Grand Talents Group Holdings Limited
廣駿集團控股有限公司

(Incorporated In The Cayman Islands With Limited Liability)
Stock Code: 8516

ANNUAL REPORT 2022

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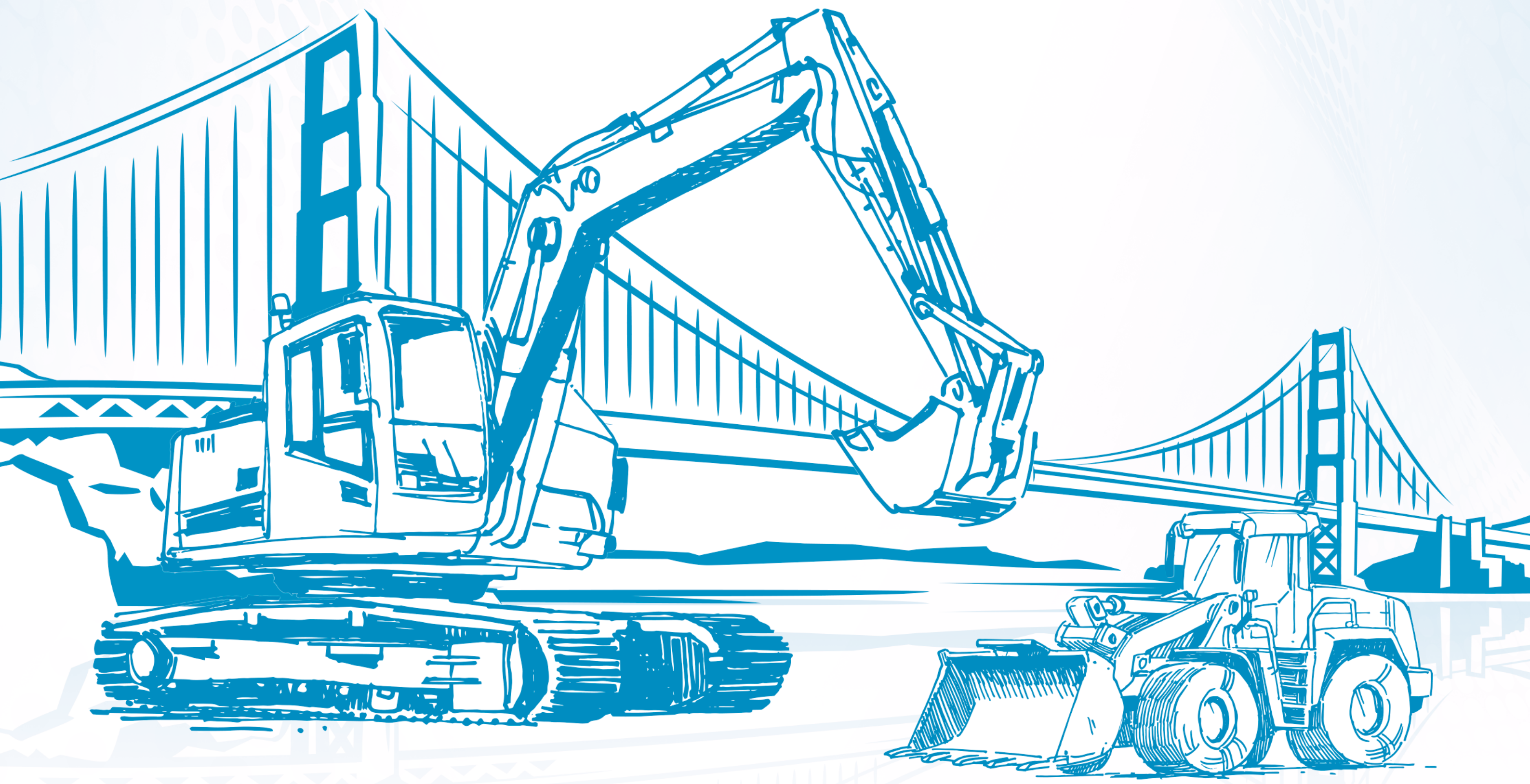

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BOARD OF DIRECTORS

Executive Directors

Mr. Ha Chak Hung *(Chairman)*
Mr. Ip Chu Shing *(Chief Executive Officer)*
Ms. Tang Minzhen (resigned on 6 September 2021)

