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## **Century Group International Holdings Limited**

**世紀集團國際控股有限公司**

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

**(Stock Code: 2113)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Century Group International Holdings Limited (the “**Company**”) hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 March 2020.

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the year ended 31 March 2021 amounted to approximately HK\$247.5 million (for the year ended 31 March 2020: approximately HK\$251.8 million).
- Gross loss for the year ended 31 March 2021 amounted to approximately HK\$28.5 million (for the year ended 31 March 2020: gross profit of approximately HK\$7.9 million).
- Loss attributable to owners of the Company for the year ended 31 March 2021 amounted to approximately HK\$31.9 million (for the year ended 31 March 2020: approximately HK\$8.1 million).
- Basic and diluted loss per share for the year ended 31 March 2021 amounted to approximately HK4 cents (for the year ended 31 March 2020: approximately HK1 cents).
- The Board does not recommend the declaration of a dividend for the year ended 31 March 2021.

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

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Revenue	4	<b>247,530</b>	251,760
Cost of sales and services		<b>(275,984)</b>	(243,868)
Gross (loss) profit		<b>(28,454)</b>	7,892
Impairment losses under expected credit loss model, net of reversal	10, 11	<b>267</b>	(754)
Other income, other gains and losses	5	<b>8,833</b>	1,421
Administrative expenses		<b>(13,926)</b>	(17,485)
Finance costs	6	<b>(46)</b>	(1,042)
Loss before taxation		<b>(33,326)</b>	(9,968)
Income tax credit	7	<b>1,464</b>	1,823
Loss for the year		<b>(31,862)</b>	(8,145)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>30</b>	—*
Reclassification of cumulative translation reserve upon disposal of foreign operations		<b>(1)</b>	—
		<b>29</b>	—*
Total comprehensive expense for the year		<b>(31,833)</b>	(8,145)
Loss for the year attributable to:			
Owners of the Company		<b>(31,886)</b>	(8,145)
Non-controlling interests		<b>24</b>	—*
		<b>(31,862)</b>	(8,145)
Total comprehensive expense for the year attributable to:			
Owners of the Company		<b>(31,857)</b>	(8,145)
Non-controlling interests		<b>24</b>	—*
		<b>(31,833)</b>	(8,145)
Loss per share (HK cents)			
– Basic and diluted	9	<b>(4)</b>	(1)

\* *Less than HK\$1,000*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Plant and equipment		2,516	12,820
Right-of-use assets		1,086	471
Goodwill		—	2
		<b>3,602</b>	13,293
<b>Current assets</b>			
Inventories		—	28
Trade and other receivables, deposits and prepayments	10	21,828	7,450
Contract assets	11	61,927	56,475
Restricted bank balances		15,618	15,455
Bank balances and cash		7,818	27,579
		<b>107,191</b>	106,987
Assets classified as held for sale		478	—
		<b>107,669</b>	106,987
<b>Current liabilities</b>			
Trade and other payables	12	42,078	40,517
Amount due to a director of a subsidiary	13	17,000	—
Amount due to a shareholder	13	1,500	—
Provisions	14	2,572	—
Contract liabilities		1,115	—
Lease liabilities		654	442
		<b>64,919</b>	40,959
<b>Net current assets</b>		<b>42,750</b>	66,028
<b>Total assets less current liabilities</b>		<b>46,352</b>	79,321

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>405</b>	38
Deferred tax liability		<b>180</b>	1,659
		<u><b>585</b></u>	<u>1,697</u>
<b>Net assets</b>		<u><b>45,767</b></u>	<u>77,624</u>
<b>Capital and reserves</b>			
Share capital		<b>8,048</b>	8,048
Reserves		<b>37,719</b>	69,576
		<u><b>45,767</b></u>	<u>77,624</u>
Equity attributable to owners of the Company		<b>45,767</b>	77,624
Non-controlling interests		–	–*
		<u><b>45,767</b></u>	<u>77,624</u>
<b>Total equity</b>		<u><b>45,767</b></u>	<u>77,624</u>

\* *Less than HK\$1,000*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). On 16 December 2019, the Company’s former immediate holding company, China Century Holdings Limited (“**China Century**”), a company incorporated in the British Virgin Islands, has disposed of 225,330,000 shares of the Company, representing 28% of the total issued share capital of the Company to D’ Legem Group Limited (“**D’ Legem**”), a company with limited liability incorporated in Hong Kong. On 20 December 2019 and 24 December 2019, China Century further disposed of on the Stock Exchange 201,185,000 and 134,020,000 shares of the Company, respectively. Immediately after these transactions, D’ Legem becomes the immediate and ultimate shareholder of the Company. Its ultimate controlling party is Mr. Chow Hon.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the address of the principal place of business of the Company is Office D, 16/F., Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, N.T., Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of construction and site formation services and trading of liquefied natural gas.

