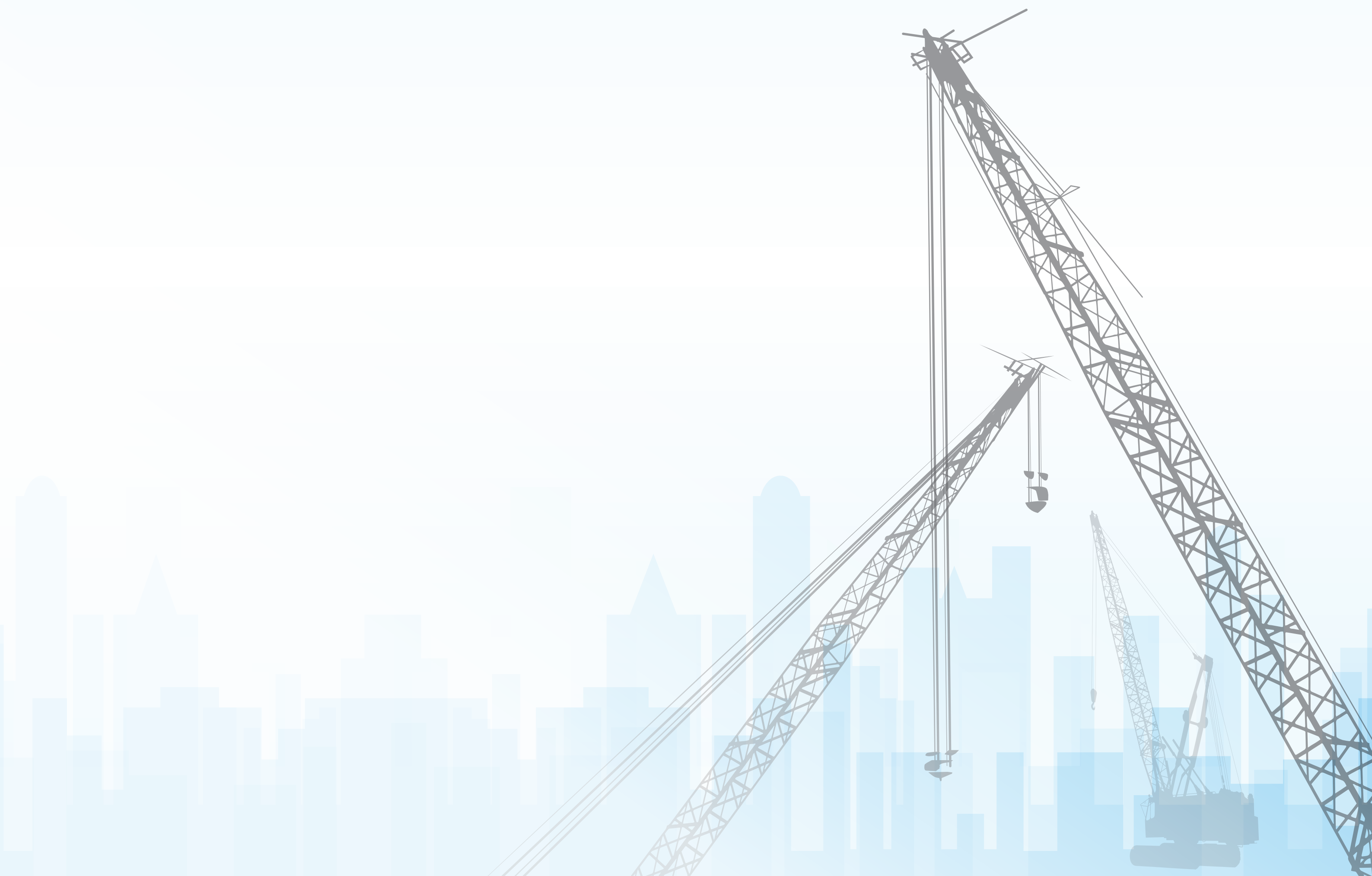
ANNUAL REPORT 2021-2022

VICON

# VICON HOLDINGS LIMITED

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

STOCK CODE: 3878



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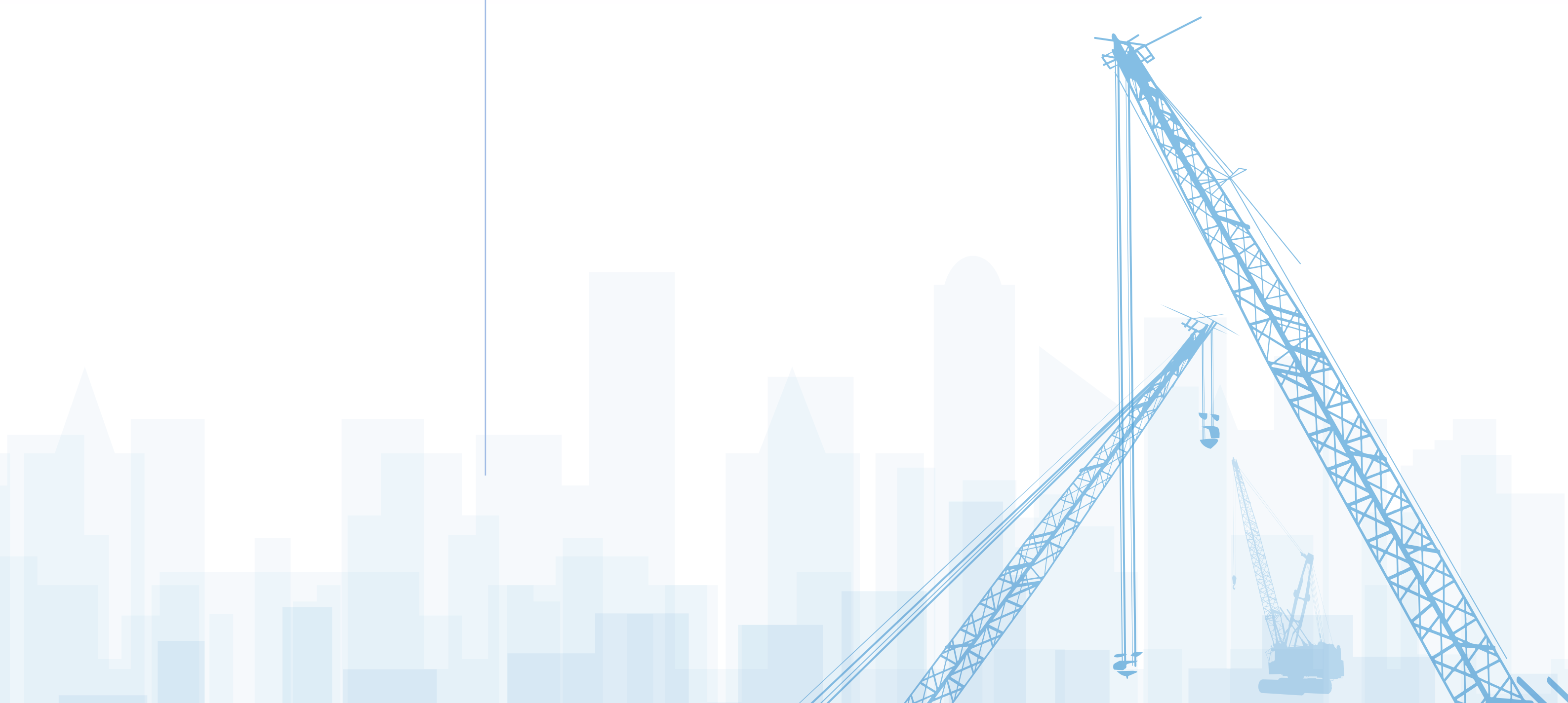


# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive Directors**

Mr. Chow Kwok Chun
*(Chairman and Chief Executive Officer)*
Mr. Leung Hing Wai *(appointed on 21 December 2021)*
Mr. Tsang Hing Kuen *(resigned on 21 December 2021)*
Mr. Liu Jin Fai *(resigned on 27 September 2021)*

**Independent Non-executive Directors**

Mr. Ip Ka Ki
Professor Kuang Jun Shang
*(resigned on 27 September 2021)*
Mr. Tse Ka Ching Justin
Mr. Chan Wai Kit
*(appointed on 27 September 2021)*

## BOARD COMMITTEES

**Audit Committee**

Mr. Tse Ka Ching Justin *(Chairman)*
Mr. Ip Ka Ki
Professor Kuang Jun Shang
*(resigned on 27 September 2021)*
Mr. Chan Wai Kit *(appointed on 27 September 2021)*

**Nomination Committee**

Mr. Chow Kwok Chun *(Chairman)*
Mr. Ip Ka Ki
Mr. Tse Ka Ching Justin

**Remuneration Committee**

Mr. Ip Ka Ki *(Chairman)*
Mr. Chow Kwok Chun
Professor Kuang Jun Shang
*(resigned on 27 September 2021)*
Mr. Chan Wai Kit *(appointed on 27 September 2021)*

## COMPANY SECRETARY

Mr. Leung Cheuk Hei *(HKICPA)*

## AUTHORISED REPRESENTATIVES

Mr. Chow Kwok Chun
Mr. Leung Cheuk Hei

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor, Kings Tower
111 King Lam Street
Cheung Sha Wan
Kowloon
Hong Kong

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

## LEGAL ADVISORS AS TO HONG KONG LAW

CFN Lawyers
Room Nos. 4101-4104, 41/F, Sun Hung Kai Centre
30 Harbour Road, Wan Chai
Hong Kong

# CORPORATE INFORMATION

## PRINCIPAL BANKS

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

## AUDITOR

CCTH CPA Limited
*Certified Public Accountants*
*Resistered Public Interest Entity Auditor*
Unit 1510-1517, 15/F, Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road,
Kwai Chung, New Territories,
Hong Kong

## COMPANY'S WEBSITE

www.vicon.com.hk

## STOCK CODE

3878

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Vicon Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2022 (the "**Year**" or "**FY2022**").

The Group is a Hong Kong-based specialist foundation contractor and focuses on design-and-build foundation projects in the Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works, pile cap construction and general buildings works in Hong Kong.

During the Year, our revenue decreased by approximately HK$98.0 million, or 38.5%, from approximately HK$254.6 million for the year ended 31 March 2021 ("**Last Year**" or "**FY2021**") to approximately HK$156.6 million for the Year. The Group recorded a loss for the Year of approximately HK$24.6 million as compared to the loss for the Last Year of the Group of approximately HK$51.5 million, representing a reduction in loss of approximately HK$26.9 million.

FY2022 was a tough year under COVID-19 as the pandemic spread across the globe and businesses faced unprecedented challenges. The construction market in Hong Kong remained under pressure and continued to be weak and highly competitive in FY2022 with a reduction in the number of foundation contracts in both the public and private sectors under the uncertainties arising from COVID-19 and outlook of the macroeconomy.

With the high price fluctuations in construction materials as exacerbated by disruptions in the supply chain, management took a prudent approach by applying less aggressive pricing in its tender submissions leading to less competitive tender prices and a resulting reduction in the number of sizeable projects awarded during FY2022.

In the coming year, we consider the construction market in Hong Kong will remain highly competitive. The rising competition from our competitors could further affect our tender prices and therefore the contract award prices for projects. We are mindful not to reduce our profit margin without considering the negative impact to our shareholders' interests. To maintain our competitive edge, we will continue to focus on "design and build" projects and deploy our expertise in foundation design and project management to meet the requirements of future potential projects.

Looking ahead, the Board will strive for the best for the Group. Our management will be closely monitoring the foundation industry and will continuously adjust our operation strategy to maximise shareholders' return.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, subcontractors, suppliers, other business partners and our shareholders for their continuous support. I would like to also thank the management team and my fellow staff members for their contribution during the Year.

**Chow Kwok Chun**
*Chairman*

Hong Kong, 29 June 2022

## BUSINESS AND FINANCIAL REVIEW

The Group is a specialist foundation contractor and focuses on design-and-build foundation projects in the Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction in Hong Kong. The Group also engages in the provision of construction services including leasing of construction machinery.

For FY2022, the Group recorded revenue of approximately HK$156.6 million as compared to revenue of approximately HK$254.6 million for FY2021, which represented a decrease of approximately HK$98.0 million or 38.5%.

Revenue contributed from projects which we were acting as main contractor decreased to approximately 17% of our total revenue in FY2022 (FY2021: approximately 97%). The decrease in the percentage was because the Group acted as subcontractor in the newly awarded projects, in which the project costs could be monitored with less uncertainty.

The amount of backlog revenue as at 31 March 2022 was approximately HK$29.5 million (31 March 2021: HK$7.3 million).

**Foundation Works and Ancillary Services**

Foundation works mainly include mini-piling, percussive piling, rock socketed in steel H-pile and bored pile, together with pile cap. Ancillary services mainly include site formation and demolition works which covers clearance of the site, excavation, demolition of a building or any substantial part of a building.

During FY2022, there were 14 projects (FY2021: 9 projects) contributing revenue of approximately HK$138.2 million (FY2021: HK$218.6 million) to the Group.

The decrease in revenue was primarily because (i) certain projects with relatively larger contract sums were completed in the year ended 31 March 2021 and certain new projects undertaken in the Year are with lower contract sums; (ii) substantial decrease in the number of available tenders for foundation works and the resulting keener competition in the market; and (iii) management took a prudent approach by applying less aggressive pricing in its tender submissions to account for high price fluctuations in construction materials as exacerbated by disruptions in the supply chain, leading to less competitive tender prices and a resulting reduction in the number of sizeable projects awarded during the Year.

**Leasing of construction machinery**

Leasing of construction machinery mainly include the rental of our construction machinery according to the requirements of the customers.

During FY2022, the revenue derived from our leasing of construction machinery amounted to approximately HK$18.4 million (FY2021: HK$36.0 million), accounting for approximately 11.7% (FY2021: 14.1%) of our total revenue.

The decrease in revenue from leasing of construction machinery of the Group was mainly due to the decrease in the number of machinery rented out to our customers upon the completion of their respective construction works during FY2022.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the Group's operations, some of which are beyond the Group's control. The Directors believe the more significant risks relating to the business are as follows:

– Our business is project-based and the contracts are not recurrent in nature and were awarded by a few customers, and any decrease in the number of projects with the Group's major customers would adversely affect the Group's business, financial conditions and operating results;

– As the Group engages third party subcontractors to perform certain parts of the works under our contracts, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the Group's subcontractors; and

– The Group determines the tender price based on the estimated time and costs to be involved in a project pursuant to our industry experience and with reference to a number of factors and the actual time and costs incurred may deviate from our estimate due to unexpected circumstances.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in the prospectus of the Company dated 12 December 2017 (the "**Prospectus**").

### Revenue

Our revenue decreased by approximately HK$98.0 million, or approximately 38.5%, from approximately HK$254.6 million for FY2021 to approximately HK$156.6 million for FY2022.

The decrease was primarily because (i) certain projects with relatively larger contract sums were completed in the year ended 31 March 2021 and certain new projects undertaken in the year ended 31 March 2022 are with lower contract sums; (ii) substantial decrease in the number of tenders for foundation works and the keener competition of the market; and (iii) management took a prudent approach by applying less aggressive pricing in its tender submissions to account for high price fluctuations in construction materials as exacerbated by disruptions in the supply chain, leading to less competitive tender prices and a resulting reduction in the number of sizeable projects awarded during the Current Period.

### Cost of Sales

Our direct costs decreased from approximately HK$291.3 million for FY2021 to approximately HK$110.3 million for FY2022, representing a decrease of approximately HK$181.0 million. Such decrease was mainly attributable to the non-occurrence of one-off additional cost incurred for subcontractor works arising from the progress delay due to COVID-19 pandemic to catch up the work program of a certain project completed in the Last Year.

**Gross profit and gross profit margin**

Our gross profit increased by approximately HK$82.9 million, from a gross loss of approximately HK$36.6 million for FY2021 to a gross profit of approximately HK$46.3 million for FY2022.

Our gross profit margin changed from a gross loss margin of approximately 14.4% for FY2021 to a gross profit margin of approximately 29.6% for FY2022.

The increase in gross profit was mainly attributable to a decrease in cost of sales driven by the non-occurrence of one-off additional cost incurred for subcontractor works arising from the progress delay due to COVID-19 pandemic to catch up the work program of a certain project completed in FY2021.

**Other (loss)/income, net**

Our other (loss)/income, net decreased by approximately HK$6.9 million from income of approximately HK$5.8 million for FY2021 to loss of approximately HK$1.1 million for FY2022, which was mainly attributable to the loss of disposal of approximately HK$1.4 million for FY2022, in which a gain of disposal of approximately HK$1.8 million was recorded for FY2021; and the one off receipt and recognition of a grant under the Employment Support Scheme launched by the HKSAR Government of approximately HK$3.5 million for FY2021 to approximately HK$nil for the Current Year.

**Impairment losses on financial assets**

Our impairment losses on financial assets represents a provision for impairment loss allowance amounting to approximately HK$33.9 million (FY2021: approximately HK$10.1 million) made based on the management's latest assessment of risk of default in the Group's financial assets for FY2022.

The increase in impairment losses on financial assets was mainly attributable to unrecoverable amounts from projects completed in prior years.

**Other administrative expenses**

Our administrative expenses increased by approximately HK$27.3 million, from approximately HK$9.1 million for FY2021 to approximately HK$36.4 million for FY2022. The increase in other administrative expenses was mainly attributable to i) the increase in staff costs to approximately HK13.3 million for staff not directly participating to our construction projects, in which the corresponding staff costs of HK$1.2 million was recorded as administrative expenses for the Last Year; and ii) the increase of unallocated depreciation of our machinery and equipment not used in our construction projects from approximately HK$1.8 million for the Last Year to approximately HK$13.1 million for the Year.

**Finance costs, net**

Our finance costs, net decreased by approximately HK$4.0 million, or approximately 59.9%, from approximately HK$6.6 million for FY2021 to approximately HK$2.6 million for FY2022. Such decrease was mainly due to the repayments of certain borrowings and finance leases during FY2022.

**Income tax credit**

Our income tax credit decreased by approximately HK$1.8 million, from income tax credit of approximately HK$5.0 million for FY2021 to income tax credit of approximately HK$3.2 million for FY2022 due to the combined effect of the factors resulting in the reduction in loss.

**Loss and total comprehensive loss attributable to equity holders of the Company**

Based on the above factors, loss and total comprehensive loss attributable to equity holders of the Company decreased by approximately HK$26.9 million, from a loss of approximately HK$51.5 million for FY2021 to a loss of approximately HK$24.6 million for FY2022.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from operating and investing activities.

As at 31 March 2022, the capital structure of the Group consisted of equity of approximately HK$255.8 million (2021: HK$261.0 million) and bank borrowings of approximately HK$7.8 million (2021: HK$48.4 million). For details, please refer to the paragraph headed "Bank borrowings" below.

On 26 July 2021, 79,600,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.25 per placing share by way of placing under general mandate (the "**Placing**"). The share capital of the Group only comprises ordinary shares.

For details in relation to the Placing, please refer to the paragraph headed "Placing under General Mandate" below and the announcements of the Company dated 26 July 2021 and 13 August 2021.

As at 31 March 2022, the Company had 479,600,000 ordinary shares in issue and the Company's issued share capital was HK$4,790,000.

**Cash position and fund available**

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and bank borrowings.

As at 31 March 2022, our cash and cash equivalents were approximately HK$25.5 million (2021: HK$14.6 million).

As at 31 March 2022, the current ratio of the Group was approximately 3.4 times (2021: 2.3 times).

**Bank borrowings**

The Group generally meets its working capital requirement by cash flows generated from its operation and borrowings. The maturity and interest rate profile of the Group's borrowings are set out below.

(a) The maturity of borrowings is as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Within 1 year | 7,830 | 48,403 |

(b) The weighted average interest rates were as follows:

| | 2022 | 2021 |
|---|---|---|
| Short-term bank loans | 2.89% | 3.69% |

## GEARING RATIO

As at 31 March 2022, the Group's gearing ratio was approximately 3.1% (2021: 18.5%), calculated as the total borrowings divided by the total equity as at the end of the respective years and multiplied by 100%.