Independent Non-executive Directors

Ms. Tang Shui Man
Dr. Fok Wai Sun
Mr. Yuk Kai Yao

AUDIT COMMITTEE

Ms. Tang Shui Man *(Chairman)*
Dr. Fok Wai Sun
Mr. Yuk Kai Yao

REMUNERATION COMMITTEE

Dr. Fok Wai Sun *(Chairman)*
Ms. Tang Shui Man
Mr. Yuk Kai Yao
Mr. Ha Chak Hung

NOMINATION COMMITTEE

Mr. Yuk Kai Yao *(Chairman)*
Ms. Tang Shui Man
Dr. Fok Wai Sun
Mr. Ha Chak Hung

COMPANY SECRETARY

Ms. Wong Chi Ling *(CPA, FCCA, FCA)*

AUTHORISED REPRESENTATIVES

Mr. Ha Chak Hung
Ms. Wong Chi Ling

COMPLIANCE OFFICER

Mr. Ha Chak Hung

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
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Hong Kong

PRINCIPAL BANKER

Fubon Bank (Hong Kong) Limited

CORPORATE INFORMATION

AUDITOR

BDO Limited
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Hong Kong

COMPANY'S WEBSITE

www.grandtalentsgroup.com.hk

STOCK CODE

8516

HIGHLIGHTS

- The revenue of the Group remained stable at approximately HK$42.5 million for the year ended 31 March 2022 and approximately HK$42.2 million for the year ended 31 March 2021.

- The gross profit was approximately HK$3.8 million for the year ended 31 March 2022, representing a decrease from gross loss of approximately HK$4.0 million for the year ended 31 March 2021. Such decrease was mainly due to the Group recorded decrease in the cost of revenue.

- The loss attributable to owners of the Company is approximately HK$20.4 million for the year ended 31 March 2022, as compared to loss of approximately HK$29.5 million recorded for the year ended 31 March 2021. Such decrease was mainly due to increase in gross profit and decrease in administrative expenses, impairment loss on property, plant and equipment and right-of-use assets and income tax expense.

- The board of directors of the Company (the "**Board**") does not recommend the payment of any dividend for the year ended 31 March 2022.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Company for the year ended 31 March 2022 (the "**Reporting Period**").

BUSINESS REVIEW

The Group is an established subcontractor engaged in the provision of civil engineering works with over eleven years of experience. The Group principally repairs and maintains structures of roads and highways in Hong Kong, with focus in Kowloon and Hong Kong Island. Since 2013, the Group has extended its services to civil engineering construction works including construction drainage systems in Hong Kong.

The Group has undertaken (i) repair and maintenance projects for roads and highways and other infrastructures such as construction of pavilion and seawall; and (ii) civil engineering construction projects. During the past year, the Company operated under a challenging atmosphere as the outbreak of novel coronavirus ("**COVID-19**") in Hong Kong adversely impacted the Group's construction activities. The construction industry in Hong Kong has also been negatively impacted by the outbreak of the COVID-19, which has caused temporary closure of some construction sites to prevent construction workers from being infected by the contagious disease. In addition, the construction materials supply chains has been seriously interrupted due to lock down policies in China and thus our construction completion activities had been delayed. Although the Group witnessed an increase in the number of available tenders in the industry, the bidding prices have remained relatively competitive in the industry. The project profit margin is still considered very low. Despite the foregoing, the Group has continued to focus on developing its business of undertaking repair and maintenance works and civil engineering construction works in Hong Kong.

FINANCIAL REVIEW

For the year ended 31 March 2022, the revenue of the Group remained stable at approximately HK$42.5 million and approximately HK$42.2 million for the year ended 31 March 2021. The Group's loss before taxation decreased from approximately HK$27.7 million for the year ended 31 March 2021 to approximately HK$20.6 million for the year ended 31 March 2022, which was mainly due to the increase in gross profit and decrease in administrative expenses, impairment loss on property, plant and equipment and right-of-use assets and income tax expense.