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

### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group had bank balances and cash of approximately HK\$7.8 million, while its trade and other payables and amount due to a director of a subsidiary and a shareholder of approximately HK\$42.1 million, HK\$17 million and HK\$1.5 million, respectively as at 31 March 2021, and the Group incurred a net loss of approximately HK\$31.9 million and net operating cash outflow of approximately HK\$39.5 million for the year ended 31 March 2021. A significant portion of the net loss for the year ended 31 March, 2021 is caused by the suspension of a project due to the adverse effect of Coronavirus 2019 pandemic (the “**Pandemic**”) resulting a loss of approximately HK\$16.3 million incurred in that project for the year to the Group. The Pandemic continues to negatively affect the markets in which the Group operates and consequently the Group’s ability to continue as a going concern is dependent on the Group’s adjustment of its strategies to mitigate the possible further impact of the Pandemic on the Group’s financial results and cashflows, and the successful implementation of the Group’s cost optimization and reduction measures so as to improve working capital and cashflow position as well as successful obtaining additional new sources of financing extended by legitimate financial institutions to the Group. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations including

future operating cash flows and facilities extended to the Group from legitimate financial institutions. Having given due consideration on the above matters, the directors of the Company are confident that the Group will be able to obtain and maintain sufficient financial resources to meet its financial obligations when they fall due for at least the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

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

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

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

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

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

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

The Group has applied *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

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

#### 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 <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>
Amendments to HKAS 1	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 June 2020.

5 Effective for annual periods beginning on or after 1 January 2021.

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

#### **Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract**

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group's assessment of onerous contracts in relation to construction contracts.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

#### **4. REVENUE AND SEGMENT INFORMATION**

##### **(a) Revenue**

Disaggregation of revenue from contracts with customers

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Sales of goods</b>		
– Sales of liquefied natural gas and construction materials in the People's Republic of China ("PRC")	<b>59,480</b>	322
<b>Construction and site formation services in Hong Kong</b>		
Private sector	–	523
Public sector	<b>188,050</b>	250,915
	<b>247,530</b>	251,760
 <i>Timing of revenue recognition</i>		
	<b>Year ended</b> <b>31/3/2021</b> <i>HK\$'000</i>	Year ended 31/3/2020 <i>HK\$'000</i>
Over time	<b>188,050</b>	251,438
At a point in time	<b>59,480</b>	322
	<b>247,530</b>	251,760

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

The transaction price of construction work allocated to the remaining performance obligations as at 31 March 2021 amounts to approximately HK\$276,350,000 (2020: HK\$175,092,000). The Directors expect that all the remaining performance obligations will be recognised as revenue over the next two years (2020: one year) from the end of the reporting period.

### (b) Segment information

Information reported to the directors of the Group, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance is based on the nature of business.

The Group’s reportable segments under HKFRS 8 *Operating Segments* are as follows:

- a. Construction and site formation business – provision of construction and site formation services
- b. Trading business – sales of liquefied natural gas and construction materials

#### (i) Geographical information

The Group earns revenue from external customers in two main geographical areas:

- a. The PRC
- b. Hong Kong

Information about the Group’s revenue from external customers is presented based on the location of the goods delivered and the projects carried out, as follows:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
The PRC	59,480	322
Hong Kong	188,050	251,438
	<u>247,530</u>	<u>251,760</u>

#### (ii) Information about major customers

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

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Customer A (note 1)	66,620	107,648
Customer B (note 1)	65,578	39,977
Customer C (note 2)	46,206	N/A*
	<u>178,404</u>	<u>147,625</u>

\* The corresponding revenue did not contribute over 10% of total revenue of the Group.

*Notes:*

- (1) Revenue from Construction business.
- (2) Revenue from Trading business.

## 5. OTHER INCOME, OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	165	166
Gain on disposals of plant and equipment	2,536	696
Gain on disposal of investments in subsidiaries	27	71
Government grants	7,967	–
Provision for onerous contracts ( <i>note</i> )	(2,572)	–
Refund of contributions from MPF Scheme	–	332
Others	710	156
	<u>8,833</u>	<u>1,421</u>

During the current year, the Group recognised government grants of approximately HK\$7,967,000 in respect of COVID-19 related subsidies and HK\$7,646,000 of which relates to Employment Support Scheme and the balance HK\$321,000 relates to an One-off Subsidy for Transport Trades.