## NET CURRENT ASSETS

As at 31 March 2022, the Group had net current assets of approximately HK$173.8 million (2021: HK$152.3 million). The increase in net current assets position was mainly attributable to the receipts from the disposal of several property, plant and equipment items during the Year.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

## CAPITAL EXPENDITURES

The Group's capital expenditures for the Year amounted to approximately HK$5.3 million (2021: HK$5.9 million), which was incurred due to the purchase of machinery and equipment.

## FOREIGN EXCHANGE EXPOSURE

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 ended 31 March 2022. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

## PLACING UNDER GENERAL MANDATE

On 26 July 2021, the Company entered into a placing agreement with ChaoShang Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as placing agent (the "**Placing Agent**"), pursuant to which the Company agreed to issue and the Placing Agent agreed to place up to 79,600,000 new ordinary shares of the Company to not less than six placees at the Placing price of HK$0.25 per Placing share. After deducting the expenses involved in the Placing, the net issue price of each Placing share was approximately HK$0.24. The Placing was completed on 13 August 2021 and the Placing Agent successfully placed an aggregate of 79,600,000 Placing shares, representing approximately 16.6% of the issued share capital of the Company as enlarged by the issue of the 79,600,000 Placing shares, to not less than six independent placees at the Placing Price of HK$0.25 per Placing share.

The gross and net proceeds from the Placing, after deduction of expenses related to the Placing, amounted to approximately HK$19.9 million and HK$19.4 million respectively, which were intended to be used for the general working capital of the Group.

## USE OF PROCEEDS FROM PLACING UNDER GENERAL MANDATE

The net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing was approximately HK$19.4 million. During the year ended 31 March 2022, the Company had applied the entirety of the net proceeds for general working capital purposes according to the disclosure as set out in the announcement dated 26 July 2021 (the "**Announcement**").

An analysis of the utilisation of the net proceeds from the Placing as at 31 March 2022 is set out below:

| | Planned use of net proceeds as stated in the Announcement (HK$'000) | Actual use of net proceeds up to 31 March 2022 (HK$'000) | Net proceeds utilised during the year ended 31 March 2022 (HK$'000) | Unutilised net proceeds as at 31 March 2022 (HK$'000) |
|---|---|---|---|---|
| General working capital | 19,363 | 19,363 | 19,363 | – |
| Total | 19,363 | 19,363 | 19,363 | – |

## CONTINGENT LIABILITIES

As at 31 March 2022, the Group has given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to approximately HK$2.2 million (2021: HK$5.7 million). The performance bonds as at 31 March 2022 were expected to be released in accordance with the terms of the respective construction contracts.

## PLEDGE OF ASSETS

As at 31 March 2022, there were no machinery and equipment pleased for the Group's bank borrowings.

As at 31 March 2021, machinery and equipment with carrying amount of approximately HK$13.2 million were pledged for the Group's bank borrowings.

As at 31 March 2022, there were no project-specific financing granted to the Group.

As at 31 March 2021, banking facilities were granted to the Group in respect of the specific projects, with an aggregate amount of approximately HK$89.0 million were guaranteed by the Company, of which approximately HK$66.4 million of the banking facilities had not yet been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects as specified in the relevant facility letters.

As at 31 March 2022, a bank borrowing granted to the Group in respect of the key management insurance contract, with an amount of approximately HK$7.8 million (2021: HK$7.8 million) were guaranteed by (i) the Company; and (ii) charge over the Group's key management insurance contract with cash surrender value of approximately HK$7.5 million (2021: HK$7.3 million).

## CAPITAL COMMITMENTS

As at 31 March 2022, the Group did not have any capital commitments contracted but not provided for.

## SEGMENT INFORMATION

The Group's reportable segments are as follows:

– Construction works; and

– Leasing of construction machinery

In view of the growth of the Group's leasing of construction machinery business, a new reportable segment – leasing of construction machinery has been included for the year ended 31 March 2021.

## EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 31 March 2022, the Group had a total of 13 employees (2022: 23). Total staff costs (including Directors' emoluments and mandatory provident funds contributions) for the year were approximately HK$13.5 million (2021: HK$28.0 million). The remuneration offered to employees generally includes salaries, medical benefits and bonuses. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority. The Company adopted a share option scheme under which the Board may grant options to the employees. The Group provides training to its employees according to the work requirements.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2022.

## SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 31 March 2022.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 31 March 2022.

## EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2022 and up to the date of this annual report.

## ABOUT THIS REPORT

Vicon Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), is pleased to present our Environmental, Social and Governance Report (the "**Report**") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

### Preparation Basis and Scope

This Report is prepared in accordance with "Environmental, Social and Governance Reporting Guide" in Appendix 27 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and has complied with the "comply or explain" provisions in the Listing Rules.

This Report details the environmental, social and governance performance of the Group and demonstrates our sustainability initiatives during the reporting period from 1 April 2021 to 31 March 2022 (the "**reporting period**").

With the aim to improving the disclosure requirements in the Report, the Group has committed to formulate policies, record relevant data as well as implement and monitor measures. Should there be any discrepancy between the Chinese and the English versions of this Report, the English version shall prevail.

### Confirmation and Approval

Information disclosed in this Report is sourced from the internal documents and statistical data of the Group. This Report has been confirmed and approved by the board (the "**Board**") of directors of the Company in June 2022.

### Access to the Report and Contact Information

The ESG Report is part of the Annual Report, which is present on the Company's website at http://www.vicon.com.hk The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email at info@vicon.hk.

## CORPORATE PROFILE

The Group is a Hong Kong-based specialist foundation contractor and focuses on design-and-build foundation projects in Hong Kong private sector. With strong experience in completing complicated foundation and engineering designs projects, we strive to provide the highest quality services to our customers. Under the leadership of the management, the Group has been successfully listed on the Main Board of the Stock Exchange on 22 December 2017.

To maintain competitiveness in the market and provide outstanding services to the customers, the Group places significant focus on the long-term sustainability. We are determined to comply with relevant regulations and rules as well as requirements from our stakeholders. Various policies and procedures are established to assist the management on monitoring the operation risks regarding the environment and society.

As at 31 March 2022, there were 5 subsidiaries directly or indirectly wholly owned by the Company. For the list of subsidiaries, please refer to Note 32 to the consolidated financial statements. Our major business operation are carried through the below 3 subsidiaries.

1. Vicon Construction Company Limited
2. Vicon Machinery Company Limited
3. Vicon Construction (Macau) Company Limited

## ESG GOVERNANCE

The Group understands that good ESG governance is the key to the long-term development of an enterprise. The Board upholds its primary leading role and management responsibilities in the ESG aspects, including overseeing the Group's assessment of relevant environmental and social impacts; understanding the potential impact of ESG issues on the Group's business model and associated risks; aligning with the expectations of investors and the requirements of regulatory authorizations; improving materiality assessment and reporting processes to ensure that policies are implemented and enforced decisively and consistently; and promoting a top-down culture to ensure that ESG considerations are integrated into the business decision-making process.

To prepare and compile this Report, the Group has specifically formed a reporting team consisting of director, company secretary, management and external consultant, which updates the Board on a regular basis regarding the reporting progress. The main responsibilities of the team include: to formulate the Group's ESG strategy and report, and is also responsible for identifying and assessing the Group's ESG related risks to ensure an effective ESG risk management and internal control system, thereby enhancing the ESG performance of the Group; to review, recognize and report to the Board of Directors on the Group's ESG framework, standards, prioritization and objectives, and to supervise and implement the ESG strategies on the Group's level; to monitor, review and evaluate the Group's ESG performance; to review and advise the Board on the Group's reporting to the public. The department heads are responsible for overseeing their respective ESG risks and objectives, and reporting regular updates to the ESG reporting team and the Board on relevant progress and challenges encountered.

The Group is committed to operate in a sustainable manner and at the same time maintain the balance of rights and interests between different stakeholders. With a view to enhancing our ESG disclosure, the procedures and matrix diagram of materiality assessment has been included in this Report. Quantitativeness of the Report has also been strengthened by providing narrative to explain the basis for KPIs calculation.

The Group has measured and reported various environmental and social KPIs. The measurement and reporting of KPIs is an ongoing and consistent process, allowing for meaningful comparisons of ESG data in subsequent ESG reports. By comparing the environmental KPI of FY20-21 and FY21-22, the Board is pleased that the Group in general has achieved a lower carbon footprint.

When preparing and compiling this Report, the Group has reviewed its existing policies and achieved a better understanding of the values of ESG reporting. During the reporting process through the approach of measurement, management and changes, the Group hopes to drive improvement and innovation while minimizing the Group's non-financial risks. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

To prepare for further development and business growth, the Group recognises the importance of intelligence gained from the stakeholders' insights, inquiries and continuous feedback on the Group's business activities. We maintain various channels with our stakeholders on relevant issues including the performances and challenges that we come across. The outcomes of these stakeholder engagement processes have been consistently applying to our continuous improvement activities.

| **Stakeholders** | **Engagement channels** |
|---|---|
| **Government** | – Work reports preparation and submission for approval<br>– Annual reports<br>– Website |
| **Shareholders and Investors** | – Annual general meeting and other shareholder meetings<br>– Annual reports and announcements |
| **Employees** | – Trainings and orientation<br>– Internal meetings and email communication<br>– Corporate activities |
| **Customers** | – Business visits<br>– Email communication and customer service hotline<br>– Regular meetings |
| **Suppliers and subcontractors** | – Business visits<br>– Procurement contracts and letters of undertaking<br>– Performance appraisals |
| **Public and communities** | – Charity activities<br>– Volunteer works |

With these on-going dialogues, we obtain more understandings on the expectations and concerns from stakeholders. The Group believes it enhances our business management as well as decision making for the Group's long-term development.

The principle of materiality strengthens the Group's ESG reporting which means understanding the ESG issues that are important to the Group's business, informing the issue and key performance indicators (KPIs) to cover in the Report. The Group's approach to materiality in this Report is based on the best-practice recommendations of the ESG Reporting Guide and the GRI Guidelines.

We evaluated and analysed the importance of any changes in business environment, as well as overall sustainability challenges to the Group. As part of this exercise, internal and external stakeholders, including the public community, our employees, consumers, shareholders and investors, contributed their perspectives regarding ESG reporting and the broader ESG issues relevant to the Group.

The assessment, through the following steps, also considered ESG issues relevant to the Group's industry and operation locations.

Step 1: Identification – Industry Benchmarking

- The Group identified relevant ESG issues based on the feedback from the stakeholders, sustainability indices and the ESG reports of the Group's industry peers.
- The materiality of each ESG issue was determined based on the frequency of its disclosure by selected peer companies.

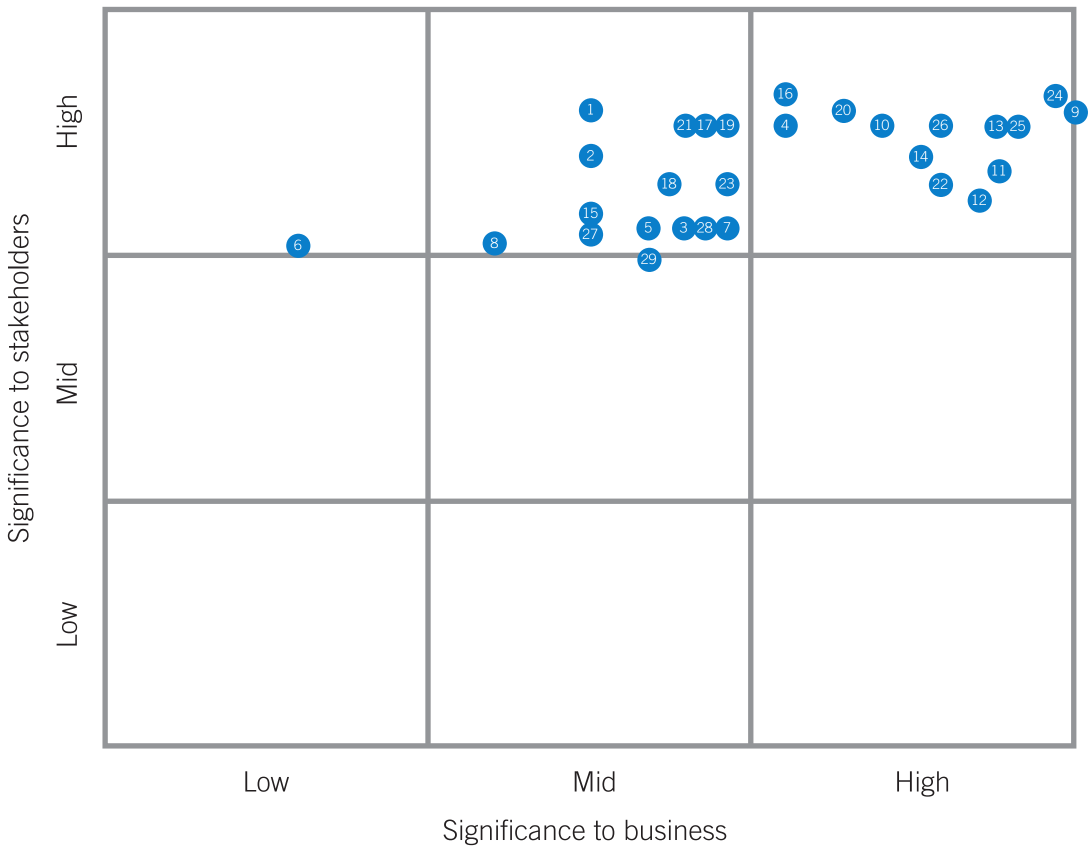
Step 2: Prioritisation – Stakeholder Engagement

- Key stakeholders were engaged on ESG issues with impact on our Group.
- The Group asked the stakeholders on ranking each of the identified ESG issues according to their view of its importance to the operation and business development of the Group.

Step 3: Validation – Determining Material Issues

- Our management performed an all rounded review and finalised on the range of ESG issues being reported, so as to ensure the results of the materiality assessment properly reflected the importance of the issues to the Group's business development and long term sustainability.

As a result of the above assessment, the Group has prepared a matrix diagram below to illustrate the significance of various issues to your stakeholders and business:



| Environment | Labour Practices | Operating Practices | Community Investment |
|---|---|---|---|
| 1. Environmental compliance | 9. Employment compliance | 16. Operational compliance | 27. Charity work |
| 2. Vehicle emissions management | 10. Remuneration and benefits | 17. Management of environmental risks in the supply chain | 28. Promotion of community development |
| 3. Greenhouse gas emissions | 11. Working hours and holidays | 18. Management of social risks in the supply chain | 29. Poverty alleviation work |
| 4. Waste management | 12. Diversity and equal opportunities | 19. Purchasing practices | |
| 5. Use of energy | 13. Occupational health and safety | 20. Quality management | |
| 6. Use of water resources | 14. Training and development | 21. Customer health and safety | |
| 7. Green office | 15. Prevention of child labour and forced labour | 22. Protection of intellectual property | |
| 8. Responses to climate change | | 23. Research and development | |
| | | 24. Information security | |
| | | 25. Customer privacy protection | |
| | | 26. Anti-corruption | |

Based on the above materiality assessment, 13 material aspects has been identified for the Group's business and stakeholders. The Group has spent more effort to assess, control, monitor and report the material aspects to meet stakeholders' expectations.

**Material Aspects**

4. Waste management
9. Employment compliance
10. Remuneration and benefits
11. Working hours and holidays
12. Diversity and equal opportunities
13. Occupational health and safety
14. Training and development
16. Operational compliance
20. Quality management
22. Protection of intellectual property
24. Information security
25. Customer privacy protection
26. Anti-corruption

## ENVIRONMENTAL POLICY

As a registered specialist contractor, we recognise that we have an obligation to reduce the impact of our operations on the environment and be accountable for the resources and materials that we used in our daily foundation operations. We would place strong effort on protecting the environment by promoting the importance of the environmental protection to our employees, adopting the latest rules and standards relating to the environment and community, using environmental friendly products as well as encouraging the recycle and reuse of materials. Through continuously improving the environmental sustainability of our business, we believe there would be promising development and growth in the long run. The principles of our environmental policy are as follows:

- focus on prevention of pollution, waste minimization and resource conservation as critical considerations within our core management processes;
- compliance with applicable legal requirements and other requirements to which the Group subscribes which relate to its environmental aspects;
- provide sufficient resources and facilities for the implementation of environmental nuisance abatement and environmental management;
- obtain and renew the necessary environmental licenses registrations and permits and comply with relevant statutory requirements and licensing standards;
- regular performance reviews to ensure that environmental objectives and the requirements of interested parties are met;
- prevent pollution within and outside of the site;
- minimizing environmental nuisances and generation of construction and demolition materials in execution of the works;
- provision of staff training to all levels of persons involved in the works to ensure understanding, implementation and development of these principles throughout our business; and
- continual improvement.

## EMISSIONS

The Group is subject to various local environmental laws and regulations related to the operations. During the reporting period, the Group had no material non-compliance regarding environmental issues.

### Air Pollutant Emission

Air pollutants such as nitrogen oxides ("**$NO_x$**"), sulphur oxides ("**$SO_x$**") and respiratory suspended particles ("**RSP**", also known as Particulate Matters ("**PM**")) bring significant impact to our environment and thus the health of our staff. To mitigate the impact, the Group has taken initiatives to formulate plans for the reduction of air pollutants.

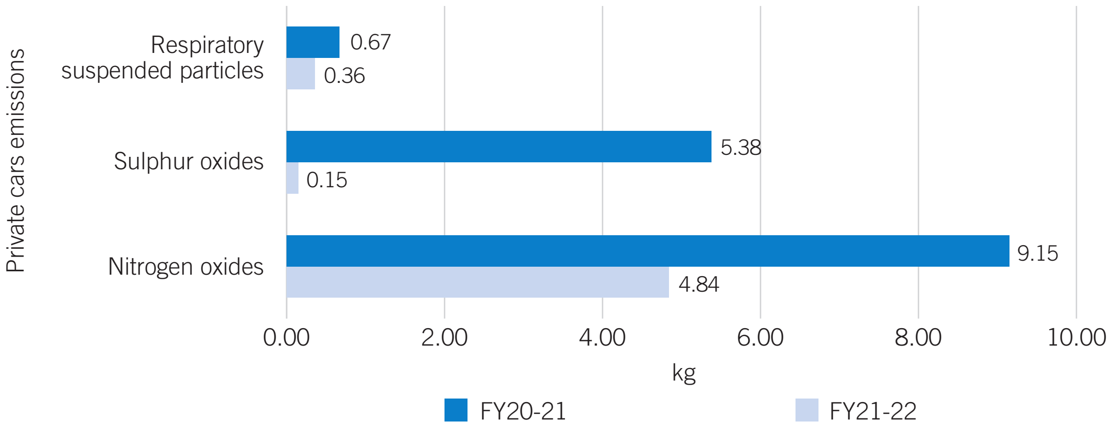
Our air pollutants are mainly generated from the motor vehicles through consumption of fuels. We carry out regular quarterly or yearly vehicle maintenance, including replacement of any wear components and generator cleaning. Vehicle usage is well controlled by proper route planning and encouragement of using public transport. The decrease in sulphur dioxide emission is due to the decrease of usage of our own machinery as some of the machinery have been leased to customers during the reporting period. The decrease in nitrogen oxides and respiratory suspended particles emissions is due to the decrease of usage of our own private cars.

The air pollutant emission during the reporting period is as follows:

**KPI A1.1: The types of emissions and respective emissions data[1]**

| **Item** | **Unit** | FY20-21 | **FY21-22** |
|---|---|---|---|
| Nitrogen oxides | kg | 9.15 | 4.84 |
| Sulphur oxides | kg | 5.38 | 0.15 |
| Respiratory suspended particles | kg | 0.67 | 0.36 |

**KPI A1.1: The types of emissions and respective emissions data**




1 The vehicle and machinery emission factors were calculated based on the Hong Kong Environmental Protection Department's Vehicle Emission Calculation Model.