OUTLOOK

The outbreak of the COVID-19 throughout the year ended 31 March 2022 has created uncertainty to Hong Kong and imposed negative impacts on the construction industry, including supply chain disruptions, workforce shortages due to illness and quarantines measures, and work stoppages due to measures imposed by the government. Looking forward, despite the outbreak of COVID-19 in Hong Kong, the government strives to resume to execute the infrastructure projects as planned in the coming years. But under the current competitive tendering market, the award tender price for the maintenance projects are really low. Our Group expects this low bid atmosphere will be short-term. With the recently awarded specialised roads repair and maintenance term contract in part of New Territories, our Group will continue to submit tenders for civil engineering projects as well as the maintenance projects in order to gain more profit for the Group and the shareholders of the Company (the "**Shareholders**").

APPRECIATION

I would like to express my gratitude on behalf of the Group to all customers, suppliers, subcontractors, business partners and professional parties for their support to our business development. I also take this opportunity to thank the management and employees of the Group for their contribution and commitment throughout the year.

Mr. Ha Chak Hung
Chairman

Hong Kong, 29 June 2022

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of six Directors, including three executive Directors and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining the Group	Relationship with other Director(s) and senior management
Executive Directors				
Mr. Ha Chak Hung (夏澤虹)	47	Chairman and executive Director	8 June 2010	Brother-in-law of Ms. Chung Miu Chi, the accounting manager of the Company
Mr. Ip Chu Shing (葉柱成)	51	Chief Executive Officer and executive Director	8 June 2010	None
Independent non-executive Directors				
Ms. Tang Shui Man (鄧瑞文)	42	Independent non-executive Director	21 September 2018	None
Mr. Yuk Kai Yao (郁繼燿)	41	Independent non-executive Director	21 September 2018	None
Dr. Fok Wai Sun (霍惠新)	49	Independent non-executive Director	21 September 2018	None

EXECUTIVE DIRECTORS

Mr. Ha Chak Hung (夏澤虹) ("Mr. Ha"), aged 47, is the Chairman and executive Director of our Group. Mr. Ha was appointed as a Director on 23 October 2017 and was redesignated as our executive Director on 21 September 2018. Mr. Ha is responsible for the overall strategic management and development of our business and operations. Mr. Ha is currently a director of Talent Mart Construction Co., Limited ("**TMC**") and Talent Mark Development Limited ("**TMD**"). He is also a member of the Remuneration Committee and Nomination Committee.

Mr. Ha graduated with a Bachelor of Business Administration from Chu Hai College in January 2000. He also completed a Postgraduate Certificate in Business and Management in University of Bradford in July 2014 through distance learning.

Mr. Ha has over 19 years of experience in the roads and highways management and maintenance industry. Mr. Ha began his career as a sales executive in Wah Lam Construction Co., Limited from 1999 to 2001. He then worked as a sales manager in Hongkong United Dockyards Limited from 2001 to 2004. Later, he worked in Good Intelligent Development Engineering Limited from May 2005 to April 2010 and Mr. Ha's major roles and responsibilities included projects co-ordination, marketing and business development. Throughout the period, he acquired extensive knowledge and expertise in the roads and highway management and maintenance industry by participating in different construction projects.

Mr. Ip Chu Shing (葉柱成) ("Mr. Ip"), aged 51, is the Chief Executive Officer and executive Director of our Group. Mr. Ip was appointed as a Director on 23 October 2017 and was redesignated as an executive Director on 21 September 2018. Mr. Ip is responsible for overseeing our operations, business development, human resources, finance and administration. Mr. Ip is currently a director of TMC and TMD.

Mr. Ip obtained a Bachelor of Science in Civil Engineering and a Master of Science in Civil Engineering from San Jose State University in December 1994 and December 1998 respectively.

Mr. Ip has over 26 years of experience in the civil engineering industry, during which he gathered extensive knowledge of the industry and established close relationships with customers, suppliers and subcontractors alike. Mr. Ip began his career as a site engineer in Kin Wing Engineering Company Limited in September 1994 with his last position held as a project engineer in 1997. He then worked as an assistant engineer in Atkins China Limited from May 1997 to August 1997. From 1997 to 1998, Mr. Ip worked as a project manager in Man Wah General Contractor Company Inc. in the United States. He also worked as a design engineer in T. Y. Lin International Consultant Limited in the United States from 1999 to 2000. From 2000 to 2001, Mr. Ip worked as a transportation engineer in California Department of Transportation in the United States. After working as a project engineer in HUD General Engineering Services Limited from 2001 to 2003, he worked as a project manager in Ki Wan Development Limited from April 2005 to December 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tang Shui Man (鄧瑞文) (Ms. Tang), aged 42, was appointed as our independent non-executive Director on 21 September 2018. She is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Ms. Tang is responsible for providing independent judgement on issues relating to our strategy, performance, resources and standard of conduct.