*Note:* refer note 14, provisions.

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
– secured loan ( <i>note</i> )	–	1,013
– lease liabilities	46	29
	<u>46</u>	<u>1,042</u>

*Note:* During the year ended 31 March 2020, the Group had raised a secured loan of HK\$30,000,000 which had been fully settled before the end of the last reporting period.

## 7. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	15	3
Deferred taxation	<u>(1,479)</u>	<u>(1,826)</u>
Income tax credit	<u><u>(1,464)</u></u>	<u><u>(1,823)</u></u>

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI as there is no income tax imposed in such jurisdictions.

No provision for Hong Kong Profits Tax has been made for the year as there was no assessable profits generated for the year (2020: the Group had sufficient agreed tax losses brought forward to set off the estimated assessable profits in full for that year).

In accordance with the “Notice on implementing Generalised Preferential Tax Treatment for Small Low-profit Enterprises” (Caishui [2019] No. 13), certain of the Group’s PRC entities which are qualified as small and thin profit enterprises with an annual taxable income of RMB1 million or less enjoyed a preferential tax rate of 25% of its taxable income, with the residual 80% exempted.

## 8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of basic loss per share for the year attributable to the owners of the Company	<u><u>(31,886)</u></u>	<u><u>(8,145)</u></u>
	<b>2021 '000</b>	<b>2020 '000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>804,750</u></u>	<u><u>786,654</u></u>

No diluted loss per share were presented as there were no dilutive potential ordinary shares in issue for both years ended 31 March 2021 and 2020.

#### 10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from contracts with customers	15,875	4,368
Less: Allowance for credit losses	<u>(265)</u>	<u>–</u>
	15,610	4,368
Prepayments, deposits and other receivables	<u>6,218</u>	<u>3,082</u>
	<u><b>21,828</b></u>	<u><b>7,450</b></u>

As at 1 April 2019, trade receivables from contracts with customers amounted to approximately HK\$12,171,000.

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers of construction contracts, and the credit period of individual customer of construction contracts is considered on a case-by-case basis and stipulated in the project contract, as appropriate. In respect of sales of liquefied natural gas, payment is required to be settled by 30 days from presentation of sales invoice. The following is an aged analysis of trade receivables, presented based on the date of the certified report and invoice date which approximates revenue recognition date at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	11,745	2,150
31 to 60 days	4,099	1,708
61 to 365 days	<u>31</u>	<u>510</u>
	15,875	4,368
Less: Allowance for credit losses	<u>(265)</u>	<u>–</u>
	<u><b>15,610</b></u>	<u><b>4,368</b></u>

As at the reporting date, 31 March 2021, included in the Group's trade receivables balance is a debtor with aggregate carrying amount of approximately HK\$31,000 (2020: HK\$510,000) which is past due between 61 to 365 days as at the reporting date and this past due amount is not considered in default as this amount has been fully settled subsequent to the reporting date.

## 11. CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unbilled revenue of construction contracts	28,589	24,863
Retention receivables of construction contracts	33,338	31,612
	<u>61,927</u>	<u>56,475</u>

As at 1 April 2019, contract assets amounted to approximately HK\$43,523,000.

The Group's construction contracts normally include payment schedules which require stage payments certified by the main contractors over the construction period. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to one to two years retention period for 5% to 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The contract assets also include the Group's rights to consideration for work completed but not yet billed at the year end date. The contract assets are transferred to trade receivables when the rights become unconditional.

The amount of contract assets that is expected to be recovered after more than one year is approximately HK\$13,767,000 (2020: HK\$11,825,000) all of which relate to retentions.

During the year ended 31 March 2021, approximately HK\$532,000 of ECL on contract assets are reversed (2020: HK\$754,000 was recognised as provision for ECL on contract assets).

## 12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	19,733	16,363
Retention payables ( <i>note</i> )	6,459	4,681
Accrued expenses and other payables ( <i>note i</i> )	15,886	19,473
	<u>42,078</u>	<u>40,517</u>

*Note:* As at 31 March 2021, the amount of the Group's retention payables expected to be due after more than twelve months was approximately HK\$3,632,000 (2020: HK\$3,716,000).

*Note i:* As at 31 March 2020, the amount included HK\$6,000 tax payable.