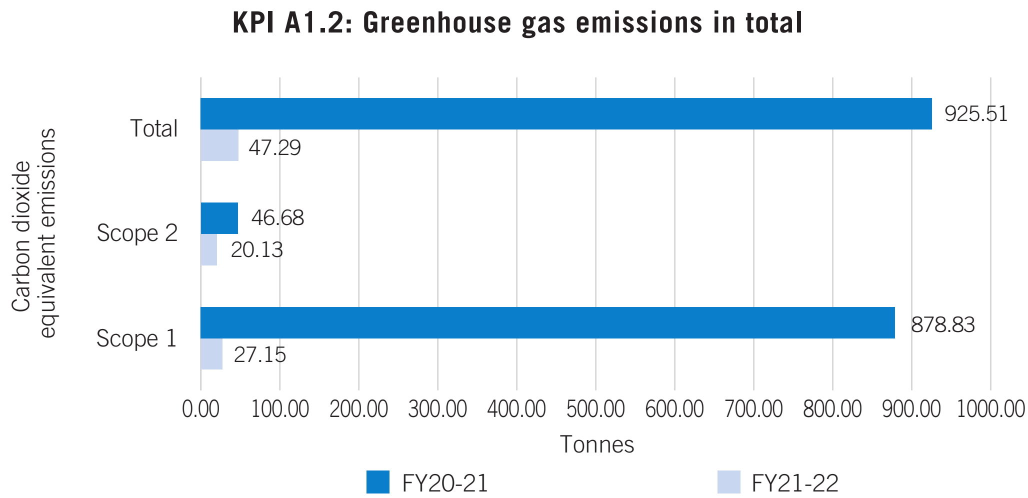
**Greenhouse Gas ("GHG") Emission**

Global warming is a serious environmental issue that our world is facing. The major sources of air and greenhouse gas (GHG) emissions we associated are energy consumptions, including the purchased electricity used in our daily operations and the fuels consumed by the motor vehicles and machinery. Our Group is taking different measures to minimise the GHG emissions. We have adopted energy saving initiatives that are mentioned in the section headed "Use of Resources" below.

During the reporting period, the carbon dioxide equivalent emission of GHG is as follows:

**KPI A1.2: Greenhouse gas emissions in total and intensity**

| Item | Unit | FY20-21 | FY21-22 |
|---|---|---|---|
| Scope 1[2] | tonnes | 878.83 | 27.15 |
| Scope 2[3] | tonnes | 46.68 | 20.13 |
| Total | tonnes | 925.51 | 47.29 |
| CO2 equivalent emissions intensity | tonnes/employee | 40.24 | 3.64 |
| CO2 equivalent emissions intensity | tonnes/HK$'000 revenue | 0.0036 | 0.0003 |




The decrease in GHG Emission is due to the decrease usage of our own private cars and the decrease of our usage of diesel oil as some of the machinery have been leased to customers during the reporting period.

[2] Scope 1: Direct emission from sources that are owned or controlled by the Group. The carbon dioxide equivalent emissions was calculated based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" published by the Hong Kong Environmental Protection Department and Hong Kong Electrical and Mechanical Services Department.

[3] Scope 2: Indirect emissions from purchased electricity consumed by the Group. The carbon dioxide equivalent emissions from purchased electricity was calculated based on the emission factor obtained from the "2021 Sustainability Report" of CLP Group.

**Hazardous and Non-hazardous Wastes**

Hazardous wastes generated during our operating process mainly consisted of toner and batteries used in the office, which were collected or recycled by relevant service provider. In case of any hazardous wastes are produced in construction sites, we would have the wastes properly handled by the qualified contractor.

Non-hazardous wastes generated from the Group mainly include domestic waste and paper. Domestic waste was handled by the property management company and paper waste were recycled and refused. We have adopted several environmental friendly practices, which include:

– Encouraging double-sided printing and photocopying; and

– Promoting the usage of e-documents for internal and external communication.

The amount of non-hazardous wastes produced from the Group is not significant. The Group has also put effort in recycling/reusing waste papers. The amount of waste generated during the reporting period is as follows:

**KPI A1.3 & A1.4: Total hazardous and non-hazardous waste produced and intensity**

| Item | Unit | FY21-22 |
|---|---|---|
| Total hazardous waste produced | kg | 1.85 |
| Total non-hazardous waste produced | kg | 498.00 |
| Intensity of hazardous waste produced | kg/HK$'000 revenue | 0.0000 |
| Intensity of hazardous waste produced | kg/employee | 0.14 |
| Intensity of non-hazardous waste produced | kg/HK$'000 revenue | 0.0032 |
| Intensity of non-hazardous waste produced | kg/employee | 38.31 |

The amount of the waste recycled during the reporting period is as follows:

**Waste recycled**

| Item | Unit | FY20-21 | FY21-22 |
|---|---|---|---|
| Paper | kg | 73 | 118 |

## USE OF RESOURCES

The Group places high priority on the efficient use of resources. We have adopted a set of guidelines to improve the efficient use of energy and water. Policy and control measure with continuous effort are required to minimize environmental impacts and promote efficient use of resources. The Group has adopted various policies and measures to tackle different kinds of potential impact to the environment. The policies and measures are regularly reviewed by the project team/supervisor to monitor the effectiveness and efficiency. In case the policies or measures cannot effectively minimize the nuisance or promote efficient use of resources, project team/supervisor shall advise other measures to further control the impacts. In addition, the Group considers the efficient use of resources on site or in the office, such as electricity and water, is of equal importance to emission policies. Efficient use of resources not only can reduce waste and emissions from the sources, but also reduce operating expenses, which is mutually beneficial to the Group and the environment.

Through the implementation of the policies, measures and monitoring of their effectiveness, during the reporting period, the Group has successfully reduced its carbon footprint by controlling the amount of emissions, waste produced and resources used. The Group shall continue to optimize the policies and measures in order to control or reduce the intensity of emissions, wasted produced and resources used in the future.

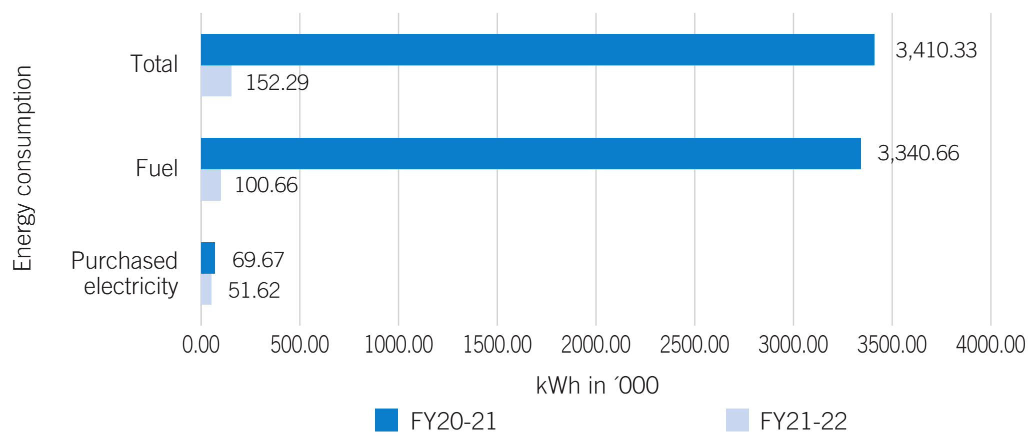
**Energy**

The Group aims to promote resource saving and implement suitable energy saving measures in order to improve the energy saving performance and reduce resource consumption as much as possible. For example, we would proactively switch off any unnecessary electrical appliances, and make use of light-emitting diode (“**LED**”) bulbs which give higher efficiency. During the reporting period, the energy consumptions are as follows:

**KPI A2.1: Direct and/or indirect energy consumption by type in total and intensity**

| **Item** | **Unit** | FY20-21 | **FY21-22** |
|---|---|---|---|
| Purchased electricity | kWh in ’000 | 69.67 | 51.62 |
| Fuel[4] | kWh in ’000 | 3,340.66 | 100.66 |
| Total | kWh in ’000 | 3,410.33 | 152.29 |
| Energy consumption intensity | kWh in ’000/employee | 148.28 | 11.71 |
| Energy consumption intensity | kWh in ’000/HK$’000 revenue | 0.0134 | 0.0010 |

**KPI A2.1: Direct and/or indirect energy consumption by type in total**




The decrease in the total fuel energy consumption is due to the decrease of our usage of petrol of private cars and diesel oil as some of the machinery have been leased to customers during the reporting period.

4 The energy consumption of fuel was calculated based on the data obtained from the “Energy Statistics Manual” issued by the International Energy Agency.

**Water**

Another resource that we have used for the daily operation is water. Though the amount of water that we use or discharge is not significant due to our business nature, for saving the use of water, the Group also promotes water saving practices among our staff. For example, we encourage our staff not to keep running water taps while cleaning any stuff in pantry. The water consumption during the reporting period is as follow:

**KPI A2.2: Water consumption in total and intensity**

| **Item** | **Unit** | FY20-21 | **FY21-22** |
|---|---|---|---|
| Water consumption | $m^3$ | 13,803 | N/A |
| Water consumption intensity | $m^3$/employee | 600.13 | N/A |
| Water consumption intensity | $m^3$/employee HK$'000 revenue | 0.0542 | N/A |

The water consumption in the office and construction sites during the reporting period was provided by the landlord or subcontractors, therefore consumption data is not available.

**Packaging Material**

As the Group's business is service focused, there were no significant amounts of packaging material used for finished products during the reporting period.

## THE ENVIRONMENT AND NATURAL RESOURCES

As a registered specialist contractor, we recognise our impact on the environment in our daily project operations. To minimise the significant impact on the environment and natural resources, we are committed to carry out necessary measures mentioned in the sections headed "Emission" and "Use of Resources" in energy saving, emissions reduction and environmental protection. The Group would also promote environmental awareness amongst the customers, subcontractors, suppliers, business partners and other stakeholders aiming to mitigate the waste of resources as a whole.

## RESPONSES TO CLIMATE CHANGE

The increase in climate change has led to extreme weather events such as global warming, rising sea level and drought, which may affect the Group's operation indirectly.

The Group has identified increasing risk of head stoke due to extreme weather and potential technological change in foundation projects due to rising sea level as the major risks in relation to climate change, that may have a significant impact on the Group.

In response to climate change and the above risks to the Group's operation, the Group shall continue to control or reduce its impact to the environment. In addition, the Group has provided relevant training and suitable clothing and equipment to site workers. The management shall continue to research and closely monitor the effect of rising sea level to foundation projects.

## SOCIAL ASPECTS

### Employment and Labour Practices

#### Employment

The Group values our employees as an important and valuable asset; and competent employees is the foundation for the long term business success of the Group. We have carried out different policies to stipulate key human resources management practices in working hours, equal opportunities, recruitment, promotion, resignation and compensation benefits. The Group's recruitment and promotion policies have to be followed with the principle of equal opportunities. All employees are hired based on the merits and treated equally, regardless of their nationality, age, race, gender, religion and marital status, etc.

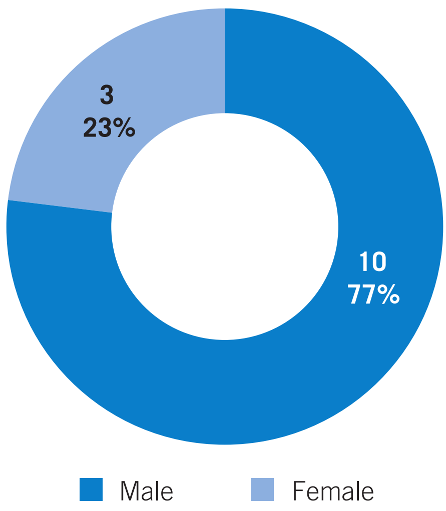
A tour of workplace and a formal introduction is provided to all the newly joined employees, aiming at sharing with them a better understanding of the Group. An employee handbook would also be provided to each of our employees for their understanding on the relevant policies and code of conduct of our Group.

The Group supports harmonious and work-life balance culture. Through organising annual dinner and employee gatherings during the reporting period, not only can the employees enjoy a relaxing moment, but also enhance their team spirit building and promote friendly working environment.

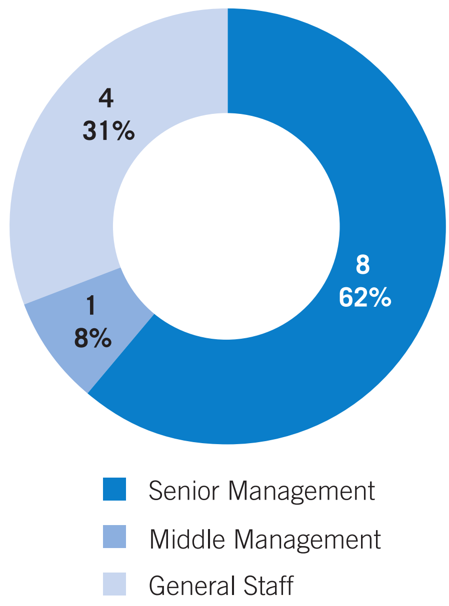
The adoption of these human resources policies and procedures also ensures the Group's compliance with the relevant labour laws and regulations where it operates, including the Employment Ordinance in Hong Kong. During the reporting period, we did not record material non-compliance incident relating to applicable employment laws and regulations.

At the end of the reporting period, the employee composition (in percentage of total staff) by gender, employee category, age group and geographical location are as follows:

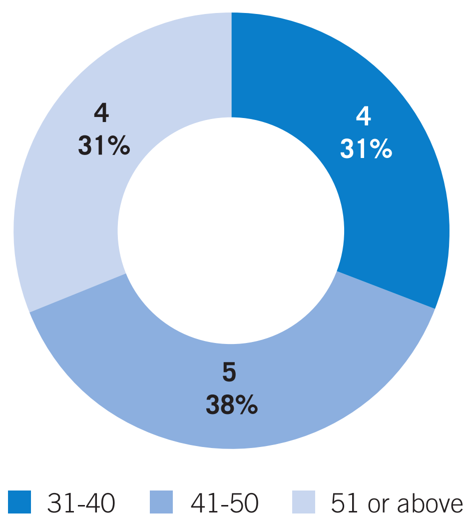
**By Gender**



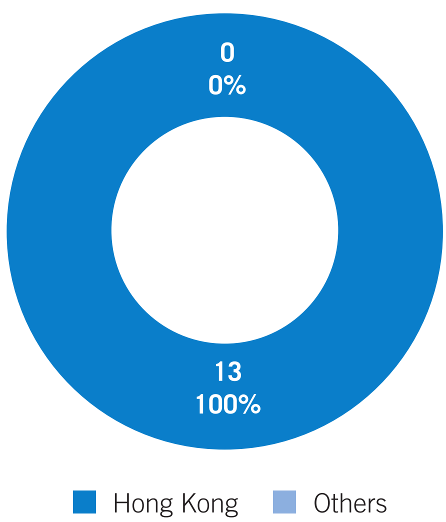

**By Employment Category**




**By Age Group**




**By Geographical Location**

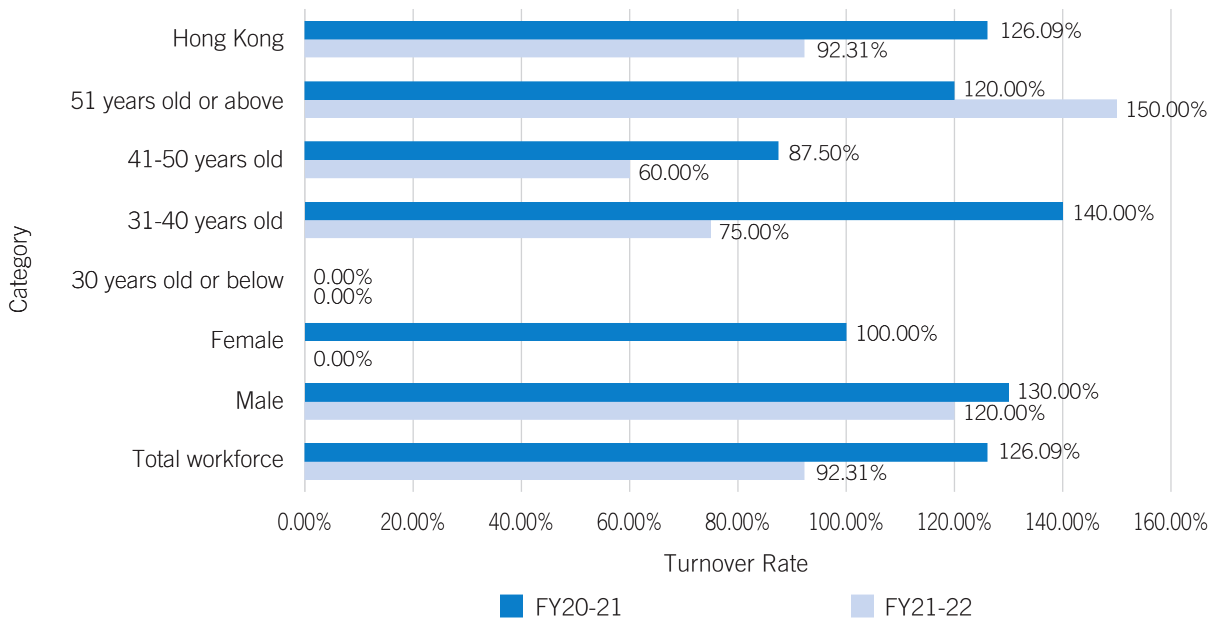


The employee turnover rates by gender, age group and geographical region at the end of the reporting period are as follows:

**KPI B1.2: Employee turnover rate by gender, age group and geographical region[5]**

| Category | FY20-21 Turnover Rate | FY21-22 Turnover Rate |
|---|---|---|
| Total workforce | 126.09% | 92.31% |
| Male | 130.00% | 120.00% |
| Female | 100.00% | 0.00% |
| 30 years old or below | 0.00% | 0.00% |
| 31-40 years old | 140.00% | 75.00% |
| 41-50 years old | 87.50% | 60.00% |
| 51 years old or above | 120.00% | 150.00% |
| Hong Kong | 126.09% | 92.31% |
| Others | 0.00% | 0.00% |

**KPI B1.2: Employee turnover rate by gender, age group and geographical region**



The Group considers to keep a flexible team structure and certain site workers are not retained which increases the employee turnover rates.

[5] Turnover rate by gender refers to total number of employee turnover of the gender group per the total number of employees of the corresponding gender group at the end of the year. Turnover rate by age group refers to total number of employee turnover of the age group per the total number of employees of the corresponding age group at the end of the year. Turnover rate by geographical region refers to total number of employee turnover of the region per the total number of employees of the corresponding region at the end of the year.

## HEALTH AND SAFETY

The Group is committed to providing a safe and healthy workplace for all its employees. We take work safety seriously in all of our projects and have established measures to promote work safety and to ensure compliance with applicable laws and regulations. During the past three years (including the reporting period), there were no workplace injury or work-related fatality incidents in the Group.

Our employees are provided with work safety trainings, including the safety operation of construction machinery and equipment to emphasise the importance of the awareness of work safety. Through different on-the-job training, we would also encourage all our employees to get a better understanding with the applicable laws such as the Occupational Safety and Health Ordinance, policies and the necessary procedures to be followed in order to prevent occupational hazards.

We have incorporated a series of safety guidelines, rules and procedures for different aspects throughout our operating process, including fire safety, electricity safety, work-related injuries and emergency and evacuation procedures. Key safety precautions and measures are implemented as follows:

- Regular checks with any necessary maintenance are carried out for all the electrical appliances and machines; and

- Protective equipment is provided to workers according to their positions and job nature.

## DEVELOPMENT AND TRAINING

The Group recognises the importance of providing our staff the opportunity to continuously improve the professional skill set and hence the quality of our services. The Group encourages the senior management and department heads to carry out proactive coaching and provide detailed guidance to the subordinates in order to meet their current and future business needs.

All of our new staff are provided with detailed orientation from which our staff would get an understanding of the job responsibilities, work safety as well as the corporate culture and policies. To ensure the staff bears with certain technical skills, on-the-job coaching would be provided to staff at different position. The Group also promotes lifelong learning among its staff and encourages staff to attend different external seminars or trainings such as first aid training course and safety supervisor training course.