Ms. Tang obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in June 2003.

Ms. Tang worked in Shinewing (HK) CPA Limited from February 2004 to September 2005 with her last position held as an audit semi senior. She then worked in Deloitte Touche Tohmatsu from September 2005 to September 2007 with her last position held as an audit senior. Ms. Tang subsequently worked in Benetton Asia Pacific Limited from October 2007 to January 2009 with her last position held as a financial analyst. She also worked in i.t apparels Limited, a subsidiary of I.T Limited (a company listed on the Main Board of the Stock Exchange (stock code: 0999)) from January 2009 to August 2009 with her last position held as an assistant internal audit manager. She further worked in BWC Capital Markets Limited from September 2009 to July 2010 with her last position held as an internal audit and compliance director. Ms. Tang was an independent non-executive director of China Finance Investment Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 875) from December 2014 to June 2017. Ms. Tang has been working in Tang Clansmen Association as an accounting consultant since 2013.

* *For identification purpose only*

Ms. Tang has been a member and fellow member of the Hong Kong Institute of Certified Public Accountants since July 2011 and March 2019, respectively. She has also been a member and fellow member of the Association of Chartered Certified Accountants since October 2007 and October 2012 respectively.

Mr. Yuk Kai Yao (郁繼燿) ("Mr. Yuk"), aged 41, was appointed as our independent non-executive Director on 21 September 2018. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Yuk is responsible for providing independent judgement on issues relating to our strategy, performance, resources and standard of conduct.

Mr. Yuk obtained a Bachelor of Economics and Finance from The University of Hong Kong in December 2004.

Mr. Yuk worked in Shanghai Commercial Bank Limited as a graduate trainee in July 2004 with his last position held as an assistant operations officer in March 2007. He then worked in Standard Chartered Bank (Hong Kong) Limited from March 2007 to September 2007 with his last position held as a manager. Mr. Yuk subsequently worked in The Hong Kong and Shanghai Banking Corporation Limited from September 2007 to March 2012 with his last position held as an associate director. He also worked as a vice president in Hao Tian Management (Hong Kong) Limited, a subsidiary of Hao Tian Development Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0474) from January 2013 to December 2015. He joined as the vice president of sales & marketing department of KP Financial Holdings Limited, a subsidiary of China Financial Services Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0605) since January 2016 and is currently the sales Director. He joined as the executive director of GBA Holdings Limited, a Company listed on the Main Board of the Stock Exchange (stock code: 0261) since May 2022.

Dr. Fok Wai Sun (霍惠新) ("Dr. Fok"), aged 49, was appointed as our independent non-executive Director on 21 September 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. Dr. Fok is responsible for providing independent judgment on issues relating to our strategy, performance, resources and standard of conduct.

Dr. Fok obtained a Bachelor of Science in Civil Engineering from San Jose State University in May 1994 and Master of Business Administration in Management from Golden Gate University in April 1995. He later obtained a Bachelor of Science in Quantity Surveying from The University of Reading through distance learning in December 2005. He further obtained a Master of Science in Finance from City University of Hong Kong in November 2006. He continued to pursue his education and graduated with a Doctor of Philosophy in Engineering Management from Neuva Ecija University of Science and Technology in Republic of Philippines through distance learning in June 2010. He also earned Master of Art in Comparative and Public History at The Chinese University of Hong Kong in November 2018 and Graduate Diploma in International Relations at University of London in August 2018.

Dr. Fok worked as an assistant engineer in United Reliance Corporation Limited from July 1995 to March 1996. He then worked as an analyst in Hopewell Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0054), from January 1997 to June 1998. Dr. Fok later worked as a quantity surveyor in Pui Hing Construction Company Limited from January 1999 to August 1999. He then worked as a project manager in KPA Engineering Limited from March 2000 to August 2000. He subsequently worked as a quantity surveyor/estimator in Lam Geotechnics Limited from September 2000 to February 2002. Dr. Fok also worked as a technical manager in Stanger Asia Limited from May 2002 to November 2012. He has been a senior manager in Castco Testing Centre Limited since December 2012.