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 60 days. In respect of purchases of liquefied natural gas, the credit period is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 to 30 days	<b>12,695</b>	7,417
31 to 60 days	<b>3,390</b>	4,959
61 to 90 days	<b>2,297</b>	676
91 to 365 days	<b>1,351</b>	3,311
	<b><u>19,733</u></b>	<u>16,363</u>

### 13. AMOUNT DUE TO A DIRECTOR OF A SUBSIDIARY/A SHAREHOLDER

The amount due to a director of a subsidiary and a shareholder is non-trade in nature, unsecured, interest-free and is repayable on demand.

### 14. PROVISIONS

The provision was made for onerous contracts for construction services during the year ended 31 March 2021. Under these contracts, the management of the Group estimates the unavoidable cost of meeting the obligations will exceed the economic benefits expected to be derived from the revenue generated by these contracts which is expected to be completed in next year. The provision for onerous contracts was recognised in “Other income, other gain and losses”.

The provision represents management’s best estimate of the Group’s liability under these contracts. These amounts have not been discounted for the purposes of measuring the provision for onerous contracts, because the effect is not material.

	<i>HK\$'000</i>
At 1 April 2020	–
Provision for the year	<u>2,572</u>
At 31 March 2021	<b><u>2,572</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group has over 19 years of experience in providing site formation works as a subcontractor in Hong Kong. The site formation works undertaken by the Group generally include (a) general earthworks (including soil and rock excavation, disposal of construction and demolition materials, backfilling and compaction for forming a new site or achieving designed formation level for later development); (b) tunnel excavation works (including rock excavation works for construction of tunnels through drill and break and/or drill and blast methods as well as construction of associated temporary tunnel support structures); (c) foundation works (including excavation and lateral support works (the “ELS”) and associated structural works for construction of pile caps for commercial and residential building projects); and (d) road and drainage works. During the year, in order to diversify the business risk, the Group continues its trading of LNG business in China. For the Reporting Period, the revenue for trading of LNG in China for the year was HK\$56.4 million (2020: HK\$0.3 million). The increase was due to inclusion of full year results of trading of LNG business as compared to about 10 days in last year.

As at 31 March 2021, there were 8 (2020: 7) projects on hand with total contract sum amounting to approximately HK\$623.5 million (2020: HK\$493.9 million). Most of the 8 projects are short term and small in size. For the Reporting Period, there were 9 (2020: 3) projects of total contract sum amounting to approximately HK\$175.1 (2020: HK\$60.9) million, completed and contributed a turnover of HK\$78.4 (2020: HK\$61.1) million to the Group.

During the Reporting Period, the Group was awarded 10 projects (2020: 5) relating to site formation, road and drainage works and marine works project mainly in Island District and the Sai Kung District with total contract sum of approximately HK\$294.6 million (2020: HK\$146.6 million). Four of the ten projects were already completed in the year contributing a turnover of HK\$11.9 million. The remaining six projects with total contract sum of approximately HK\$270.8 million form part of the 8 projects on hand at 31 March 2021. Approximately HK\$33.9 million was recognised as revenue from these six projects during the Reporting Period. As at 31 March 2021, the eight projects on hand are in progress and HK\$388.7 million (including HK\$33.9 million from the six projects awarded during the year) has been recognised as revenue up to 31 March 2021.

Below set out a list of projects completed during the Reporting Period and those projects which are still in progress at 31 March 2021:

Site Location	Type of Work	Status	Contract Sum (HK\$'Million)
Islands District	Airport road diversion and reinstatement of footpath	Completed	13.6
Islands District	Earthworks, excavation and lateral support works (the "ELS") and breaking off pile heads	Completed	13.6
Kwun Tong District	Site formation works	In progress	310.0
Southern District	Site formation, ELS and slope stabilisation works	Completed	60.4
Islands District	Drainage and duct works	Completed	2.3
Shatin District	Site clearance, demolition work and earthwork	In progress	42.7
Islands District	Road and drainage works	Completed	61.4
Islands District	Road and drainage works*	In progress	62.1
Islands District	Road and drainage works*	In progress	47.9
Sai Kung District	Temporary road diversion works*	Completed	4.9
Kowloon City District	Desilting works*	Completed	5.4
Southern District	Excavation works*	Completed	3.4
Southern District	Underground drainage works*	Completed	10.1
Islands District	Minor works*	In progress	0.2
Islands District	Foundation works*	In progress	45.8
Islands District	Awe sewer works*	In progress	1.8
Sai Kung District	ELS and shoring works*	In progress	113.1

\* Newly awarded in the period under review

## PROSPECTS

2021 will be full of opportunities and challenges. With the pandemic anticipated to continue raging globally, many countries have implemented various public health measures and entry-exit restrictions, which have had a large impact on our market and many industries. Besides the construction companies would strictly control their budgets and might thereby delay or cut down their planned projects in Hong Kong. If any workers in the site infected by the pandemic, we would respond to suspend the site immediately. This business interruption cannot be avoided and loss sustained by such interruption cannot be budgeted.