The percentage of employees trained by gender and employee category are as follows:

**KPI B3.1: The percentage of employees trained by gender and employee category**

| Category | FY21-22 Percentage |
|---|---|
| Male | 76.92% |
| Female | 23.08% |
| Senior Management | 61.54% |
| Middle Management | 7.69% |
| General Staff | 30.77% |
| Total workforce | 100% |

The average training hours completed per employee by gender and employee category are as follows:

**KPI B3.2: The average training hours completed per employee by gender and employee category**

| Category | FY21-22 Average training hours completed |
|---|---|
| Male | 5.50 |
| Female | 4.00 |
| Senior Management | 5.88 |
| Middle Management | 4.00 |
| General Staff | 4.00 |
| Total workforce | 5.15 |

## LABOUR STANDARDS

The Group prohibits the employment of child labour and forced labour. We strictly comply with the relevant laws and regulations including the Employment Ordinance in Hong Kong. We have established transparent labour policies and dynamic reporting channels to ensure a fair labour practice is adopted. During the reporting period, the Group did not find any cases relating to child labour or forced labour.

## OPERATING PRACTICES

**Supply Chain Management**

The Group relies on subcontractors and suppliers to provide different construction machinery and materials. We are fully aware of the potential environmental and social risks associated with our supply chain and are committed to reducing such risks in the collaboration with our subcontractors and suppliers. Before and during the engagement with our subcontractors and suppliers, we would carry out regular assessment on the supplier's corporate conditions, reputation, credibility as well as the quality of the services provided. The Group maintains a long-term strategic relationship with our subcontractors and suppliers based on the results from the assessment. More environmental friendly products or services should be procured when it is feasible, with a view to minimizing negative impacts to the environment and human health, and also conserving natural resources. During the Year, the Group's number of suppliers by geographical region, where the practices above are being implemented, are as follows:

- Hong Kong: 59
- Others: 0

## SERVICES RESPONSIBILITY

We place the quality of our services as the utmost important focus in our operation. The Group is in strict compliance with the related laws and regulations, aiming to provide a high-quality standard of services to our customers. During the reporting period, the Group did not discover any significant risk exposure in relation to our services.

We have maintained a quality management system which follows the ISO 9001:2008 standards in order to execute the quality control policy of our Group. Our quality management system is part of our project quality plans which specify the steps to be carried out and complied with throughout the execution of our foundation projects from the pre-construction stage to maintenance stage. To ensure that our works meet the required standard, we normally assign one foreman on a full time basis at each of the construction sites to monitor the quality of foundation works done by our own staff and, as the case may be, our subcontractors. Our project managers visit the construction sites from time to time and monitor the work quality, the progress of construction work and ensure that the works are duly completed according to the implementation schedules.

During the reporting period, no complaints relating to the quality of services were received by the Group.

### Intellectual Property Protection

Our Group protects intellectual property rights and regards it as an area of substantial importance. We would take active steps to protect our trademarks and other intellectual property rights by completing necessary filing and registration. For any new trademark to be licensed, the Group shall take all appropriate action to register and protect trademarks in the jurisdictions in which our operations are carried out.

### Customer Information Protection

We fully respect customer data privacy. The Group is committed to preventing customer data leakage or loss and has taken proper measures to safeguard data integrity by restricting the access of confidential customer data. All collected customer personal data and property are only accessible by authorised personnel and handled with care. During the reporting period, there were no complaints received concerning breaches of customer privacy and loss of data.

**Anti-corruption**

The Group is committed and determined to maintain a culture of honesty and opposition to fraud and corruption, with zero tolerance towards any kind of bribery and money-laundering activities.

The Group implements related policies and procedures including an anti-fraud framework and whistle-blower program. These policies and procedures outline the principles to which we are committed to preventing, reporting and managing fraud, corruption and bribery. We have communicated with our employees on these policies and procedures throughout our daily operations. To prevent conflict interest, the Group has also identified procedures with relatively high risk on conflict of interest, such as project bidding, recruitment and promotion, etc. and established transparent policy to minimise its impact.

All of our employees are required to make a declaration to the management through the reporting channels once there is any actual or potential conflict of interest found. Employees cannot receive any gift from any external business parties unless prior approval is obtained from the management.

The Group regularly provides anti-corruption training for directors and employees to strengthen their awareness of integrity and self-discipline. During the reporting period, the Group has provided anti-corruption training material for 13 employees, managements and directors to self-study, with a total of 13 hours training with average 1 hour of training per person. The Group will continue to provide regular anti-corruption trainings to its directors and employees.

During the reporting period, the Group is not aware of any non-compliance or violation of any relevant laws and regulations in respect of anti-corruption and money laundering.

## COMMUNITY

**Community Investment**

Contribution to the community and maintaining a harmonious and prosperous society are crucial for the sustainable development of the Group. Apart from our pursuit of the business development, we encourage our staff to actively participate in charitable activities and volunteer works, especially on those relating to environmental protection.

We have also encouraged our employees to participate in environmental and charitable activities, make donations to assist underprivileged students and engage in social services. We believe that the participation in activates that repay society can increase our employees' civic awareness and establish correct values. We will seek opportunities to identify suitable projects and contribute to the community and environment to bring positive progress to society.

During the reporting period, the Group has donated HK$200,000 and HK$50,000 to charitable organisations on church operations and general sponsor.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

## CORPORATE GOVERNANCE PRACTICES

The Company aims to achieve high standards of corporate governance which is crucial to the development of the Group and safeguard the interests of the shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, save for the deviation from code provision C.2.1 described in the paragraph headed "Chairman and Chief Executive Officer" below, the Company was in compliance with the code provisions set out in the CG Code during the year ended 31 March 2022.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Year.

## DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"). Pursuant to which, in considering the declaration and payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and future business growth and take into account the following factors of the Group:

a. operations and earnings;

b. business development;

c. capital requirements and surplus;

d. general financial conditions;

e. contractual restrictions (if any); and

f. any other factors that the Board consider appropriate.

The Board has discretion to declare and distribute dividends to the shareholders of the Company, subject to the Bye-laws and all applicable laws and regulations. The Board will review the Dividend Policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

## BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of five Directors including two executive Directors and three independent non-executive Directors:

### Executive Directors

Chow Kwok Chun *(Chairman and Chief Executive Officer)*
Leung Hing Wai (appointed on 21 December 2021)
Liu Jin Fai (resigned on 27 September 2021)

### Independent Non-executive Directors

Ip Ka Ki
Professor Kuang Jun Shang (resigned on 27 September 2021)
Tse Ka Ching Justin
Chan Wai Kit (appointed on 27 September 2021)

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 46 to 49 under the section headed "Biographical Details of Directors and Senior Management".

### Directors' Training

According to the code provision C.1.4 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development and provided to the Company a record of training they received for the period.

The individual training record of each Director received for the Year is summarised below:

| Name of Directors | Attending seminars/ reading materials relevant to the director's duties |
|---|---|
| Chow Kwok Chun *(Chairman and Chief Executive Officer)* | ✓ |
| Leung Hing Wai (appointed on 21 December 2021) | ✓ |
| Tsang Hing Kuen* (resigned on 21 December 2021) | Not applicable |
| Liu Jin Fai* (resigned on 27 September 2021) | Not applicable |
| Ip Ka Ki | ✓ |
| Professor Kuang Jun Shang* (resigned on 27 September 2021) | Not applicable |
| Tse Ka Ching Justin | ✓ |
| Chan Wai Kit (appointed on 27 September 2021) | ✓ |

* *Resigned during the Year*

**Chairman and Chief Executive Officer**

Code provision C.2.1 of the CG Code requires that the responsibilities between the chairman and the chief executive officer be segregated.

The Board is aware of the above deviation of code provision C.2.1. However, the Board believes that it is appropriate and in the interests of the Company for Mr. Chow to take up both roles at the present stage as it helps to ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning for the Group. The Board also believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with not less than half the number thereof being independent non-executive directors. Therefore, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate in the circumstances.

Code provision C.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with the independent non-executive Directors without the other Directors present. During the Year, the Chairman held a meeting with the independent non-executive Directors without the presence of the other executive Director.

**Independent Non-executive Directors**

The independent non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company.

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of construction, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gave a confirmation of his independence to the Company, and the Company considered each of them is independent under Rule 3.13 of the Listing Rules.

**Functions of the Board and Management**

The Board is primarily responsible for establishing the overall strategies of the Group, setting objectives and business development plans, assuming responsibility of corporate governance and monitoring the performance of senior management.

The management, under the leadership of the executive Directors of the Company, is responsible for implementing the strategies and plans established by the Board and reporting on the Group's operations to the Board on a regular basis to ensure effective performance of the Board's responsibilities.

All the Directors have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. All the Directors have been provided with monthly updates on the Group's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

**Board Diversity Policy**

The Board adopted a board diversity policy on 30 November 2017 (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity in the Board and is committed to enhancing quality of opportunity in all aspects of its business. The Company seeks to achieve Board diversity through the consideration against a range of objective criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will make recommendations to the Board on measurable objectives for achieving diversity of the Board and monitor the progress on achieving the objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

**Board Meetings**

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

During the year ended 31 March 2022, the Board held 6 meetings and 1 annual general meeting. The attendance record of each Director is set out below:

| Name of Directors | Attendance/Number of meeting held<br>Regular board meetings | AGM |
|---|---|---|
| ***Executive Directors*** | | |
| Mr. Chow Kwok Chun *(Chairman and Chief Executive Officer)* | 6/6 | 1/1 |
| Mr. Leung Hing Wai (appointed on 21 December 2021) | N/A | N/A |
| Mr. Tsang Hing Kuen* (resigned on 21 December 2021) | 6/6 | 1/1 |
| Mr. Liu Jin Fai (resigned on 27 September 2021) | 3/3 | 1/1 |
| ***Independent Non-executive Directors*** | | |
| Mr. Ip Ka Ki | 6/6 | 1/1 |
| Professor Kuang Jun Shang* (resigned on 27 September 2021) | 3/3 | 1/1 |
| Mr. Tse Ka Ching Justin | 6/6 | 1/1 |
| Mr. Chan Wai Kit (appointed on 27 September 2021) | 3/3 | N/A |

* *Resigned during the Year*

Board minutes are kept by the Company secretary of the Company (the "**Company Secretary**") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

## NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 30 November 2017 and currently consists of one executive Director and two independent non-executive Directors, namely Mr. Chow Kwok Chun (as chairman), Mr. Ip Ka Ki and Mr. Tse Ka Ching Justin. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition and diversity (including the skills, knowledge, educational background, experience and diversity) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board in the selection of individuals nominated for directorships; and (c) assessing the independence of independent non-executive Directors.

In considering the composition of the Board, the Board diversity will been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, ethnicity, professional experience, skills and knowledge, length of services and time to be devoted as a director in accordance with the Board Diversity Policy. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

During the year ended 31 March 2022, the Nomination Committee held three meetings.

| Name of Members | Number of attendance |
|---|---|
| Mr. Chow Kwok Chun *(Chairman)* | 3/3 |
| Mr. Ip Ka Ki | 3/3 |
| Mr. Tse Ka Ching Justin | 3/3 |

## REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 30 November 2017 and currently consists of one executive Director and two independent non-executive Directors, namely Mr. Ip Ka Ki (as chairman), Mr. Chow Kwok Chun and Mr. Chan Wai Kit. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

Terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Remuneration Committee include, but not limited to, (a) making recommendations to the Board on the policy and structure for the remuneration of all of Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (b) making recommendations to the Board on the specific remuneration packages of individual executive Directors and senior management; (c) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and (d) making recommendations to the Board on the remuneration of non-executive Directors.

During the year ended 31 March 2022, the Remuneration Committee held three meetings.

| Name of Members | Number of attendance |
|---|---|
| Mr. Ip Ka Ki *(Chairman)* | 3/3 |
| Mr. Chow Kwok Chun | 3/3 |
| Professor Kuang Jun Shang (resigned on 27 September 2021) | 2/2 |
| Mr. Chan Wai Kit (appointed on 27 September 2021) | 1/1 |

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in Note 14 to the consolidated financial statements.

**Senior Management's Remuneration**

Senior management's remuneration for the Year falls within the following bands:

| | Number of individuals |
|---|---|
| Nil to HK$1,000,000 | 3 |
| HK$1,000,001 to HK$2,000,000 | 1 |

## AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 30 November 2017 and revised on 28 December 2018 and currently consists of three independent non-executive Directors, namely Mr. Tse Ka Ching Justin (as chairman), Mr. Ip Ka Ki and Mr. Chan Wai Kit. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Audit Committee include, but not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee shall review the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 March 2022, the Audit Committee held three meetings.

| Name of Members | Number of attendance |
|---|---|
| Professor Kuang Jun Shang (resigned on 27 September 2021) | 1/1 |
| Mr. Ip Ka Ki | 3/3 |
| Mr. Tse Ka Ching Justin | 3/3 |
| Mr. Chan Wai Kit (appointed on 27 September 2021) | 2/2 |

The Audit Committee noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

The accounts for the Year were audited by CCTH CPA Limited whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("**2022 AGM**"). The Audit Committee has recommended to the Board that CCTH CPA Limited be re-appointed as the auditors of the Company at the 2022 AGM.

## CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions are performed by the Board.

The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements, to oversee the Company's orientation program for new Director, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's disclosure in the Corporate Governance Report.

## AUDITOR'S REMUNERATION

During the Year, the remuneration paid/payable to the Company's auditor are set out below:

| | **Fee paid/payable**<br>HK$'000 |
|---|---|
| Audit services | 900 |

## COMPANY SECRETARY

The Company has appointed Mr. Leung Cheuk Hei, who is an employee of the Company, as its Company Secretary. Mr. Leung Cheuk Hei has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training. The biography of Mr. Leung Cheuk Hei is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

## SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

### Shareholders to convene an EGM

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 carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will request the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

### Putting enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong by post or by email to stanleyleung@vicon.hk.

### Procedures for shareholders to propose a person for election as a Director

If a shareholder of the Company wishes to propose a person other than a director of the Company for election as a Director, the Shareholder must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong, or the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited ("**Share Registrar**"), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for the attention of the Company Secretary.

The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "**Letter**") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice and the Letter will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven days prior to the date of such general meeting.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

**Procedures for shareholders to put forward proposals at general meetings**

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's share registrar in Hong Kong at their respective address and contact details set out on page 2 of this annual report.

The request will be verified with the Company's share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than twenty-one clear days and not less than twenty clear business days in writing if the Proposal requires approval in an annual general meeting of the Company; and

(2) Notice of not less than fourteen clear days and not less than ten clear business days in writing if the Proposal requires approval in an extraordinary general meeting of the Company.

## VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2022 AGM will be voted by poll.

## INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 March 2022, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledge that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The internal control systems of the Group are structured to assist in the achievement of the Group's goals, to safeguard the Group's assets and to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the Year. A review of the effectiveness of the risk management and internal control systems have been conducted by the Board at least annually.

**Risk management**

The Company has already reviewed its risk management framework and processes and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes. In particular, the Company has developed, approved and implemented a risk management system, which is defined and supported by its endorsed risk management policy. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Analysis:* Analyze the existing control, likelihood and consequence of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

**Internal control measures**

The internal control system of the Group covers its major business aspects such as revenue management, expenditure management, human resources and payroll, cash and treasury management, financial reporting, compliance and information technology. The internal control measures are supervised by management team including executive Directors of the Company. The management team is responsible to identify risks and internal control deficiencies, evaluate the internal control system of the Group from time to time and implementing additional control measures, if necessary, to improve the internal control system. Results of the internal assessments, internal surveys and routine inspections would be reported to the Audit Committee of the Board, which is responsible to review the financial information and supervise the financial reporting system and internal controls system of the Group.

**Internal audit function**

The Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls. In addition, the Board has appointed an internal control review consultant to review the internal control systems of the Group on an on-going basis. For the Year, the review covered key processes of project tendering, payment processing and administration, payroll and legal and compliance of the Group. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the Year were effective and adequate.

**Handling and dissemination of inside information**

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

## CONSTITUTIONAL DOCUMENTS

Pursuant to written resolutions of the then shareholders of the Company passed on 30 November 2017, the existing memorandum and articles of association of the Company were adopted. During the Year, there was no change in the constitutional documents of the Company.

The existing memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Chow Kwok Chun ("Mr. Chow")**, aged 45, was appointed as our Director on 13 January 2016, and re-designated as an executive Director and chairman of our Board on 13 May 2017. He was appointed as the Chief Executive Officer on 21 December 2021. He is mainly responsible for our Group's overall strategic planning and overseeing the general management of our Group. Mr. Chow is also the chairman of the nomination committee and a member of the remuneration committee of our Board. Mr. Chow became one of the shareholders of Vicon Construction Company Limited ("**Vicon Construction**") in April 2007 and has been a director of Vicon Construction since April 2007 and Vicon Machinery Company Limited ("**Vicon Machinery**") since November 2013.

Mr. Chow obtained a Bachelor of Engineering in Civil Engineering and a Master of Science in Geotechnical Engineering from University of Newcastle Upon Tyne in July 2000 and May 2004 respectively.

Mr. Chow has accumulated about 19 years of experience in the construction industry.

**Mr. Leung Hing Wai ("Mr. Leung")**, aged 38, was appointed as our Director on 21 December 2021.

Mr. Leung is our design manager who is mainly responsible for preparation of temporary work design and alternative design for foundation works for our Company and its subsidiaries (the "**Group**"). He holds a Bachelor of Engineering in Civil and Structural Engineering and a Master of Science in Construction Law and Dispute Resolution, both obtained from The Hong Kong Polytechnic University in December 2007 and March 2018, respectively.

Mr. Leung has accumulated over 14 years of experience in civil, building and foundation construction works. Mr. Leung has been admitted as member of The Hong Kong Institution of Engineers since May 2012. He has also been a Registered Professional Engineer of Engineers Registration Board since October 2013.

Mr. Leung first joined our Group as a site agent in May 2012 and left in September 2018 with position last held as principal engineer and rejoined our Group as design manager in September 2021. Prior to rejoining our Group, Mr. Leung was employed by Shunlee Engineering Corporation Limited, a company principally engaged in the foundation works in Hong Kong, from October 2018 to September 2021 with his last position as project director.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ip Ka Ki ("Mr. Ip")**, aged 42, was appointed as our independent non-executive Director on 30 November 2017. He is also the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of our Board.

Mr. Ip obtained his Bachelor of Business Administration in Accountancy degree from Lingnan University in November 2003. He has been Member of The Association of Chartered Certified Accountant since 2007 and Associate of The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) since 2015.

Mr. Ip has been the assistant financial controller and the company secretary of Imperium Group Global Holdings Limited (HKSE: 0776) (formerly known as JF Household Furnishings Limited) since 2011 and April 2017, respectively. From 2006 to 2011, he worked for Shinewing (HK) CPA Limited, an accountancy company, with his last position as assistant manager and was responsible for providing audit works for listed companies. During the period from August 2016 to November 2016, he was an executive director of Grand Peace Group Holdings Limited (HKSE: 8108).

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chan Wai Kit ("Mr. Chan")**, aged 39, was appointed as our independent non-executive Director on 27 September 2021. He is also a member of the audit committee and the remuneration committee of our Board.

Mr. Chan holds a Bachelor Degree in Information Systems and a Master Degree of Accounting from Curtin University of Technology, Australia. He has been appointed as a committee member of the 9th Committee of Maoming City of The Chinese People's Political Consultative Conference since January 2017. He has extensive experience in information technology, accounting, finance, corporate governance, strategic planning, as well as merger and acquisition.