Dr. Fok was admitted to memberships of the following institutions and bodies:

Name of institution	Membership grade	Active period of membership
Hong Kong Institution of Engineers	Member	August 2016–Present
Hong Kong Concrete Institute	Fellow member	May 2016–December 2018
The Royal Institute of Chartered Surveyors	Professional member	April 2007–April 2008
The Institution of Civil Engineers	Member	March 2006–Present
The Chartered Institute of Building	Member	June 2003–June 2004
The Chartered Institute of Arbitrators	Associate	December 2002–December 2003
The American Society of Civil Engineers	Member	June 2001–December 2018

Dr. Fok has been a certified cost engineer of the Association for Advancement of Cost Engineering and a chartered engineer accredited by Engineering Council in the United Kingdom since February 2002 and April 2006 respectively. Dr. Fok has been certified by the Hong Kong Engineers Registration Board as a Registered Professional Engineer (RPE).

SENIOR MANAGEMENT

The following table sets forth certain information of our senior management:

Name	Age	Present Position	Date of joining us	Relationship with other Director(s) and senior management
Ms. Chung Miu Chi (鍾妙姿)	38	Accounting Manager	2 January 2017	Sister-in-law of Mr. Ha
Mr. Law Wah Moon (羅華滿)	63	Project Manager	1 November 2018	None
Mr. Lau Kwok Wang (劉國宏)	67	Site Agent	1 April 2021	None
Mr. Chan Kwong Ming (陳光明)	64	Site Agent	1 November 2020	None

Ms. Chung Miu Chi (鍾妙姿) ("Ms. Chung"), aged 38, was appointed as our accounting manager and accounting supervisor on 2 January 2021 and 2 January 2017, respectively. She is responsible for our overall management and operations of finance and accounting.

Ms. Chung obtained a Diploma in Pitman Secretarial Studies from Man Sheung College in July 2001. She completed a full-time English Language Intensive Course for Overseas Students held by Central TAFE in Perth, Western Australia in November 2002.

Prior to joining us, Ms. Chung worked as a temporary clerk in Crosston International Investment Limited from January 2003 to April 2003. She then worked as a contract clerk in Bureau Veritas Consumer Products Services Hong Kong Ltd. from February 2004 to February 2005. Ms. Chung later worked in Sheen Busy Limited from October 2005 to March 2006 with her last position held as a site clerk. She further worked as a site clerk in China State Construction Limited and New Fordly Engineering Limited from January 2007 to May 2008 and May 2010 to April 2011 respectively. Ms. Chung subsequently worked as an administration clerk in Kaiser Global (Hong Kong) Company Limited and Kaiser Global from May 2011 to February 2015 and from March 2015 to December 2016 respectively.

Ms. Chung is the sister-in-law of Mr. Ha.

Mr. Law Wah Moon (羅華滿) ("Mr. WM Law"), aged 63, is our project manager. Mr. WM Law first joined us as a project manager in November 2018. Mr. WM Law is responsible for overseeing and monitoring our projects, operations and business development.

Prior to joining us, Mr. WM Law worked as a site Agent in Shun Yuen Construction Co., Limited from 2003 to 2007. Mr. WM Law worked as a site agent in CRBC-WCCL Joint Venture from 2012 to 2017. Mr. WM Law worked as sub-Agent in Welcome Construction Company Limited from 2017 to 2018.

Mr. Lau Kwok Wang (劉國宏) ("Mr. KW Lau"), aged 67, is our site agent. Mr. KW Lau first joined us as a site agent in April 2021. Mr. KW Lau is responsible for monitoring our projects.

Prior to joining us, Mr. KW Lau worked as a general foreman in Hanson Construction Co. from 1986 to 1988 with his last position held as a site agent in 1989. Mr. KW Lau worked as a site agent in Shun Hing Construction Co., Limited and Paul Y ITC Limited from 1989 to 2003. Mr. KW Lau worked as foreman in NFY Nursery Limited from 2003 to 2004. Mr. KW Lau worked as a site agent in Chiu Hing Construction Co., Limited from 2004 to 2007. Mr. KW Lau worked as site agent in Shun Yuen Construction Co., Limited from 2007 to 2011 with his last position held as a general foreman from 2011 to 2012. Mr. KW Lau worked as a site agent in CRBC-WCCL JV, Welcome Construction Company Limited — Riseway Construction Engineering Limited Joint Venture from 2012 to 2021.