For Hong Kong business, the planned commitment in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. Whilst factors including but not limited to difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers and other unforeseen problems or circumstances that may occur during project implementation continue to be threats that likely affect the Group's profit as a subcontractor. For China business, the Group will continue to assess and explore any other business opportunities.

Looking forward, the Group will continue to run Hong Kong and China business. The Group will continue to develop business of undertaking site formation works in Hong Kong and at the same time the Group will carefully evaluate each project and control the Group's overall costs to a reasonable level. Further, the Group will try to increase the volume of China business as mentioned above and the Group will actively seek any other potential business opportunities in Hong Kong and China that will broaden the sources of income and enhance value to the shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

During the Reporting Period, the Group's revenue was amounted to approximately HK\$247.5 million (2020: approximately HK\$251.8 million), representing a decrease of approximately HK\$4.2 million or 1.7% from the previous year. The decrease was mainly attributable to the suspension of the Lam Tin Project for two months in the year 2021 due to some workers from the site got infected by the pandemic. Further, the performance of trading of LNG business in China was below our expectation which only contributed to approximately HK\$56.4 million to the Group's revenue.

During the Reporting Period, the revenue of the Group was mainly contributed by 16 projects, whereas revenue of the Group for last year ended 31 March 2020 was contributed by 13 projects. During the year, the Group was awarded 10 projects with total contract sum of approximately HK\$294.6 million whereas in contrast the Group was awarded five projects with total contract sum of approximately HK\$146.6 million in last year.

### **Gross loss and gross loss ratio**

For the Reporting Period, the Group sustained a total gross loss was approximately HK\$28.5 million, and there is a turnaround from a gross profit of approximately HK\$7.9 million for the year ended 31 March 2020. Besides there was an increase in the number of projects as compared with that in 2020, the average contract sum per contract is smaller than those projects in last year. The management continued to execute a tight control on cost, quality of work and the time to completion of projects. Further, there was an increase in project costs due to delay in work progress under the effect of the pandemic.

## **Other revenue**

The other revenue of the Group achieved in the Reporting Period amounted to approximately HK\$11.4 million, representing an increase of approximately 702% compared with approximately HK\$1.4 million for the year ended 31 March 2020. The increase is mainly due to subsidies from the Employment Support Scheme of the Government of HK\$7.6 million and an increase of HK\$1.8 million to HK\$2.5 million on gain on disposal of fixed assets for the year (2020: HK\$0.7 million).

## **Administrative expenses**

The administrative expenses of the Group for the Reporting Period amounted to approximately HK\$13.9 million, representing a decrease of approximately 20% compared with approximately HK\$17.5 million for the year ended 31 March 2020. Such decrease was in line with the decrease in revenue of the year.

## **Loss and total comprehensive expense for the year**

Loss and total comprehensive expense for the year of the Group amounted to approximately HK\$31.8 million (2020: HK\$8.1 million). The increase in loss amounted to approximately HK\$23.7 million or 290% was mainly attributable to decrease in revenue and increase in the cost of sales mainly caused by the suspension of the Lam Tin Project as mentioned above.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

As at 31 March 2021, the Group had bank balances of approximately HK\$7.8million (2020: approximately HK\$27.6 million). The decrease was in line with the decrease in revenue. The interest-bearing debts of the Group as at 31 March 2021 was nil (2020: nil).

The gearing ratio is calculated based on the amount of total interest-bearing debts divided by total equity. The gearing ratio of the Group as at 31 March 2021 was nil (2020: nil).

## **PLEDGE OF ASSETS**

There was no material charge on the Group's assets as at 31 March 2021 and 2020.

## **FOREIGN EXCHANGE RISK**

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. For the Reporting Period, the Group traded LNG business in China. The volume of China business is HK\$59.4 million or 24% to total revenue. The Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2021, the Group employed 207 staff (2020: 211 staff). On average, the Group employed 203 staff during the year (2020: 167 staff). Total staff costs including directors' emoluments for the year, amounted to approximately HK\$77.2 million (2020: approximately HK\$70 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

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

## **CAPITAL STRUCTURE**

During the Reporting Period, there has been no change in capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserves. As at 31 March 2021, the Company's issued share capital was HK\$8.0 million (2020: HK\$8 million).