Mr. Chan is a committee member of the 9th Committee of Maoming City of the Chinese Peoples Political Consultative Conference since January 2017. He is an executive director of Yong Tai Berhad (Stock Code: 7066), a public company listed on the Main Market of Bursa Malaysia Securities Berhad since November 2019. He is an executive director of Asia Television Holdings Limited (Stock Code: 707), a company listed on the Main Board of the Stock Exchange since November 2018. Mr. Chan was an executive director, an authorised representative and a compliance officer of Aurum Pacific (China) Group Limited (stock code: 8148), a company listed on the GEM of Stock Exchange from October 2014 to November 2018. He was the chairman and executive director of PPS International (Holdings) Limited (stock code: 8201), a company listed on the GEM of the Stock Exchange from June 2015 to July 2016. He was also an executive director of China Taifeng Beddings Holdings Limited (stock code: 873), a company listed on the Main Board of the Stock Exchange from July 2016 to August 2016. He was also an executive director of Green Energy Group Limited (stock code: 979), a company listed on the Main Board of the Stock Exchange from February 2017 to July 2017. He was also an executive director of Elegance Optical International Holdings Limited (stock code: 907), a company listed on the Main Board of the Stock Exchange from May 2017 to April 2018. He was also an independent non-executive director of Huiyin Holdings Group Limited (formerly known as Share Economy Group Limited) (stock code: 1178), a company listed on the Main Board of the Stock Exchange from December 2017 to October 2018. He was also an independent non-executive director of Ding He Mining Holdings Limited (stock code: 705), a company listed on the Main Board of the Stock Exchange from January 2018 to July 2018. He was also a non-executive director of Evershine Group Holdings Limited (stock code: 8022), a company listed on the GEM of the Stock Exchange from May 2017 to January 2022.

**Mr. Tse Ka Ching Justin ("Mr. Tse")**, aged 35, was appointed as our independent non-executive Director on 30 May 2019. He is also the chairman of the audit committee, a member of the nomination committee and a member of the remuneration committee of our Board. Mr. Tse obtained a bachelor of science degree with honours in human biology in the University of Toronto in Canada in June 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2014. Mr. Tse worked in KPMG from August 2010 to April 2018 with his last position held was audit manager. Mr. Tse is currently the Group Financial Controller at Pacific Tiger Group Limited. He is currently an independent non-executive director of Hang Yick Holdings Company Limited (HKSE: 1894), which is listed on the Main Board of the Stock Exchange.

## SENIOR MANAGEMENT

**Mr. Tsang Hing Kuen ("Mr. Tsang")**, aged 53, is our project director. He was appointed as our Director on 13 January 2016, and re-designated as an executive Director and our chief executive officer on 13 May 2017. Mr. Tsang resigned from his role as executive Director and chief executive officer on 21 December 2021 but remains a member of the senior management of our Group. Mr. Tsang is in charge of the overall management of our Group's pojects. Mr. Tsang has accumulated about 27 years of experience in building construction business in Hong Kong. Mr. Tsang joined our Group in June 2012 and has been a director of Vicon Construction since June 2012 and Vicon Machinery since November 2013.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tsang obtained a Bachelor of Engineering in Civil Engineering and a Master of Business Administration from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in October 1992 and from the University of Wollongong, New South Wales, Australia, in August 2005 respectively. Mr. Tsang also obtained a Postgraduate Certificate in Hong Kong Law from City University of Hong Kong in November 2000.

Mr. Tsang has the following professional qualifications:

| Qualifications | Year of award | Conferring departments or institutions |
|---|---|---|
| Authorised Signatory and Technical Director for Vicon Construction as Specialist Contractor in the Site Formation Works Category | June 2019 | Buildings Department |
| Authorised Signatory and Technical Director for Vicon Construction as General Building Contractor | September 2015 | Buildings Department |
| Authorised Signatory and Technical Director for Vicon Construction as Specialist Contractor in the Foundation Works Category | August 2015 | Buildings Department |
| Class 1 Registered Structural Engineer | July 2001 | National Administration Board of Engineering Registration (Structural), the PRC |
| Registered professional engineer (structural) | March 1997 | Hong Kong Engineers Registration Board |
| Member in civil discipline | September 1997 | Hong Kong Institute of Engineers |
| Member in the structural discipline | April 1996 | Hong Kong Institute of Engineers |
| Member | November 1995 | Institute of Structural Engineers in the United Kingdom |

**Mr. Liu Jin Fai ("Mr. Liu")**, aged 65, is our project manager. He was appointed as our executive Director on 13 May 2017 and resigned on 27 September 2021. He is mainly responsible for the day-to-day construction operations; general management, project management and organisation; planning in-house training programme; and Technical Competent Person site supervision.

Mr. Liu has accumulated about 32 years of experience in civil, building and foundation construction works. Mr. Liu obtained the Diploma in Civil Engineering, Higher Certificate in Civil Engineering and Endorsement Certificate in Water Supply and Treatment issued by the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in October 1977, November 1980 and November 1982 respectively. He further his studies and obtained the Bachelor of Engineering from The University of Sheffield, the United Kingdom in July 1992. Mr. Liu has been admitted as member of the Hong Kong Institution of Engineers since September 1997. He has also been a Registered Professional Engineer of Engineers Registration Board since July 2001.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Mok Ka Fai Wilson ("Mr. Mok")**, aged 50, is our safety manager who is mainly responsible for monitoring the safety & health management system of our Company. Mr. Mok has more than 23 years of experience in construction industry.

Mr. Mok has been registered as a safety officer with the Labour Department under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since May 1996. He was admitted as a member of the Institution of Occupational Safety and Health in 2005 and later became a chartered member of the same organisation in 2007. He became a registered Safety Auditor with the Labour Department – Occupational Safety and Health Branch under the Factories and Industrial Undertakings (Safety Management) Regulations in August 2008.

Mr. Mok obtained a Bachelor of Science degree in Construction Project Management from University of Central Lancashire in December 2008 and obtained a Master of Science in Environment and Public Health Management from Hong Kong Baptist University in November 2012. He finished a Construction Safety Officer Course organised by Construction Industry Training Authority in November 1993. He obtained Post-experience Certificate in Advanced Industry Safety in November 1997, Post-experience Certificate in Mechanical Engineering in November 1998, Post-experience Certificates in Quality Management and a Post-experience diploma in Engineering in November 2000, all from The Hong Kong Polytechnic University. He obtained a professional diploma in Crisis Management and Corporate Communication from the Hong Kong Productivity Council and The Institute of Crisis and Risk Management in February 2004. In November 2004, he obtained a Continuing Education Diploma in Occupational Safety and Health from City University of Hong Kong. He further obtained a Continuing Education Diploma in China Business (Financial Management) from Hong Kong Baptist University in December 2006.

## COMPANY SECRETARY

**Mr. Leung Cheuk Hei ("Mr. CH Leung")**, aged 37, is our financial controller and the company secretary of our Company. Mr. CH Leung joined us in April 2016 and is responsible for our financial reporting, financial planning, treasury, financial control and company secretary matters. Prior to joining us, Mr. CH Leung was the company secretary and financial controller of KSL Holdings Limited (HKSE: 8170) from September 2014 to April 2016. From July 2007 to September 2014, he was employed by KPMG and his last position held was manager.

Mr. CH Leung obtained a Bachelor of Economics and Finance degree from The University of Hong Kong in 2007 and a Master Degree in Business Administration from The Hong Kong Polytechnic University in 2020. Mr. CH Leung is a fellow member of The Hong Kong Institute of Certified Public Accountants. Mr. CH Leung is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

# DIRECTORS' REPORT

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the Year.

## REORGANISATION AND SHARE OFFER

The Company was 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 on 13 January 2016 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, Cap. 622 (Laws of Hong Kong) on 25 February 2016. Pursuant to the completion of the reorganisation as detailed in the section headed "History, Development and Reorganisation" in the Prospectus to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

The Shares of the Company were listed on the Main Board of the Stock Exchange on 22 December 2017 through Share Offer as described in the section headed "Structure and Conditions of the Share Offer" in the Prospectus.

## PLACING UNDER GENERAL MANDATE

On 26 July 2021, the Company entered into a placing agreement with ChaoShang Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as placing agent (the "**Placing Agent**"), pursuant to which the Company agreed to issue and the Placing Agent agreed to place up to 79,600,000 new ordinary shares of the Company to not less than six placees at the Placing price of HK$0.25 per Placing share. After deducting the expenses involved in the Placing, the net issue price of each Placing share was approximately HK$0.24. The Placing was completed on 13 August 2021 and the Placing Agent successfully placed an aggregate of 79,600,000 Placing shares, representing approximately 16.6% of the issued share capital of the Company as enlarged by the issue of the 79,600,000 Placing shares, to not less than six independent placees at the Placing Price of HK$0.25 per Placing share.

The gross and net proceeds from the Placing, after deduction of expenses related to the Placing, amounted to approximately HK$19.9 million and HK$19.4 million respectively, which were intended to be used for the general working capital of the Group.

## USE OF PROCEEDS FROM PLACING UNDER GENERAL MANDATE

The net proceeds (after deducting the placing fee and other related expenses incurred in the Placing) from the Placing was approximately HK$19.4 million. During the six months ended 31 March 2022, the Company had applied part of the net proceeds for general working capital purposes according to the disclosure as set out in the announcement dated 26 July 2021.

An analysis of the utilisation of the net proceeds from the Placing as at 31 March 2022 is set out below:

| | Planned use of net proceeds as stated in the Announcement (HK$'000) | Actual use of net proceeds up to 31 March 2022 (HK$'000) | Net proceeds utilised during the year ended 31 March 2022 (HK$'000) | Unutilised net proceeds as at 31 March 2022 (HK$'000) |
|---|---|---|---|---|
| General working capital | 19,363 | 19,363 | 19,363 | – |
| Total | 19,363 | 19,363 | 19,363 | – |

## PRINCIPAL ACTIVITIES

The Company is an investment company and its subsidiaries are principally engaged in the foundation works and ancillary services and leasing of construction machinery in Hong Kong.

## BUSINESS REVIEW

A review of the business of the Group for the Year and a discussion on the Group's future business development, and also the Group's performance during the Year are provided in the section headed "Management Discussion and Analysis" on pages 5 to 12. No important event affecting the Group has occurred since the end of the year under review.

#### Principal Risks and Uncertainties

There are certain risks involved in our Group's operations, many of which are beyond the Group's control, including but not limited to those relating to our business and the industry. Some of the major risks the Group facing include the following:

- the gross profit margin depends on the tender price of each project, which in turn is based on the estimated costs and time to be involved
- the Company requires various registrations, licenses and certifications to operate the Group's business in Hong Kong
- personal injuries, property damages or fatal accidents may occur at work sites
- any changes in environmental requirements may increase the Group's compliance costs
- the Group operates in a competitive foundation works services industry

Detailed discussion of the risk factors is set out in the section headed "Risk Factors" in the Prospectus.

#### Environmental Policy and Performance

The Environment, Social and Governance Report of the Company for the Year contained the information required under Appendix 27 to the Listing Rules is set out on pages 13 to 33 of this report.

#### Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

#### Key Relationships with Employees, Customers, Subcontractors and Suppliers

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers, subcontractors and suppliers. The Group aims to continue providing quality services to our customers and establishing cooperation strategy with our subcontractors and suppliers.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 71.

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

## CHARITABLE DONATIONS

During the Year, the Group made a charitable donations amounted to approximately HK$0.3 million (2021: HK$0.3 million).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming 2022 AGM to be held on Thursday, 15 September 2022, the register of members of the Company will be closed from Friday, 9 September 2022 to Thursday, 15 September 2022, both days inclusive, during the period no transfer of shares will be registered. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m on Thursday, 8 September 2022.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Year in the property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company's reserves available for distribution to the shareholders amounted to approximately HK$105.8 million (2021: HK$88.4 million).

## SHARE CAPITAL

Details of the movements in the share capital during the Year are set out in Note 25 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

## PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

## GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 146 of this report.

## DIRECTORS

The list of Directors of the Company and up to the date of this annual report is set out below:

**Executive Directors**

Mr. Chow Kwok Chun *(Chairman and Chief Executive Officer)*
Mr. Leung Hing Wai (appointed on 21 December 2021)
Mr. Tsang Hing Kuen (resigned on 21 December 2021)
Mr. Liu Jin Fai (resigned on 27 September 2021)

**Independent Non-executive Directors**

Mr. Ip Ka Ki
Professor Kuang Jun Shang (resigned on 27 September 2021)
Mr. Tse Ka Ching Justin
Mr. Chan Wai Kit (appointed on 27 September 2021)

Pursuant to Article 84(1) of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to the retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Further, pursuant to Article 83 of the articles of association of the Company, any person appointed by the Board to fill a casual vacancy on or as an addition to the Board shall hold office only until the next following annual general meeting of the Company after his appointment, and shall be eligible for re-election. Accordingly, Mr. Leung Hing Wai, Mr. Chan Wai Kit and Mr. Ip Ka Ki shall retire from office at the AGM and, being eligible, will offer themselves for re-election at the AGM.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the following changes in information of the Directors, as notified to the Company, subsequent to date of the 2021 interim report of the Company is set out below:

The annual salary of the following Director has been changed as follows with effect from 21 December 2021:

| Director | Annual Salary |
|---|---|
| Mr. Chow | HK$1,200,000 |

Further details of the emoluments of Directors' are set out in Note 14 to the consolidated financial statements.

Mr. Liu Jin Fai and Mr. Tsang Hing Kuen have tendered their resignation as executive Directors with effect from 27 September 2021 and 21 December 2021, respectively.

Save as disclosed above and in this report, the Company is not aware of any other change in the information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## DIRECTORS' SERVICE CONTRACTS

On 21 December 2021, each of the executive Directors has entered into a service agreement with the Company for a term of one year commencing from 21 December 2021. Either party has the right to terminate the service agreement by giving not less than one month's written notice to the other party.

Our independent non-executive Director, Mr. Ip Ka Ki has entered into a letter of appointment with the Company for a term of three years commencing from 22 December 2019. Our independent non-executive Director, Mr. Chan Wai Kit has entered into a letter of appointment with the Company for a term of three years commencing from 27 September 2021. Our independent non-executive Director, Mr. Tse Ka Ching Justin, has entered into a letter of appointment with the Company for a term of three years effective from 30 May 2022. Either party has the right to terminate the letter of appointment by giving not less than one month's written notice to the other party.

None of the Directors who are proposed for re-election at the 2022 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in Note 28 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in or debentures of, the Company or in any other body corporate.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transaction, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at 31 March 2022 or at any time during the Year.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Group, or any of its subsidiaries, and any of the Company's controlling shareholders or any of their subsidiaries during the year ended 31 March 2022.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

**(i) Long positions in our Shares**

| Name of Directors | Capacity | Long position/ Short position | Number of shares/ underlying shares held | Approximate percentage of the issued share capital of the Company | Note |
|---|---|---|---|---|---|
| Chow Kwok Chun | Interest in a controlled corporation | Long position | 200,000,000 | 41.7% | 1 |

Note:

1. The 200,000,000 shares are held through Vic Group Holdings Limited ("**VGH**"), which is wholly-owned by Mr. Chow Kwok Chun.

**(ii) Long position in the ordinary shares of associated corporations**

| Name of Director | Name of associated corporation | Capacity | Long position/ short position | Number of shares held in the associated corporation | Percentage of shareholding |
|---|---|---|---|---|---|
| Mr. Chow Kwok Chun | VGH | Beneficial owner | Long position | 1 share | 100% |

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2022.

## SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2022, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

| Name of Directors | Capacity | Long position/ Short position | Number of shares/ underlying shares held | Approximate percentage of the issued share capital of the Company | Notes |
|---|---|---|---|---|---|
| VGH | Beneficial owner | Long position | 200,000,000 | 41.7% | 1 |
| Ms. Hon Yuk Hung | Interest of spouse | Long position | 200,000,000 | 41.7% | 2 |

Notes:

1. VGH is wholly-owned by Mr. Chow Kwok Chun.

2. Ms. Hon Yuk Hung is the spouse of Mr. Chow Kwok Chun. Ms. Hon Yuk Hung is deemed to be interested in all the Shares which are interested by Mr. Chow Kwok Chun by virtue of the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 March 2022.

## SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was conditionally adopted by the written resolutions of the Company's then shareholders passed on 30 November 2017. As of the date of this report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

**Purpose of the Scheme**

The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions eligible participants had or may have made to our Group. The Scheme will provide eligible participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate eligible participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

**Participants of the Scheme**

The Board may, at its discretion, offer to grant an option to the following persons:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Group.

**Shares available for issuance**

The maximum number of the Shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 40,000,000 Shares. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the Shareholders' approval and/or grant options beyond the 10% limit to eligible participants specifically identified by the Board. The above is subject to the condition that the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Scheme) if this will result in the 30% limit being exceeded.

As at the date of this report, the outstanding number of share options available for grant under the Scheme is 40,000,000 share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company.

**Maximum entitlement of each eligible participant**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules.

**Time for exercising option and duration of the Scheme**

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

**The minimum period for which an option must be held before it can be exercised**

There is no minimum period for which an option granted must be held before it can be exercised otherwise imposed by the Directors.

**Payment on acceptance of the option**

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

**Basis of determining exercise price of the option**

The subscription price of a Share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

## NON-COMPETITION UNDERTAKINGS

Mr. Chow Kwok Chun, Mr. Tsang Hing Kuen, Mr. Leung Kim Lim, Mr. Liu Jin Fai, VGH and On Group Holdings Limited (together, the "**Covenantors**") have entered into the deed of non-competition on 30 November 2017 (the "**NCU**") in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time), under which each of the Covenantors has jointly and severally undertaken to the Company that he/it shall not, and shall procure that none of their respective close associates (other than members of the Group) shall, during the period that (a) the shares of the Company remain listed on the Stock Exchange; and (b) either the Covenantors and their respective close associates (other than members of the Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of the Company and not less than 10% of the voting power from the Substantial Shareholders; or (c) any of the Covenantors or their respective close associates remains as a director of any member of our Group, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that directly or indirectly be involved in or any business that directly or indirectly competes, or may compete, with our business or undertaking and any other new business which our Group may undertake from time to time after the listing of the shares of the Company on the Main Board of the Stock Exchange.

Upon the resignation as Executive Directors, the compliance and enforcement of the terms of the NCU are no longer applicable to Mr. Tsang Hing Kuen, Mr. Leung Kim Lim and Mr. Liu Jin Fai.

Mr. Chow Kwok Chun and VGH have confirmed to the Company the compliance with the non-competition undertakings during the year ended 31 March 2022. The independent non-executive Directors have reviewed the NCU and confirmed the compliance with the non-compete undertaking by the Covenantors during the year ended 31 March 2022.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, within the Group's business at any time during the period from the Listing Date and up to the date of this annual report.

## EQUITY-LINKED AGREEMENTS

No other equity-linked agreements were entered into by the Group, or existed during the Year.

## SUBSIDIARIES

Details of subsidiaries of the Company as at 31 March 2022 are set out in Note 32 to the consolidated financial statements.

## BORROWINGS

Particulars of the borrowings of the Group as at 31 March 2022 are set out in Note 23 to the consolidated financial statements.

As at 31 March 2022, the Group had bank borrowings of approximately HK$7.8 million (2021: HK$48.4 million).

As at 31 March 2022, there was no banking facility in respect of the specific projects granted to the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the percentage of revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 23.4% and 85.3% of the Group's total revenue respectively.

During the Year, the largest supplier and the five largest suppliers of the Group accounted for approximately 19.9% and 65.6% of the total cost of sales of the Group respectively.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

## EMOLUMENT POLICY

The remuneration offered to the employees of the Group generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualifications, position and seniority. The Group will review our remuneration package annually. The Group provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

On 30 November 2017, the Company had adopted the Share Option Scheme under which full time or part time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

## DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for Year are set out in Note 14(a) to the consolidated financial statements.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the listing of its shares on the Stock Exchange and up to the date of this report.

## AUDIT COMMITTEE

The Company established an Audit Committee on 30 November 2017 with written terms of reference in compliance with the CG Code. The primary duties and roles of the Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Tse Ka Ching Justin (as chairman), Mr. Ip Ka Ki and Mr. Chan Wai Kit. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2022.

## AUDITOR

CCTH CPA Limited has been appointed as auditor of the Company for the year ended 31 March 2022. The consolidated financial statements for the year ended 31 March 2022 were audited by CCTH CPA Limited whose term of office will expire upon the conclusion of the 2022 AGM. A resolution for the re-appointment of CCTH CPA Limited as auditor of the Company for the subsequent year is to be proposed at the 2022 AGM.

