) per share (HK$) Basic and diluted	**1.17 cents**	0.36 cent	(1.50 cents)	(4.39 cents)	0.55 cent

	As at 31 March				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Assets and Liabilities					
Current assets	**251,883**	233,656	217,658	237,708	327,925
Non-current assets	**219,174**	156,081	145,130	113,566	113,923
Current liabilities	**(197,041)**	(155,912)	(138,253)	(102,110)	(130,292)
Non-current liabilities	**(69,906)**	(41,846)	(36,294)	(45,309)	(59,094)
Total equity	**204,110**	191,979	188,241	203,855	252,462

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