Mr. Chan Kwong Ming (陳光明) ("Mr. KM Chan"), aged 64, is our site agent. Mr. KM Chan first joined us as a site agent in November 2020. Mr. KM Chan is responsible for monitoring our projects.

Mr. KM Chan obtained a Bachelor's degree in Civil Engineering from National Taiwan University (Taiwan) in June 1986.

Prior to joining us, Mr. KM Chan worked as a site agent in Shun Yuen Construction Co., Limited from 1986 to 1992. Mr. KM Chan worked as a contract manager in Hung Mau Construction Co., Limited, Chiu Hing Construction & Transportation Co., Limited and Wing Fai Construction Co., Limited from 1992 to 2004. Mr. KM Chan worked as contract representative in CPC Construction H.K. Limited and Hung Mau Construction Co., Limited from 2004 to 2006. Mr. KM Chan worked as a senior site agent in China Harbour Construction Co., Limited and China Road & Bridge Endrg. (Hong Kong) Limited from 2006 to 2017. Mr. KM Chan worked as site representative in Hong Kong Polly Limited from 2017 to 2018.

COMPANY SECRETARY

Ms. Wong Chi Ling (黃子玲) ("Ms. Wong") was appointed as the company secretary on 30 April 2021.

Ms. Wong currently serves as the head of finance and operations of an insurance underwriting agencies company and is responsible for the overall finance, operations and compliance functions of the group companies. She has been an associate member of Hong Kong Institute of Certified Public Accountants since February 1999. Ms. Wong graduated from The Hong Kong Polytechnic University with a bachelor degree of arts in accountancy.

COMPLIANCE OFFICER

Mr. Ha is the compliance officer of our Group. For details of his biographical details, please refer to the paragraph headed "Executive Directors" in this section.

BUSINESS REVIEW

The Group is an established subcontractor engaged in the provision of civil engineering works with over eleven years of experience. The Group principally repairs and maintains structures of roads and highways in Hong Kong, with focus in Kowloon and Hong Kong Island. Since 2013, the Group has extended its services to civil engineering construction works including construction of barrier-free access facilities and drainage systems in Hong Kong.

The Group has undertaken (i) repair and maintenance projects for roads and highways and other infrastructures such as construction of pavilion and seawall; and (ii) civil engineering construction projects. During the past year, the Company operated under a challenging atmosphere as the outbreak of novel coronavirus ("**COVID-19**") in Hong Kong adversely impacted the Group's construction activities. The construction industry in Hong Kong has also been negatively impacted by the outbreak of the COVID-19, which has caused temporary closure of some construction sites to prevent construction workers from being infected by the contagious disease. In addition, the construction materials supply chains has been seriously interrupted due to lock down policies in China and thus or construction completion activities had been delayed. Although the Group witnessed a decrease in the number of available tenders in the industry, the bidding prices have remained relative very competitive in the industry. The project profit margin is still considered very low. Despite this, the Group has continued to focus on developing its business of undertaking repair and maintenance works and civil engineering construction works in Hong Kong.

FINANCIAL REVIEW

Revenue

The Group's revenue principally represented income derived from the provision of civil engineering works such as management and maintenance of roads and highways in Hong Kong and construction projects.

The revenue of the Group was remained stable at approximately HK$42.2 million for the year ended 31 March 2021, to approximately HK$42.5 million for the year ended 31 March 2022.

Cost of revenue

The cost of revenue primarily consists of staff costs, sub-contracting fees, and construction materials and supplies. The cost of revenue decreased by approximately 16.1% from approximately HK$46.1 million for the year ended 31 March 2021 to approximately HK$38.7 million for the year ended 31 March 2022, which was mainly attributable to the decrease in staff costs, contra cost and subcontracting cost.

Gross profit/(loss) and gross profit/(loss) margin

The gross loss was approximately HK$4.0 million for the year ended 31 March 2021 and the gross profit was HK$3.8 million for the year ended 31 March 2022. The gross loss margin was approximately 9.4% and gross profit margin approximately 8.9%. The increase in our gross profit and increase in gross profit margin was primarily due to the Group recorded decrease in the cost of revenue.

Other income

The Group recorded other income of approximately HK$3.2 million during the year ended 31 March 2022 (year ended 31 March 2021: approximately HK$2.5 million). The increase was mainly due to increase of waiver of other payables (note 7(b)) and off set decrease of the receipt of government subsidy from the Employment Support Scheme.