By order of the Board
**Vicon Holdings Limited**
**Chow Kwok Chun**
*Chairman*

Hong Kong, 29 June 2022

# INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恆會計師有限公司

**TO THE SHAREHOLDERS OF VICON HOLDINGS LIMITED**
(incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Vicon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 145, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Recognition of construction contract revenue**<br>Refer to note 5 to the consolidated financial statements | |
| The Group recognised construction contract revenue for the year ended 31 March 2022 amounted to HK$138,233,000.<br><br>The recognition of revenue and cost of sales for the Group's construction contracts is based on the stage of completion of construction activities, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.<br><br>We have identified the recognition of construction contract revenue as key audit matter as the magnitude of the contract revenue and cost of sales are significant and management judgment is used to estimate the costs to complete individual construction project in progress and determine the stage of completion of the projects as at the year end date. | Our procedures in relation to management's recognition of construction contract revenue included:<br><br>– we understood and evaluated the design and operating effectiveness of the internal control and assessment process of the estimation of total contract costs and budgeted gross profit and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes in circumstances and susceptibility to management bias or fraud;<br><br>– we checked the calculation of the revenue and profit recognised from construction contracts;<br><br>– we discussed with the management and the respective project teams about the progress of major projects and the assumptions adopted in the forecast of contract costs, including estimated costs to completion and assessment of potential liquidated damages for major contracts; |

## KEY AUDIT MATTERS (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
| --- | --- |
| | – we checked, on a sample basis, the agreed contract amount to construction contracts and variation orders;<br><br>– we checked, on a sample basis, the supporting documents of the budget costs, which include sub-contracting contracts, material purchase contracts/invoices and price quotations, etc.;<br><br>– we tested on a sample basis, the actual costs incurred on construction works during the reporting period; and<br><br>– we compared the current year's budget or actual costs incurred for major contracts with last year's budgets on a sampling basis to assess the effectiveness of management's estimation process. |

## KEY AUDIT MATTERS (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of trade and retention receivables and contract assets**<br>Refer to notes 18 and 20 to the consolidated financial statements | |
| The Group had trade and retention receivables and contract assets with the carrying amounts of HK$81,113,000 and HK$135,619,000 respectively at 31 March 2022. Impairment loss on trade and retention receivables and contract assets amounted to HK$7,781,000 and HK$26,138,000 respectively were recognised in profit or loss in respect of the current year ended 31 March 2022.<br><br>Management has performed impairment assessment of the trade and retention receivables and contract assets based on information including ageing of the trade and retention receivables, past settlement history, credit profile of the customers and on-going trading relationship with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding receivable balances and contract assets in order to estimate the expected credit losses for the impairment assessment.<br><br>We focused on this area due to the magnitude of the trade and retention receivables and contract assets and impairment assessment of these receivables and contract assets under the expected credit loss model involved significant management judgments and estimates. | Our procedures in relation to management's impairment assessment of trade and retention receivables and contract assets included:<br><br>– we understood and evaluated the design and operating effectiveness of the credit control and impairment assessment process and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes in circumstances and susceptibility to management bias or fraud;<br><br>– we tested, on a sample basis, the accuracy of ageing profile on trade and retention receivables by checking to the underlying invoices;<br><br>– we challenged management for the status of each of the material trade and retention receivables and contract assets as at year end and corroborated explanations from management with supporting evidence, understanding on-going business relationship with the customers, checking historical and subsequent settlements records and other correspondence with the customers;<br><br>– where necessary, for projects with potential dispute with customers, we checked relevant evidence including agreements and correspondence with customers and enquired the management and the respective project teams regarding their work performed to assess the outcome and the basis and assumptions adopted for the estimation of the amount the Group is able to realise from the projects; |

## KEY AUDIT MATTERS (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
| --- | --- |
| | – we assessed the appropriateness of the expected credit loss provision methodology, examined the key inputs on a sample basis to assess their accuracy and completeness, and challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses; and<br><br>– we compared the actual loss incurred with last year's impairment provision, if any, made by management to assess the effectiveness of management's estimation process. |

## OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 29 June 2021.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all 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.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

We communicate with those charged with governance 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 those charged with governance 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.

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

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

**CCTH CPA Limited**
Certified Public Accountants
Hong Kong, 29 June 2022

**Kenneth Yee Lai Chan**
Practising certificate number: P02095

Unit 1510-1517, 15/F, Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road,
Kwai Chung, New Territories,
Hong Kong

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Revenue | 5 | **156,594** | 254,625 |
| Cost of sales | 8 | **(110,299)** | (291,264) |
| Gross profit/(loss) | | **46,295** | (36,639) |
| Other (loss)/income, net | 7 | **(1,113)** | 5,826 |
| Impairment losses on financial assets | 18, 20 | **(33,919)** | (10,091) |
| Other administrative expenses | 8 | **(36,413)** | (9,050) |
| Operating loss | | **(25,150)** | (49,954) |
| Finance income | 10 | **–** | 2 |
| Finance costs | 10 | **(2,649)** | (6,604) |
| Finance costs, net | 10 | **(2,649)** | (6,602) |
| Loss before income tax | | **(27,799)** | (56,556) |
| Income tax credit | 11 | **3,238** | 5,047 |
| Loss for the year | | **(24,561)** | (51,509) |
| Other comprehensive income | | **–** | – |
| Loss and total comprehensive loss attributable to owners of the Company | | **(24,561)** | (51,509) |

| | Notes | 2022 HK cents | 2021 HK cents |
|---|---|---|---|
| Loss per share | 13 | | |
| Basic | | **(5.45)** | (12.88) |
| Diluted | | **N/A** | N/A |

The notes on pages 77 to 145 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | 15 | **82,110** | 132,513 |
| Financial assets at fair value through profit or loss | 17 | **7,527** | 7,294 |
| | | **89,637** | 139,807 |
| **Current Assets** | | | |
| Trade and retention receivables | 18 | **81,113** | 55,322 |
| Prepayments, deposits and other receivables | 19 | **3,344** | 4,760 |
| Contract assets | 20 | **135,619** | 189,387 |
| Income tax recoverable | | **–** | 1,162 |
| Cash and cash equivalents | 21 | **25,477** | 14,609 |
| | | **245,553** | 265,240 |
| **Current Liabilities** | | | |
| Trade and retention payables | 22 | **45,915** | 37,873 |
| Other payables and accruals | 22 | **8,233** | 4,301 |
| Contract liabilities | 20 | **622** | 4,262 |
| Lease liabilities | 16 | **8,946** | 18,138 |
| Borrowings | 23 | **7,830** | 48,403 |
| Income tax payables | | **214** | – |
| | | **71,760** | 112,977 |
| **Net Current Assets** | | **173,793** | 152,263 |
| **Total Assets less Current Liabilities** | | **263,430** | 292,070 |
| **Non-current Liabilities** | | | |
| Lease liabilities | 16 | **6,518** | 26,508 |
| Deferred income tax liabilities | 24 | **1,081** | 4,533 |
| | | **7,599** | 31,041 |
| **Net Assets** | | **255,831** | 261,029 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 25 | **4,796** | 4,000 |
| Reserves | | **251,035** | 257,029 |
| **Equity attributable to Owners of the Company** | | **255,831** | 261,029 |

The consolidated financial statements on pages 71 to 145 were approved and authorised for issue by the board of directors on 29 June 2022 and are signed on its behalf by:

**Mr. CHOW Kwok Chun**
*Director*

**Mr. LEUNG Hing Wai**
*Director*

The notes on pages 77 to 145 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

| | Share capital HK$'000 (Note 25) | Share premium HK$'000 | Merger reserve HK$'000 (Note 26) | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2020 | 4,000 | 104,742 | 30,000 | 173,796 | 312,538 |
| Loss and total comprehensive loss for the year | – | – | – | (51,509) | (51,509) |
| At 31 March 2021 | 4,000 | 104,742 | 30,000 | 122,287 | 261,029 |
| At 1 April 2021 | **4,000** | **104,742** | **30,000** | **122,287** | **261,029** |
| Loss and total comprehensive loss for the year | **–** | **–** | **–** | **(24,561)** | **(24,561)** |
| Issue of shares for cash | **796** | **19,104** | **–** | **–** | **19,900** |
| Share issue expenses | **–** | **(537)** | **–** | **–** | **(537)** |
| At 31 March 2022 | **4,796** | **123,309** | **30,000** | **97,726** | **255,831** |

The notes on pages 77 to 145 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before income tax | | **(27,799)** | (56,556) |
| Adjustments for: | | | |
| – Depreciation of property, plant and equipment | 15 | **20,046** | 24,101 |
| – Impairment losses on financial assets | | **33,919** | 10,091 |
| – Loss/(gain) on disposal of property, plant and equipment | 7 | **1,445** | (1,798) |
| – Gain on change in fair value of financial assets at fair value through profit or loss | 7 | **(233)** | (264) |
| – Finance costs | 10 | **2,649** | 6,604 |
| – Finance income | 10 | **–** | (2) |
| Operating cash flows before movements in working capital | | **30,027** | (17,824) |
| Increase in trade and retention receivables | | **(33,572)** | (9,215) |
| Decrease in prepayments, deposits and other receivables | | **1,416** | 6,343 |
| Decrease in contract assets | | **27,630** | 125,431 |
| (Decrease)/increase in contract liabilities | | **(3,640)** | 911 |
| Increase/(decrease) in trade and retention payables | | **8,042** | (39,263) |
| Increase/(decrease) in other payables and accruals | | **3,932** | (987) |
| Decrease in restricted bank balances | | **–** | 3,180 |
| Cash generated from operations | | **33,835** | 68,576 |
| Income tax refunded | | **1,162** | – |
| **Net cash generated from operating activities** | | **34,997** | 68,576 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(5,300)** | (1,041) |
| Proceeds from disposal of property, plant and equipment | 29(b) | **35,591** | 11,817 |
| Interest received | | **–** | 2 |
| **Net cash generated from investing activities** | | **30,291** | 10,778 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Drawdown of borrowings | | – | 150,960 |
| Repayment of borrowings | | (40,573) | (210,574) |
| Repayment of capital element of lease liabilities | | (30,561) | (17,913) |
| Payment of interest element of lease liabilities | | (2,095) | (2,878) |
| Interest paid | | (554) | (3,726) |
| Issue of shares | | 19,900 | – |
| Share issue expense | | (537) | – |
| **Net cash used in financing activities** | | (54,420) | (84,131) |
| **Net increase/(decrease) in cash and cash equivalents** | | 10,868 | (4,777) |
| Cash and cash equivalents at beginning of the year | | 14,609 | 19,386 |
| **Cash and cash equivalents at end of the year** | 21 | 25,477 | 14,609 |

The notes on pages 77 to 145 are an integral part of these consolidated financial statements.

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries provide foundation works and ancillary services and leasing of construction machinery in Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars "HK$", unless otherwise stated.

## 2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are mandatorily effective for the current year**

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

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

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

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

## 2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

**New and amendments to HKFRSs in issue but not yet effective**

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

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

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

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all the new and amendments to HKFRSs not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

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

## 2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

**New and amendments to HKFRSs in issue but not yet effective (continued)**

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (continued)

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.1 Basis of preparation of consolidated financial statements (continued)

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

For financial assets which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

### 3.2 Basis of consolidation

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Basis of consolidation (continued)

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

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

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

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

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

Business combinations or asset acquisitions

***Optional concentration test***

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

***Asset acquisitions***

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties, if any, which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Basis of consolidation (continued)

Business combinations or asset acquisitions (continued)

***Business combinations***

Acquisition of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 Leases) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 3.3 Revenue from contracts with customers

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.3 Revenue from contracts with customers (continued)

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments. 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 (or an amount of consideration is due) from the customer.

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

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

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

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

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

***Input method***

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.3 Revenue from contracts with customers (continued)

Variable consideration

For contracts that contain variable consideration, including variation in contract work, claims, and incentive payments, the Group estimates the amount of consideration to which it will be entitled using the expected value method/the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

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

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

### 3.4 Government grants

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

### 3.5 Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's foreign operations.

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.5 Foreign currencies (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### 3.6 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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### 3.7 Employment benefits

#### Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.7 Employment benefits (continued)

Retirement benefit obligations

The Group participated in defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundantly the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period date are discounted to present value.

### 3.8 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 tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.8 Taxation (continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax 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.

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 on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.8 Taxation (continued)

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

### 3.9 Property, plant and equipment

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

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

| | |
|---|---|
| Leasehold improvements | Shorter of remaining useful life and the period of the lease |
| Furniture and fixtures | 5 years |
| Machinery | 3 to 10 years |
| Motor vehicles | 5 years |
| Office equipment | 3 years |
| Computer | 3 years |

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.

### 3.10 Leases

#### Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 Leases or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 Leases at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.10 Leases (continued)

The Group as a lessee

***Allocation of consideration to components of a contract***

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

***Short-term leases and leases of low-value assets***

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

***Right-of-use assets***

The cost of right-of-use assets includes:

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.10 Leases (continued)

The Group as a lessee (continued)

***Refundable rental deposits***

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

***Lease liabilities***

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

The lease payments include:

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

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.10 Leases (continued)

The Group as a lessee (continued)

***Lease modifications***

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

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

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

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

***Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform***

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Group uses the revised discount rate that reflects change in the interest rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.10 Leases (continued)

The Group as a lessee (continued)

***Covid-19-related rent concessions***

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

***Classification and measurement of leases***

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

***Allocation of consideration to components of a contract***

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

***Refundable rental deposits***

Refundable rental deposits received are accounted for under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.10 Leases (continued)

The Group as a lessor (continued)

***Lease modification***

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

*Operating leases*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

***Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform***

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments (see accounting policy below).

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 Revenue from Contracts with Customers to assess whether sale and leaseback transaction constitutes a sale by the Group.

***The Group as a buyer-lessor***

For a transfer of asset that satisfies the requirements of HKFRS 15 Revenue from Contracts with Customers to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with HKFRS 16 Leases.

### 3.11 Impairment on property, plant and equipment and right-of-use assets

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.11 Impairment on property, plant and equipment and right-of-use assets (continued)

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.12 Provisions

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

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

### 3.13 Contingent liabilities

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

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

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

### 3.14 Financial instruments

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.14 Financial instruments (continued)

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

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

#### Financial assets

***Classification and subsequent measurement of financial assets***

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

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

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

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

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

A financial asset is held for trading if:

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.14 Financial instruments (continued)

Financial assets (continued)

***Classification and subsequent measurement of financial assets (continued)***

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

***Amortised cost and interest income***

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

***Financial assets at FVTPL***

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

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

***Impairment of financial assets subject to impairment assessment under HKFRS 9 Financial Instruments***

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.14 Financial instruments (continued)

Financial assets (continued)

***Impairment of financial assets subject to impairment assessment under HKFRS 9 Financial Instruments (continued)***

The Group always recognises lifetime ECL for trade and retention receivables and contract assets.

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

*(i) Significant increase in credit risk*

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

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

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

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.14 Financial instruments (continued)

Financial assets (continued)

***Impairment of financial assets subject to impairment assessment under HKFRS 9 Financial Instruments (continued)***

*(i) Significant increase in credit risk (continued)*

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

*(ii) Definition of default*

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

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

*(iii) Credit-impaired financial assets*

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.14 Financial instruments (continued)

Financial assets (continued)

***Impairment of financial assets subject to impairment assessment under HKFRS 9 Financial Instruments (continued)***

*(iv) Write-off policy*

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

*(v) Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.14 Financial instruments (continued)

Financial assets (continued)

***Derecognition of financial assets***

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

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

Financial liabilities and equity

***Classification as debt or equity***

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

***Equity instruments***

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

***Financial liabilities at amortised cost***

Financial liabilities including trade and retention payables, other payables and accruals, lease liabilities and borrowings are subsequently measured at amortised cost, using the effective interest method.

***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 net carrying amount on initial recognition.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.14 Financial instruments (continued)

Financial liabilities and equity (continued)

***Derecognition of financial liabilities***

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

### 3.15 Offsetting a financial asset and a financial liability

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

### (a) Construction contracts – recognition of revenue and contract assets

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

In addition, significant judgement is required to assess the recoverability of contract costs incurred and variations of contracts and claims as a result of difference between the amount applied to and the amount certified by the main contractor.

The progress towards complete satisfaction of the performance obligation is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revised the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (b) Impairment of trade and retention receivables and contract assets

The loss allowances for trade and retention receivables and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past default history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 34.1(b).

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

Management of the Group determines on a regular basis whether there are any indications that the property, plant and equipment and right-of-use assets are impaired. Impairment loss for property, plant and equipment and right-of-use assets are impaired when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on the higher of fair value less costs of disposal and value in use. The fair values of property, plant and equipment and right-of-use assets are estimated by reference to their expected selling prices which are affected by various factors, including market conditions and the technological occurrence. The value in use calculation requires the use of estimates such as the future revenue and discount rates. If the recoverable amounts of property, plant and equipment and right-of-use assets are estimated to be less than their respective carrying amounts, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss in respect of the period.

As at 31 March 2022, the carrying amount of property, plant and equipment, comprising right-of-use assets, machinery and motor vehicles, is approximately HK$82,110,000 (2021: HK$132,513,000). No impairment loss of property, plant and equipment, including right-of-use assets, has been recognised in respect of the current and prior years.

## 5 REVENUE

Revenue represents the revenue from construction contracts for foundation works and general building works and leasing of construction machinery in the ordinary course of business. Revenue recognised are as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Foundation works and ancillary services | **138,233** | 218,618 |
| Leasing of construction machinery | **18,361** | 36,007 |
| | **156,594** | 254,625 |

## 6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider that the Group has two reportable operating segments, as follows:

– Construction works; and

– Leasing of construction machinery

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and finance costs. This is the measure reported to the executive directors with respect to the resource allocation and performance assessment.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except for cash and cash equivalents, income tax recoverable and other corporate assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the consolidated statement of financial position except for income tax payable, deferred tax liabilities, borrowings and certain corporate liabilities.

## 6 SEGMENT INFORMATION (continued)

### (a) Segment revenue and results

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

**For the year ended 31 March 2022**

| | Construction work HK$'000 | Leasing of construction machinery HK$'000 | Total HK$'000 |
|---|---|---|---|
| Segment revenue from external customers | 138,233 | 18,361 | 156,594 |
| Segment profit | 4,713 | 7,663 | 12,376 |
| Unallocated other loss, net | | | (1,113) |
| Unallocated expenses | | | (23,283) |
| Unallocated depreciation | | | (13,130) |
| Finance costs, net | | | (2,649) |
| Loss before income tax | | | (27,799) |
| Income tax credit | | | 3,238 |
| Loss for the year | | | (24,561) |
| Included in segment profit are: | | | |
| Depreciation | – | (6,916) | (6,916) |
| Impairment losses on financial assets | (30,601) | (3,318) | (33,919) |

## 6 SEGMENT INFORMATION (continued)

### (a) Segment revenue and results (continued)

For the year ended 31 March 2021

| | Construction work HK$'000 | Leasing of construction machinery HK$'000 | Total HK$'000 |
|---|---|---|---|
| Segment revenue from external customers | 218,618 | 36,007 | 254,625 |
| Segment (loss)/profit | (71,905) | 25,175 | (46,730) |
| Unallocated other income and gains | | | 5,826 |
| Unallocated expenses | | | (7,230) |
| Unallocated depreciation | | | (1,820) |
| Finance costs, net | | | (6,602) |
| Loss before income tax | | | (56,556) |
| Income tax credit | | | 5,047 |
| Loss for the year | | | (51,509) |
| Included in segment (loss)/profit are: | | | |
| Depreciation | (10,198) | (12,083) | (22,281) |
| Impairment losses on financial assets | (9,676) | (415) | (10,091) |

## 6 SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities

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

**Assets**

| | Construction work HK$'000 | Leasing of construction machinery HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At 31 March 2022** | | | |
| Segment assets | 256,581 | 42,262 | 298,843 |
| Unallocated assets | | | 36,347 |
| Total assets | | | 335,190 |
| Addition to non-current assets | | | |
| Segment assets | 5,300 | – | 5,300 |
| Unallocated assets | | | 1,379 |
| Total | | | 6,679 |

## 6 SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities (continued)

| | Construction work HK$'000 | Leasing of construction machinery HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At 31 March 2021** | | | |
| Segment assets | 302,746 | 73,091 | 375,837 |
| Unallocated assets | | | 29,210 |
| Total assets | | | 405,047 |
| Addition to non-current assets | | | |
| Segment assets | 3,295 | 335 | 3,630 |
| Unallocated assets | | | 2,287 |
| Total | | | 5,917 |

The information provided to chief operating decision maker with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

## 6 SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities (continued)

**Liabilities**

| | Construction work HK$'000 | Leasing of construction machinery HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At 31 March 2022** | | | |
| Segment liabilities | **46,537** | **–** | **46,537** |
| Borrowings | | | **7,830** |
| Deferred tax liabilities | | | **1,081** |
| Other unallocated liabilities | | | **23,911** |
| Total liabilities | | | **79,359** |

| | Construction work HK$'000 | Leasing of construction machinery HK$'000 | Total HK$'000 |
|---|---|---|---|
| **At 31 March 2021** | | | |
| Segment liabilities | 42,135 | – | 42,135 |
| Borrowings | | | 48,403 |
| Deferred tax liabilities | | | 4,533 |
| Other unallocated liabilities | | | 48,947 |
| Total liabilities | | | 144,018 |

## 6 SEGMENT INFORMATION (continued)

### (c) Geographical information

**Revenue from external customers**

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Hong Kong | **156,594** | 254,625 |

The revenue information above is based on the locations of the customers.