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

During the Reporting Period, the Group did not hold any significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

## **SEGMENTAL INFORMATION**

An analysis of the performance of the Group for the year by business segments is set out in note 4 to the consolidated financial statements of this report.

## **CAPITAL COMMITMENTS**

As at 31 March 2021, the Group did not have any capital commitments (31 March 2020: Nil).

## **CONTINGENT LIABILITIES**

As at 31 March 2021, the Group did not have any significant contingent liabilities (31 March 2020: Nil).

## **Change of Directors**

With effect from 14 May 2020,

Change of independent non-executive Directors and compositions of Board committees:

- a) Mr. Cheung Wai Lun Jacky (“**Mr. Cheung**”) has resigned from his position as the independent non-executive Director, and has ceased to act as the member of Audit Committee, member of Nomination Committee, and chairman of Remuneration Committee;
- b) Mr. Law Ka Ming Michael (“**Mr. Law**”) has been appointed as an independent non-executive Director, and he has been appointed as the member of Audit Committee, member of Nomination Committee, and chairman of Remuneration Committee.

### **Change of Company Secretary and authorized representative**

With effect from 28 May 2021, Mr. Lo Wing Sang (“**Mr. Lo**”) resigned as the company secretary of the Company (the “**Company Secretary**”) and ceased to act as an authorized representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and an authorized representative of the Company for accepting service of process or notices in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (collectively, the “**Authorized Representative**”). Following the resignation of Mr. Lo, Mr. Lee Cheuk Man (“**Mr. Lee**”) was appointed as the Company Secretary and Authorized Representative in place of Mr. Lo.

Mr. Lee is not an employee of the Group and Mr. Ip Wai Sing, the executive Director, is the person whom Mr. Lee can contact for the purpose of code provision F.1.1 of the Code.

During the Reporting Period, Mr. Lo has undertaken not less than 15 hours of relevant professional training in accordance with the Listing Rules.

### **CHAIRMAN AND CEO**

The Chairman is Mr. Wang Feng. The Board is still looking for any suitable candidates to fill in the vacancy of CEO. Upon the period of change in senior management of the Company, the role of CEO keeps vacant and the duties will be borne by both our executive directors, Messrs. Wang and Ip. It breaches with the principles and the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules.

Pursuant to Code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Notwithstanding the deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer by the same person can facilitate execution of the Group’s business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which currently consists of two executive Directors and three independent non-executive Directors, the interest of the shareholders of the Company will be adequately and fairly represented.

## **ANNUAL GENERAL MEETING**

The notice of the 2021 annual general meeting (the “**AGM**”) will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course. The period for closure of register of members of the Company for determining the entitlement to attend and vote at the AGM will be set out in the notice of AGM.

## **REVIEW OF FINANCIAL INFORMATION**

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Law Ka Ming Michael, Mr. Chung Man Lai and Mr. Tang Chi Wai. The Group’s consolidated financial statements and final results for the Reporting Period have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made, and have been audited by the Group’s auditors, Messrs. Clement C.W. Chan & Co.

## **DIVIDEND**

The Directors do not recommend payment of a dividend for the year ended 31 March 2021 (2020: Nil).

## **CORPORATE GOVERNANCE**

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders’ interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules on the Stock Exchange.

In the opinion of the Directors, save as disclosed under section “Change of Directors” in this announcement, the Company has complied with all code provisions as set out in the CG Code during the Reporting Period and, where appropriate, the applicable recommended best practices of the CG Code.

## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (“**the Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. On specific enquiry made, all Directors have confirmed that throughout the Reporting Period, they have complied with the required standard as set out in the Model Code.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the Reporting Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company.

## **PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY**

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.cherishholdings.com](http://www.cherishholdings.com). The annual report of the Company for the Reporting Period containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

By order of the Board  
**Century Group International Holdings Limited**  
**Wang Feng**  
*Chairman*

Hong Kong, 29 June 2021

*As at the date of this announcement, the Board comprises Mr. Wang Feng, Mr. Ip Wai Sing, as executive Directors and Mr. Law Ka Ming Michael, Mr. Chung Man Lai and Mr. Tang Chi Wai as independent non-executive Directors.*