Administrative expenses

Administrative expenses consist primarily of auditor's remunerations, depreciation, directors' remuneration, entertainments, legal and professional fee, motor vehicles expenses, and staff costs. The administrative expenses decreased by approximately 23.4% from approximately HK$15.7 million for the year ended 31 March 2021 to approximately HK$12.0 million for the year ended 31 March 2022. The decrease was mainly due to the decrease in staff costs.

Finance costs

The finance costs increased by approximately 20.7% from approximately HK$1.8 million for the year ended 31 March 2021 to approximately HK$2.2 million for the year ended 31 March 2022. The increase was mainly due to higher interest rate in bank and other borrowings and which were repaid in February 2022.

Income tax

Income tax represents income tax paid or payable by us, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction our Group operates or domiciles. We had no tax payable in other jurisdiction other than Hong Kong during the years ended 31 March 2021 and 2022. We recorded income tax credit of approximately HK$0.2 million for the year ended 31 March 2022, as compared to income tax expenses of approximately HK$1.8 million for the year ended 31 March 2021.

Loss for the year

As a result of the foregoing, the Group's loss decrease from approximately HK$29.5 million for the year ended 31 March 2021 to a loss of approximately HK$20.4 million for the year ended 31 March 2022. Such decrease was mainly due to increase in gross profit and decrease in administrative expenses, impairment loss on property, plant and equipment and right-of-use assets and income tax expense.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

The Group has been maintaining its corporate finance and risk management during the year ended 31 March 2022.

As at 31 March 2022, the Group had net current assets of approximately HK$45.7 million (31 March 2021: approximately HK$29.9 million), of which the cash and cash equivalents were approximately HK$14.2 million (31 March 2021: approximately HK$13.1 million). The Group's current ratio as at 31 March 2022 is approximately 3.1 times (31 March 2021: approximately 1.6 times). The gearing ratio as at 31 March 2022 was approximately 0.6% (as at 31 March 2021: approximately 71.7%) which is calculated on the basis of the Group's all bank and other borrowings, lease liabilities and bank overdraft over the total equity.

Total bank overdraft, bank and other borrowings and lease liabilities of the Group amounted to approximately HK$0.3 million as at 31 March 2022 (31 March 2021: approximately HK$23.3 million). As at 31 March 2022, all bank and other borrowings have been repaid.

The Group adopts centralised financing and treasury policies in order to ensure its funding is utilized efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is susceptible to material risks associated with the Group's business, including but not limited to the following:

I. the Group relies on public sector projects which by their nature are only awarded by a limited number of customers who are normally main contractors of the Government projects

II. the Group's operations may be affected by adverse weather conditions and are subject to other construction risks

III. the Group may not be able to bill and receive the full amounts due from customers for contract work

IV. the amount of revenue that the Group is able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders

V. the Group is exposed to its customers' credit risks and its liquidity position may be adversely affected if its customers fail to make payment on time or in full

VI. Error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred by the Group

VII. the outbreak of COVID-19 may significantly and adversely impact the Group's business operation and financial performance

For further details, please refer to the section headed "Risk Factors" of the prospectus of the Company dated 29 September 2018 (the "**Prospectus**").

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM of the Stock Exchange on 15 October 2018 ("**Listing Date**"). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

CAPITAL EXPENDITURE

Capital expenditure primarily comprised of purchase of construction equipment, furniture fixtures and equipment, computers and motor vehicles. The capital expenditure was funded by net proceeds from the Listing, internal resources, lease liabilities and bank and other borrowings during the years ended 31 March 2022 and 2021.

The following sets forth the Group's capital expenditure as at the dates indicated:

	As at 31 March 2022 HK$'000	As at 31 March 2021 HK$'000
Property, plant and equipment	**5,284**	211

CONTINGENT LIABILITIES

On 19 February 2019, a writ of summons and statement of claim was made by the plaintiff against the Group in respect of the construction services rendered to the Group. The claim is for a sum of approximately HK$1,500,000 together with interest and cost. In the opinion of the directors of the Company, the amount claimed is not reasonable and the Group does not agree to this claim. After obtaining legal advice, the Group considers that the possibility of cash outflow is remote.