**Non-current assets**

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Hong Kong | **89,637** | 139,807 |

The non-current assets information above is based on the location of the assets.

### (d) Information about major customers

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Customer A | **36,589** | N/A* |
| Customer B | **31,359** | N/A* |
| Customer C | **22,893** | 177,146 |
| Customer D | **22,654** | N/A* |
| Customer E | **20,142** | N/A* |
| Customer F | **N/A#** | 25,879 |

# The revenue from customer F for the year ended 31 March 2022 did not exceed 10% of the total revenue of the Group for the year.

* The revenue from customer A, customer B, customer D and customer E for the year ended 31 March 2021 did not exceed 10% of the total revenue of the Group for that year.

## 7 OTHER (LOSS)/INCOME, NET

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Consultancy income | – | 270 |
| (Loss)/gain on disposal of property, plant and equipment | (1,445) | 1,798 |
| Gain on change in fair value of financial assets at fair value through profit or loss (Note 17) | 233 | 264 |
| Government grant received (Note below) | – | 3,478 |
| Others | 99 | 16 |
| | (1,113) | 5,826 |

Note:

The amount mainly represents cash subsidies under the Employment Support Scheme ("ESS") of Hong Kong Special Administrative Region Government in respect of COVID-19. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

## 8 EXPENSES BY NATURE

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Cost of sales | | |
| Subcontracting charges | 97,561 | 217,881 |
| Staff costs (Note 9) | 147 | 26,736 |
| Lease expenses relating to short-term lease of machineries and equipment | 32 | 463 |
| Depreciation of property, plant and equipment | 6,916 | 22,281 |
| Materials, parts and consumables | 4,628 | 14,518 |
| Others | 1,015 | 9,385 |
| | 110,299 | 291,264 |
| Other administrative expenses | | |
| Staff costs (Note 9) | 13,311 | 1,243 |
| Auditors' remuneration | | |
| – Audit service | 900 | 1,680 |
| – Non-audit service | – | 55 |
| Donations | 250 | – |
| Depreciation of property, plant and equipment | 13,130 | 1,820 |
| Professional fees | 1,928 | 2,459 |
| Motor vehicle expenses | 482 | 32 |
| Others | 6,412 | 1,761 |
| | 36,413 | 9,050 |

## 9 EMPLOYEE BENEFIT EXPENSES

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Wages and salaries | **13,176** | 27,249 |
| Pension costs – defined contribution plans | **247** | 635 |
| Employment benefit | **35** | 95 |
| | **13,458** | 27,979 |

Analysed for reporting purpose:

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Employee benefit expenses included in | | |
| – Cost of sales (Note 8) | **147** | 26,736 |
| – Administrative expenses (Note 8) | **13,311** | 1,243 |
| | **13,458** | 27,979 |

The Group participates in a Mandatory Provident Fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK$1,500 per month to the MPF Scheme.

At the end of the reporting period, the Group had no forfeited contributions, which arose upon employees leaving the defined contribution schemes, and are available to reduce the contribution payable in future years (2021: Nil).

## 10 FINANCE COSTS, NET

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Finance income | | |
| – Interest income on bank deposits | **–** | 2 |
| Finance costs | | |
| – Interest expenses on bank borrowings | **(554)** | (3,726) |
| – Interest expenses on lease liabilities (Note 16) | **(2,095)** | (2,878) |
| | **(2,649)** | (6,604) |
| Finance costs, net | **(2,649)** | (6,602) |

## 11 INCOME TAX CREDIT

The amount of income tax (credited)/charged to profit or loss represents:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Current income tax | | |
| Hong Kong | – | – |
| Macau | – | – |
| | – | – |
| Deferred income tax | | |
| Hong Kong (Note 24) | (3,447) | (4,592) |
| Macau | – | – |
| | (3,447) | (4,592) |
| Under/(over) provision in prior year | | |
| Hong Kong | (5) | (455) |
| Macau | 214 | – |
| | 209 | (455) |
| | (3,238) | (5,047) |

No provision for Hong Kong profits tax and Macau income tax for the years ended 31 March 2022 and 31 March 2021 has been made in the consolidated financial statements as the Group has no assessable profits that are subject to tax in the respective jurisdictions for both of these years.

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Loss before income tax | (27,799) | (56,556) |
| Tax calculated at domestic tax rates in respective tax jurisdiction | (4,587) | (9,332) |
| Income not subject to tax | (950) | (914) |
| Expenses not deductible for tax purposes | 1,022 | 657 |
| Under/(over)-provision in prior year | 209 | (455) |
| Unused tax losses not recognised | 1,068 | 4,997 |
| | (3,238) | (5,047) |

## 12 DIVIDENDS

The Board of the Directors does not recommend any payment of dividend in respect of the year ended 31 March 2022 (2021: Nil).

## 13 LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years.

| | 2022 | 2021 |
|---|---|---|
| Loss attributable to owners of the Company (HK$'000) | (24,561) | (51,509) |
| Weighted average number of ordinary shares in issue for the purpose of calculating basic loss per share ('000) | 450,377 | 400,000 |
| Basic loss per share (HK cents) | (5.45) | (12.88) |

### (b) Diluted loss per share

Diluted loss per share is not presented as there were no potential ordinary shares in issue for both of the years ended 31 March 2022 and 2021.

## 14 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company which were included in staff costs as disclosed in Note 9 is set out below:

**For the year ended 31 March 2022:**

| | Fees HK$'000 | Salaries HK$'000 | Contribution to defined contribution retirement scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Mr. CHOW Kwok Chun* | – | 2,068 | 18 | 2,086 |
| Mr. TSANG Hing Kuen (Note (i)) | – | 1,736 | 14 | 1,750 |
| Mr. LIU Jin Fai (Note (ii)) | – | 118 | 5 | 123 |
| Mr. LEUNG Hing Wai (Note (iii)) | – | 259 | 4 | 263 |
| | – | 4,181 | 41 | 4,222 |
| **Independent non-executive director** | | | | |
| Mr. IP Ka Ki | 180 | – | – | 180 |
| Professor KUANG Jun Shang (Note (iv)) | 90 | – | – | 90 |
| Mr. TSE Ka Ching Justin | 180 | – | – | 180 |
| Mr. CHAN Wai Kit (Note (v)) | 92 | – | – | 92 |
| | 542 | – | – | 542 |

## 14 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

### (a) Directors' and chief executive's emoluments (continued)

For the year ended 31 March 2021:

| | Fees HK$'000 | Salaries HK$'000 | Contribution to defined contribution retirement scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Mr. CHOW Kwok Chun* | – | 3,178 | 18 | 3,196 |
| Mr. TSANG Hing Kuen | – | 3,178 | 18 | 3,196 |
| Mr. LEUNG Kim Lim (Note (vi)) | – | 955 | 13 | 968 |
| Mr. LIU Jin Fai | – | 573 | 18 | 591 |
| | – | 7,884 | 67 | 7,951 |
| **Independent non-executive director** | | | | |
| Mr. IP Ka Ki | 180 | – | – | 180 |
| Professor KUANG Jun Shang | 180 | – | – | 180 |
| Mr. TSE Ka Ching Justin | 180 | – | – | 180 |
| | 540 | – | – | 540 |

* Chairman and Chief Executive Officer

Note:

(i) Mr. TSANG Hing Kuen resigned as executive director of the Company on 21 December 2021.

(ii) Mr. LIU Jin Fai resigned as executive director of the Company on 27 September 2021.

(iii) Mr. LEUNG Hing Wai was appointed as executive director of the Company on 21 December 2021.

(iv) Professor KUANG Jun Shang resigned as independent non-executive director of the Company on 27 September 2021.

(v) Mr. CHAN Wai Kit was appointed as independent non-executive director of the Company on 27 September 2021.

(vi) Mr. LEUNG Kim Lim resigned as executive director of the Company on 21 December 2020.

## 14 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

### (a) Directors' and chief executive's emoluments (continued)

During the year ended 31 March 2022, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; and (ii) waived or has agreed to waive any emolument (2021: nil).

During the year ended 31 March 2022, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services (2021: nil).

During the year ended 31 March 2022, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, other than those disclosed in Note 28 of the consolidated financial statements (2021: nil).

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2022 include 2 directors (2021: 3 directors) whose emoluments are reflected in the analysis shown in Note 14(a). The emoluments payable to the remaining 3 individuals (2021: 2 individuals) are as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Basic salaries, other allowances and benefits in kind | 3,386 | 2,531 |
| Contribution to pension scheme | 47 | 36 |
| Bonuses | – | – |
| | 3,433 | 2,567 |

The emoluments fell within the following bands:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Emolument bands** | | |
| Nil to HK$1,000,000 | 2 | – |
| HK$1,000,001 – HK$1,500,000 | – | 1 |
| HK$1,500,001 – HK$2,000,000 | 1 | 1 |

During the year ended 31 March 2022, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office (2021: Nil).

## 15 PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets (Note 16) HK$'000 | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Machinery HK$'000 | Motor vehicles HK$'000 | Office equipment HK$'000 | Computer HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 April 2021** | | | | | | | | |
| Cost | 122,865 | 1,903 | 1,497 | 80,031 | 3,000 | 315 | 120 | 209,731 |
| Accumulated depreciation | (38,017) | (1,903) | (1,497) | (33,223) | (2,143) | (315) | (120) | (77,218) |
| **Net book amount** | 84,848 | – | – | 46,808 | 857 | – | – | 132,513 |
| **Year ended 31 March 2022** | | | | | | | | |
| Opening net book amount | 84,848 | – | – | 46,808 | 857 | – | – | 132,513 |
| Transfer | (22,281) | – | – | 22,281 | – | – | – | – |
| Additions, at cost | 1,379 | – | – | 5,300 | – | – | – | 6,679 |
| Disposals | – | – | – | (37,036) | – | – | – | (37,036) |
| Depreciation provided for the year | (12,317) | – | – | (7,388) | (341) | – | – | (20,046) |
| **Closing net book amount** | 51,629 | – | – | 29,965 | 516 | – | – | 82,110 |
| **At 31 March 2022** | | | | | | | | |
| Cost | 83,020 | 1,903 | 1,497 | 52,281 | 3,000 | 315 | 120 | 142,136 |
| Accumulated depreciation | (31,391) | (1,903) | (1,497) | (22,316) | (2,484) | (315) | (120) | (60,026) |
| **Net book amount** | 51,629 | – | – | 29,965 | 516 | – | – | 82,110 |

## 15 PROPERTY, PLANT AND EQUIPMENT (continued)

| | Right-of-use assets (Note 16) HK$'000 | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Machinery HK$'000 | Motor vehicles HK$'000 | Office equipment HK$'000 | Computer HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 April 2020** | | | | | | | | |
| Cost | 117,990 | 1,903 | 1,497 | 99,922 | 3,120 | 315 | 120 | 224,867 |
| Accumulated depreciation | (23,579) | (1,903) | (1,496) | (34,098) | (2,640) | (315) | (120) | (64,151) |
| **Net book amount** | 94,411 | – | 1 | 65,824 | 480 | – | – | 160,716 |
| **Year ended 31 March 2021** | | | | | | | | |
| Opening net book amount | 94,411 | – | 1 | 65,824 | 480 | – | – | 160,716 |
| Additions, at cost | 4,876 | – | – | 335 | 706 | – | – | 5,917 |
| Disposals | – | – | – | (10,019) | – | – | – | (10,019) |
| Depreciation provided for the year | (14,439) | – | (1) | (9,332) | (329) | – | – | (24,101) |
| **Closing net book amount** | 84,848 | – | – | 46,808 | 857 | – | – | 132,513 |
| **At 31 March 2021** | | | | | | | | |
| Cost | 122,865 | 1,903 | 1,497 | 80,031 | 3,000 | 315 | 120 | 209,731 |
| Accumulated depreciation | (38,017) | (1,903) | (1,497) | (33,223) | (2,143) | (315) | (120) | (77,218) |
| **Net book amount** | 84,848 | – | – | 46,808 | 857 | – | – | 132,513 |

During the year, depreciation expenses of HK$6,916,000 (2021: HK$22,281,000) have been charged to cost of sales and HK$13,130,000 (2021: HK$1,820,000) have been charged to other administrative expenses.

As at 31 March 2022, no machinery were pledged for the Group's bank borrowings (2021: machinery with the carrying amount of HK$13,211,000 were pledged for the Group's bank borrowings).

## 16 LEASES

**(i)** Amounts included in property, plant and equipment (Note 15):

| | **At 31 March 2022 HK$'000** | At 31 March 2021 HK$'000 |
|---|---|---|
| **Net book amount of right-of-use assets** | | |
| Office premises and warehouse | **734** | 2,450 |
| Plant and machinery | **50,895** | 82,398 |
| Total net book amount of right-of-use assets | **51,629** | 84,848 |

| | **At 31 March 2022 HK$'000** | At 31 March 2021 HK$'000 |
|---|---|---|
| **Lease liabilities payable** | | |
| Within one year | **8,946** | 18,138 |
| Within a period of more than one year but not exceeding two years | **5,525** | 15,278 |
| Within a period of more than two years but not exceeding five years | **993** | 11,230 |
| | **15,464** | 44,646 |
| Less: Amount due for settlement within 12 months shown under current liabilities | **(8,946)** | (18,138) |
| Amount due for settlement after 12 months shown under non-current liabilities | **6,518** | 26,508 |

Additions to right-of-use assets amounted to HK$1,379,000 during the year ended 31 March 2022 (2021: HK$4,876,000).

## 16 LEASES (continued)

### (ii) Amounts recognised in the consolidated statement of profit and loss and other comprehensive income

| | Year ended 31 March | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Depreciation charges of right-of-use assets | **12,317** | 14,439 |
| Interest expense on lease liabilities (Note 10) | **2,095** | 2,878 |
| Lease expenses relating to short-term lease of machineries and equipment (Note 8) | **32** | 463 |

The cash outflow for lease liabilities (including interest thereon) and lease expenses relating to short-term lease of machineries and equipment during the year ended 31 March 2022 were HK$32,656,000 and HK$32,000 (2021: HK$20,791,000 and HK$463,000) respectively.

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Key management life insurance contract, at fair value | 7,527 | 7,294 |

Movements of the financial assets at fair value through profit or loss during the year are as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Fair value at beginning of the year | 7,294 | 7,030 |
| Gain on change in fair value (Note 7) | 233 | 264 |
| Fair value at end of the year | 7,527 | 7,294 |

In September 2019, the Group entered into a key management personnel life insurance policy (the "Policy") with an insurance company to insure a director of a subsidiary of the Company. Under the Policy, both of the beneficiary and policy holder is a subsidiary of the Company and the insured sum is US$3,500,000 (equivalent to HK$27,125,000).

At 31 March 2022, if the Group terminate the insurance contract, the account value (net of a surrender charge) of US$971,000 (approximately HK$7,527,000) (2021: US$941,000 (approximately HK$7,294,000)) would be refunded to the Group. The amount of surrender charge decreases over time and is no longer required from the 19th year of contract conclusion onwards. The entire amount of the rights under the payment for life insurance policies is denominated in United States Dollar (US$).

As at 31 March 2022, key management insurance contract with the carrying amount of HK$7,527,000 (2021:HK$7,294,000) were pledged for the Group's bank borrowings as disclosed in Note 23(c)(ii).

Details of the fair value measurement of the key management life insurance contracts are set out in Note 34.3.

## 18 TRADE AND RETENTION RECEIVABLES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Trade receivables | **58,845** | 23,590 |
| Less: loss allowance recognised | **(4,306)** | (408) |
| | **54,539** | 23,182 |
| Retention receivables | **30,464** | 32,147 |
| Less: loss allowance recognised | **(3,890)** | (7) |
| | **26,574** | 32,140 |
| Trade and retention receivables | **81,113** | 55,322 |

At 31 March 2022 and 2021, the ageing analysis of the trade receivables, less loss allowance recognised, based on invoice date were as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| 1 to 30 days | **52,052** | 9,556 |
| 31 to 60 days | **–** | 2,295 |
| 61 to 90 days | **–** | 995 |
| 91 to 180 days | **124** | 9,140 |
| 181 to 365 days | **2,080** | 783 |
| 1 to 2 years | **283** | 413 |
| | **54,539** | 23,182 |

## 18 TRADE AND RETENTION RECEIVABLES (continued)

At 31 March 2022 and 2021, the ageing analysis of the retention receivables, less loss allowance recognised, based on invoice date were as follows:

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 year | **4,706** | 9,583 |
| Between 1 to 2 years | **5,249** | 8,902 |
| Between 2 to 5 years | **16,619** | 13,655 |
| | **26,574** | 32,140 |

**Impairment and risk exposure**

The Group applies HKFRS 9 Financial Instruments simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and retention receivables.

The loss allowance recognised for trade and retention receivables for the current reporting period amounted to HK$7,781,000 (2021: HK$415,000).

Information about the impairment of trade and retention receivables and the Group's exposure to credit risk are set out in Note 34.1(b)(ii).

The credit period granted to trade customers other than for retention receivables was within 30 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The carrying amounts of trade and retention receivables approximated their fair values and were denominated in HK$.

## 19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Prepayments | 739 | 1,026 |
| Deposits and other receivables | 2,605 | 3,734 |
| | 3,344 | 4,760 |

The balance mainly represents miscellaneous deposits and receivables for construction projects.

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Contract assets** | | |
| Provision of construction services | 172,999 | 211,971 |
| Less: Loss allowance recognised | (37,380) | (22,584) |
| | 135,619 | 189,387 |
| **Contract liabilities** | | |
| Provision of construction services | 622 | 4,262 |

Movements on the Group's loss allowance of contract assets are as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| At 1 April | 22,584 | 12,908 |
| Loss allowance recognised for the year | 26,138 | 9,676 |
| Arising from contract assets written off | (11,342) | – |
| At 31 March | 37,380 | 22,584 |

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

### (a) Significant changes in contract assets and liabilities

Contract assets represents the amount by which the construction services performed by the Group is ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9 Financial Instruments, which permits the use of the lifetime expected loss provision for contract assets. Details of the impairment assessment of contract assets are set out in Note 34.1(b)(ii).

### (b) Revenue recognition in relation to contract liabilities

The following table shows how much of the revenue recognised during the years ended 31 March 2022 and 2021 relates to carried-forward contract liabilities.

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the period | **4,262** | 3,351 |

### (c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Aggregate amount of the transaction price of long-term construction contracts that are unsatisfied as at 31 March | **29,532** | 7,299 |

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 March 2022 and 2021 will be recognised as revenue by referencing to the progress towards completion of the contract activity.

## 21 CASH AND CASH EQUIVALENTS

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Cash at bank | 25,357 | 14,489 |
| Cash on hand | 120 | 120 |
| Cash and cash equivalents | 25,477 | 14,609 |

The carrying amount of cash and bank balances is denominated in HK$.

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and cash at bank.

## 22 TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Trade payables | 22,929 | 9,088 |
| Retention payables | 22,986 | 28,785 |
| Trade and retention payables | 45,915 | 37,873 |
| Other payables and accruals (Note) | 8,233 | 4,301 |
| | 54,148 | 42,174 |

Note: The amounts mainly represent accruals and other payables for materials, wages, legal and professional fees and transportation costs.

## 22 TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS (continued)

The carrying amounts of trade and retention payables, other payables and accruals were denominated in HK$.

The credit period granted by trade creditors was not more than 30 days.

At 31 March 2022 and 2021, the ageing analysis of the trade payables based on invoice date were as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| 1 to 30 days | 21,155 | 9,088 |
| 1 to 2 years | 1,774 | – |
| | 22,929 | 9,088 |

The terms and conditions in relation to the release of retention vary from contract to contract. In the consolidated statement of financial position, retention payables were classified as current liabilities. At 31 March 2022 and 2021, the ageing analysis of the retention payables based on invoice date were as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Within 1 year | 3,118 | 9,333 |
| Between 1 and 3 years | 5,246 | 19,452 |
| Between 3 and 4 years | 14,622 | – |
| | 22,986 | 28,785 |

## 23 BORROWINGS

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Secured bank borrowings due for repayment within one year – secured (Note (c)(i)) | – | 3,033 |
| Short-term bank borrowings – secured and guaranteed (Note (c)(ii)) | 7,830 | 30,370 |
| Short-term bank borrowings – unsecured | – | 15,000 |
| | 7,830 | 48,403 |

(a) The maturity of borrowing is as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Within 1 year | 7,830 | 48,403 |

(b) The weighted average interest rates were as follows:

| | 2022 | 2021 |
|---|---|---|
| Long-term bank borrowings | N/A | N/A |
| Short-term bank borrowings | 2.90% | 3.69% |

The carrying amounts of borrowings were denominated in HK$ and approximated their fair value as the impact of discounting is not significant.

## 23 BORROWINGS (continued)

(c) The Group's banking facilities within one year are subject to annual review. The borrowings are secured or guaranteed as follows:

(i) As at 31 March 2022, no machinery were pledged for the Group's bank borrowings (2021: machinery with the carrying amount of HK$13,211,000 were pledged for the Group's bank borrowings).

(ii) As at 31 March 2022, bank borrowing amounted to HK$7,830,000 (2021: HK$7,830,000) granted to a subsidiary, Vicon Construction Company Limited ("Vicon Construction"), in respect of the key management life insurance contract was guaranteed by (i) the Company; and (ii) charge over the Group's key management life insurance contract with cash surrender value of approximately HK$7,527,000 at 31 March 2022 (2021: HK$7,294,000).

As at 31 March 2021, additional banking facilities amounted to an aggregate of HK$89,000,000 were granted to Vicon Construction and guaranteed by the Company in respect of specific projects undertaken by Vicon Construction, of which HK$66,434,000 had not been utilised. Those banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects specified in the relevant facility letters. No such banking facilities existed at 31 March 2022.

## 24 DEFERRED INCOME TAX

The analysis of deferred income tax was as follows:

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Deferred income tax liabilities to be recovered after more than 12 months | **1,081** | 4,533 |

Movements in the deferred income tax liabilities are as follows:

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| At beginning of the year | **(4,533)** | (9,125) |
| Credited to the profit or loss (Note 11) | **3,447** | 4,592 |
| Other adjustment | **5** | – |
| At end of the year | **(1,081)** | (4,533) |

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

## 24 DEFERRED INCOME TAX (continued)

Movements in deferred income tax liabilities and assets, without taking into consideration the offsetting of balances with the same tax jurisdiction, are as follows:

**Deferred income tax liabilities**

| | Accelerated tax depreciation HK$'000 |
|---|---|
| At 1 April 2020 | (15,033) |
| Credited to the profit or loss | 797 |
| At 31 March 2021 | (14,236) |
| At 1 April 2021 | **(14,236)** |
| Credited to the profit or loss | **3,942** |
| At 31 March 2022 | **(10,294)** |

**Deferred income tax assets**

| | Tax losses HK$'000 | Provision HK$'000 | Unrealised profit arising from intra-group transactions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2020 | 4,229 | 1,674 | 5 | 5,908 |
| Credited to the profit or loss | 3,545 | 250 | – | 3,795 |
| At 31 March 2021 | 7,774 | 1,924 | 5 | 9,703 |
| At 1 April 2021 | **7,774** | **1,924** | **5** | **9,703** |
| Charged to the profit or loss | **(490)** | **–** | **–** | **(490)** |
| At 31 March 2022 | **7,284** | **1,924** | **5** | **9,213** |

At the end of the reporting period, the Group had unused tax losses amounted to approximately HK$101,957,000 (2021: HK$89,262,000), of which deferred tax assets amounted to approximately HK$7,284,000 (2021: HK$7,774,000) was recognised.

Deferred income tax assets have not been recognised in respect of the remaining unused tax losses amounting to approximately HK$57,812,000 (2021: HK$42,147,000) due to unpredictability of future profit stream. These tax losses may be offset against future profits and may be carried forward indefinitely.

## 25 SHARE CAPITAL

| | Par value HK$ | Number of ordinary shares '000 | Nominal amount of ordinary shares HK$'000 |
|---|---|---|---|
| Authorised: | | | |
| At 1 April 2020, 31 March 2021 and 31 March 2022 | 0.01 | 1,000,000 | 10,000 |

| | Par value HK$ | Number of ordinary shares '000 | Nominal amount of ordinary shares HK$'000 |
|---|---|---|---|
| Issued and fully paid: | | | |
| At 1 April 2020 and 31 March 2021 | 0.01 | 400,000 | 4,000 |
| Issue of shares on placement of shares (Note) | 0.01 | 79,600 | 796 |
| At 31 March 2022 | 0.01 | 479,600 | 4,796 |

Note: On 13 August 2021, the Company issued 79,600,000 ordinary shares at HK$0.25 per share for a total cash consideration of approximately HK$19,900,000, before expenses, to provide additional working capital to the Company.

## 26 MERGER RESERVE

Merger reserve of the Group amounted to HK$30,000,000 at 31 March 2022 (2021: HK$30,000,000) represented the difference between the share capital of the subsidiaries acquired pursuant to the Group's reorganisation in 2017 over the nominal value of the share capital of the Company issued in exchange thereof.

## 27 SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted in November 2017 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to selected participants, including directors and eligible employees of the Group to promote the success of the business of the Group. The scheme adopted and became effective on 30 November 2017 for a period of 10 years.

The subscription price of the options granted is the highest of (i) the closing price of the Company's shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date offer of grant; and (iii) the nominal value of the share.

## 27 SHARE OPTION SCHEME (continued)

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or other schemes adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not exceed 10% of the shares in issue on the date on which the shares are listed and permitted to be dealt with in the Stock Exchange.

No share option was granted, exercised, lapsed or forfeited during the years ended 31 March 2022 and 31 March 2021 and no share option remained outstanding as at those dates.

## 28 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

**Key management compensation**

Key management comprises the directors (executive and non-executive) of the Company. The compensation paid or payable to key management for employee services is shown below:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Salaries, bonus, other allowances and benefits in kind | 4,723 | 8,424 |
| Pension costs – defined contribution plans | 41 | 67 |
| | 4,764 | 8,491 |

## 29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Changes in liabilities arising from financing activities

| | Borrowings HK$'000 | Lease liabilities HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 April 2020 | 108,017 | 57,683 | 165,700 |
| Cash flows from financing activities | (59,614) | (20,791) | (80,405) |
| Non-cash changes: | | | |
| Addition of lease liabilities | – | 4,876 | 4,876 |
| Interest expense on lease liabilities | – | 2,878 | 2,878 |
| At 31 March 2021 | 48,403 | 44,646 | 93,049 |
| At 1 April 2021 | **48,403** | **44,646** | **93,049** |
| Cash flows from financing activities | **(40,573)** | **(32,656)** | **(73,229)** |
| Non-cash changes: | | | |
| Addition of lease liabilities | **–** | **1,379** | **1,379** |
| Interest expense on lease liabilities | **–** | **2,095** | **2,095** |
| At 31 March 2022 | **7,830** | **15,464** | **23,294** |

### (b) Proceeds from disposal of property, plant and equipment comprise:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Net book amount | **37,036** | 10,019 |
| Gain on disposal of property, plant and equipment | **(1,445)** | 1,798 |
| Proceeds from disposal of property, plant and equipment | **35,591** | 11,817 |

## 30 CONTINGENT LIABILITIES

As at 31 March 2022, the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business amounting to HK$2,180,000 (2021: HK$5,719,000). The performance bonds as at 31 March 2022 are expected to be released in accordance with the terms of the respective construction contracts.

## 31 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Non-current Assets** | | |
| Investment in a subsidiary | – | – |
| | – | – |
| **Current Assets** | | |
| Prepayments and other receivables | 440 | 45 |
| Amount due from a subsidiary | 110,139 | 92,803 |
| Cash and cash equivalents | 43 | 29 |
| Income tax recoverable | – | 18 |
| | 110,622 | 92,895 |
| **Current Liabilities** | | |
| Other payables and accruals | 18 | 460 |
| | 18 | 460 |
| **Net Current Assets and Net Assets** | 110,604 | 92,435 |
| **Equity** | | |
| Share capital | 4,796 | 4,000 |
| Reserves | 105,808 | 88,435 |
| **Total Equity** | 110,604 | 92,435 |

The Company's statement of financial position was approved and authorised for issue by the board of directors on 29 June 2022 and is signed on its behalf by:

**Mr. CHOW Kwok Chun**
*Director*

**Mr. LEUNG Hing Wai**
*Director*

## 31 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movements of the Company's reserves are as follows:

| | Share premium HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 April 2020 | 104,742 | (15,586) | 89,156 |
| Loss and total comprehensive loss for the year | – | (721) | (721) |
| At 31 March 2021 | 104,742 | (16,307) | 88,435 |
| At 1 April 2021 | 104,742 | (16,307) | 88,435 |
| Loss and total comprehensive loss for the year | – | (1,194) | (1,194) |
| Issue of shares for cash | 19,104 | – | 19,104 |
| Share issue expenses | (537) | – | (537) |
| At 31 March 2022 | 123,309 | (17,501) | 105,808 |

## 32 SUBSIDIARIES

The following is a list of subsidiaries at 31 March 2022 and 2021:

| Name | Place of incorporation and type of legal entity | Principal activities and place of operation | Issued share and fully paid share capital | Effective interest held as at 2022 | Effective interest held as at 2021 |
|---|---|---|---|---|---|
| **Directly held by the Company:** | | | | | |
| Vicon Enterprises Limited | British Virgin Islands, limited liability company | Investment holding | US$1 | 100% | 100% |
| **Indirectly held by the Company:** | | | | | |
| Vicon Construction Company Limited ("Vicon Construction") | Hong Kong, limited liability company | Foundation works in Hong Kong | HK$30,000,000 | 100% | 100% |
| Vicon Machinery Company Limited | Hong Kong, limited liability company | Foundation works in Hong Kong | HK$10,000 | 100% | 100% |
| Vicon Construction (Macau) Company Limited | Macau, limited liability company | Foundation works in Macau | MOP900,000 | 100% | 100% |
| Vicon Assets Management Limited | Hong Kong, limited liability company | Inactive | HK$1 | 100% | 100% |

None of the subsidiaries had issued any debt securities at the end of the year.

As at 31 March 2022 and 2021, there are no contingent liabilities relating to the Group's interest in the subsidiaries.

## 33 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial assets and financial liabilities as at the end of the reporting period are as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| At fair value through profit or loss | 7,527 | 7,294 |
| At amortised cost | | |
| Trade and retention receivables | 81,113 | 55,322 |
| Deposits and other receivables | 2,605 | 3,734 |
| Contract assets | 135,619 | 189,387 |
| Cash and cash equivalents | 25,477 | 14,609 |
| | 252,341 | 270,346 |

## 33 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Financial liabilities** | | |
| At amortised cost | | |
| Trade and retention payables | 45,915 | 37,873 |
| Other payables and accruals | 8,233 | 4,301 |
| Lease liabilities | 15,464 | 44,646 |
| Borrowings | 7,830 | 48,403 |
| | 77,442 | 135,223 |

## 34 FINANCIAL RISK MANAGEMENT

### 34.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk, The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) Market risks

***(i) Foreign exchange risk***

The Group principally operates in Hong Kong with most of the transactions denominated in HK$. The exposure to foreign exchange risk is not material to the Group.

***(ii) Interest rate risk***

The Group is exposed to interest rate risk as borrowings are carried at variable rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2022, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, pre-tax loss for the year would be approximately HK$78,000 higher/lower (2021: pre-tax profit for the year would be approximately HK$484,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

## 34 FINANCIAL RISK MANAGEMENT (continued)

### 34.1 Financial risk factors (continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and retention receivables, contract assets and deposits and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

***(i) Risk management***

As at 31 March 2022, the Group had concentration of credit risk as 59% (2021: 77%) of the total trade and retention receivables were due from five of the Group's customers, respectively.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts. The Group will also consider the creditworthiness and general reputation of customers before submitting any indication of interest or tender.

The credit risk on deposits with banks is limited because deposits are in banks with sound credit ratings and good payment history. Management does not expect any loss from non-performance by related companies.

***(ii) Impairment of financial assets***

*Trade and retention receivables and contract assets*

The Group applies the HKFRS 9 Financial Instruments simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all trade and retention receivables and contract assets.

As the Group's historical credit loss experience does not indicate different loss patterns for different customers, the loss allowance based on past due status and timing of billing to customers is not further distinguished among the customers. The expected loss rates are based on the historical payment profiles of revenue from the contracts for trade and retention receivables and the historical billing pattern for contract assets, respectively, and the corresponding historical credit losses experienced within this period. These rates are adjusted to reflect the current and forward-looking information on economic condition.

For contract assets relating to accounts in which there are objective evidence that the likelihood of billing to customers are remote, they are assessed individually for impairment allowance. Accordingly, specific loss allowance of HK$32,949,000 was made as at 31 March 2022 (2021: HK$11,342,000).

## 34 FINANCIAL RISK MANAGEMENT (continued)

### 34.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

##### *(ii) Impairment of financial assets (continued)*

*Trade and retention receivables and contract assets (continued)*

As at 31 March 2022, the gross trade and retention receivables and contract assets amounted to HK$89,309,000 (2021: HK$55,737,000) and HK$172,999,000 (2021: HK$211,971,000) respectively. As at that date, the expected credit losses of trade and retention receivables and contract assets were estimated to be HK$8,196,000 (2021: HK$415,000) and HK$4,431,000 (2021: HK$11,242,000) based on expected loss rate of 9.17% (2021: 1.07%) and 3.16% (2021: 5.52%) respectively. In addition to the aforementioned, specific loss allowance of HK$32,949,000 (2021: HK$11,342,000) was made for contract assets in relation to construction projects.

The closing loss allowance for contract assets as at 31 March 2022 reconcile to the opening loss allowance as follows:

| | Contract assets HK$'000 | Trade and retention receivables HK$'000 |
|---|---|---|
| At 1 April 2020 | 12,908 | – |
| Loss allowance recognised in profit or loss for the year | 9,676 | 415 |
| **At 31 March 2021 and 1 April 2021** | **22,584** | **415** |
| Loss allowance recognised in profit or loss for the year | **26,138** | **7,781** |
| Written off | **(11,342)** | **–** |
| **At 31 March 2022** | **37,380** | **8,196** |

Trade and retention receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade and retention receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## 34 FINANCIAL RISK MANAGEMENT (continued)

### 34.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

##### *(ii) Impairment of financial assets (continued)*

*Other financial assets at amortised cost*

For deposits and other receivables and cash and cash equivalents, the Group's management adopts a general approach for expected credit losses.

The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the Group's ability to meet its obligations;
- actual or expected significant changes in the operating results of the Group;
- significant changes in the expected performance and behaviour of the Group, including changes in the payment status of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment/repayable demanded.

Impairment losses on other financial assets at amortised cost are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For the year ended 31 March 2022, the Group's management has assessed and concluded that no loss allowance was required for deposits and other receivables (2021: Nil).

## 34 FINANCIAL RISK MANAGEMENT (continued)

### 34.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Group maintains liquidity by a number of sources including orderly realisation of receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment.

| | On demand or within 1 year HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|
| **At 31 March 2022** | | | | | |
| Trade and retention payables | 45,915 | – | – | 45,915 | 45,915 |
| Other payables and accruals | 8,233 | – | – | 8,233 | 8,233 |
| Lease liabilities | 9,495 | 5,679 | 1,015 | 16,189 | 15,464 |
| Bank borrowings | 8,082 | – | – | 8,082 | 7,830 |
| | 71,725 | 5,679 | 1,015 | 78,419 | 77,442 |
| **At 31 March 2021** | | | | | |
| Trade and retention payables | 37,873 | – | – | 37,873 | 37,873 |
| Other payables and accruals | 4,301 | – | – | 4,301 | 4,301 |
| Lease liabilities | 21,964 | 17,364 | 11,907 | 51,235 | 44,646 |
| Bank borrowings | 49,021 | – | – | 49,021 | 48,403 |
| | 113,159 | 17,364 | 11,907 | 142,430 | 135,223 |

## 34 FINANCIAL RISK MANAGEMENT (continued)

### 34.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated as total borrowings divided by total equity.

As at 31 March 2022 and 2021, the gearing ratios were as follows:

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Total borrowings (Note 23) | **7,830** | 48,403 |
| Total equity | **255,831** | 261,029 |
| Gearing ratio | **3%** | 19% |

## 34 FINANCIAL RISK MANAGEMENT (continued)

### 34.3 Fair value estimation

| | **Level 1 HK$'000** | **Level 2 HK$'000** | **Level 3 HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| **At 31 March 2022** | | | | |
| *Financial assets* | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Key management life insurance contract | **–** | **–** | **7,527** | **7,527** |

| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 31 March 2021** | | | | |
| *Financial assets* | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Key management life insurance contract | – | – | 7,294 | 7,294 |

There were no transfers between Levels 1, 2 and 3 during the year.

The fair value of the key management life insurance contract is estimated by the management to be approximately their cash surrender value as valued by the insurer.

The unobservable input is the cash surrender value quoted by the insurance company according to the key management life insurance contract. When the cash surrender value is higher, the fair value of the key management life insurance contract will be higher.

The carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost, including cash and cash equivalents, trade and retention receivables, deposits and other receivables, trade and retention payables, other payables and borrowings, approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

# SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the five financial years, as extracted from the audited consolidated financial statements is set out below:

## CONSOLIDATED RESULTS

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2018<br>HK$'000 | 2019<br>HK$'000 | 2020<br>HK$'000 | 2021<br>HK$'000 | **2022**<br>**HK$'000** |
| Revenue | 381,301 | 370,433 | 468,240 | 254,625 | **156,594** |
| Gross profit/(loss) | 50,192 | 50,058 | 49,103 | (36,639) | **46,295** |
| Profit/(loss) for the year | 18,221 | 29,155 | 23,731 | (51,509) | **(24,561)** |
| Earnings/(loss) per share | | | | | |
| Basic (HK cents) | 5.57 | 7.29 | 5.93 | (12.88) | **(5.45)** |
| Diluted (HK cents) | N/A | N/A | N/A | N/A | **N/A** |

* Not applicable

## CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | 2018<br>HK$'000 | 2019<br>HK$'000 | 2020<br>HK$'000 | 2021<br>HK$'000 | **2022**<br>**HK$'000** |
| **ASSETS** | | | | | |
| Non-current assets | 113,099 | 141,038 | 167,746 | 139,807 | **89,637** |
| Current assets | 316,412 | 362,645 | 408,821 | 265,240 | **245,553** |
| Total assets | 429,511 | 503,683 | 576,567 | 405,047 | **335,190** |
| **LIABILITIES** | | | | | |
| Current liabilities | 153,415 | 170,620 | 210,156 | 112,977 | **71,760** |
| Non-current liabilities | 16,444 | 44,256 | 53,873 | 31,041 | **7,599** |
| Total liabilities | 169,859 | 214,876 | 264,029 | 144,018 | **79,359** |
| **EQUITY** | | | | | |
| Total equity attributable to owners of the Company | 259,652 | 288,807 | 312,538 | 261,029 | **255,831** |