Subsequent to the year end date, the plantiff filed a mediation notice to the District Court and attempted to resolve the disputes through mediation and the Group also agreed to the said proposal. Up to the date of authorisation for issue of these consolidated financial statements, there is no significant progress.

On 25 August 2021, a writ of summons was made by the Group, as the plaintiff, against a customer in respect of the construction services rendered by the Group. On 10 December 2021, the Group filed a statement of claims to the court for a sum of approximately HK$15,500,000. Subsequent to deadline of filing the defence, the customer has applied to the court for the extension of filing of defence. Up to the date of the approval for issue of these consolidated financial statements, the customer yet filed the defence nor counter claim to the court and there is no significant progress. Details are set out in note 30(b) to the consolidated financial statements.

PLEDGE OF ASSETS

As at 31 March 2021 and 2022, other than those disclosed in the note 24(c) to the consolidated financial statements, the Group did not have any pledged assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had 54 employees in total (31 March 2021: 63).

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group. The Group is dedicated to providing training programs for new employees and regular on-the-job trainings to employees to enhance their skills and know-how,

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND SIGNIFICANT INVESTMENTS

There was no material acquisition or disposal of subsidiaries and affiliated companies and significant investments by the Group during the year ended 31 March 2022.

IMPORTANT EVENTS AFFECT THE GROUP DURING THE FINANCIAL YEAR

On 16 June 2021, the Company entered into a placing agreement (the "**Placing Agreement One**") with Lego Securities Limited as placing agent (the "**Placing Agent**"), pursuant to which the Company conditionally agreed to place, through the Placing Agent on a best effort basis, up to 91,200,000 new shares (the "**Placing Shares One**") of the Company at a price of HK$0.105 per Placing Share (the "**Placing Price One**") to not less than six independent placees (the "**Placing One**"). The Placing Price One represented a discount of approximately 17.3% to the closing price of HK$0.127 per Share as quoted on the Stock Exchange on 16 June 2021, being the date of the Placing Agreement. The Placing Price One was determined after aim's length negotiation between the Company and the Placing Agent with reference to the prevailing market prices of the Shares. The Directors consider that the terms of the Placing Agreement One (including the Placing Price One and the placing commission) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The completion of the Placing One took place in July 2021 and an aggregate of 91,200,000 Placing Shares One will be issued and allotted to not less than six placees at the Placing Price One of HK$0.105 per Placing Share One, representing approximately 49.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares One immediately upon completion of the Placing One. The aggregate nominal value of the Placing Shares One issued and allotted will be approximately HK$912,000.

On 24 November 2021, the Company entered into a placing agreement (the "**Placing Price Two**") with Lego Securities Limited as placing agent (the "**Placing Agent**"), pursuant to which the Company agreed to place through the Placing Agent new shares in the Company conditional upon, among other things, the share consolidation as described below and the grant of a specific mandate by the shareholders of the Company.

An extraordinary general meeting was held on 24 December 2021, at which, resolutions were passed in relation to (i) the share consolidation of every ten existing shares of the Company of HK$0.01 each into one consolidated share of HK$0.1 each (the "**Share Consolidation**"); and (ii) the placing agreement entered into between the Company and the Placing Agent (as amended by the supplemental placing agreement) and the allotment and issue of a maximum of 57,100,000 placing shares (the "**Placing Shares Two**") pursuant to the specific mandate granted by the shareholders of the Company (the "**Placing Two**"). The Share Consolidation became effective on 24 December 2021.

For details in relation to the Share Consolidation and the Placing Two, please refer to the announcements of the Company dated 24 November 2021, 26 November 2021, 24 December 2021, 31 January 2022 and 8 February 2022 and the circular of the Company dated 8 December 2021.

As at 31 December 2021, the Company had 57,120,000 ordinary shares in issue and the Company's issued share capital was HK$5,712,000. The share capital of the Group only comprises ordinary shares.

The Placing Two of new shares under specific mandate was completed on 8 February 2022 and the Placing Agent successfully placed an aggregate of 57,100,000 Placing Shares Two, representing approximately 49.99% of the issued share capital of the Company as enlarged by the issue of the 57,100,000 Placing Shares Two, to not less than six independent placees at the Placing Price Two of HK$0.535 per Placing Share Two. For details, please refer to the announcement of the Company dated 8 February 2022. The gross and net proceeds from the Placing Two, after deduction of expenses related to the Placing Two, amounted to approximately HK$30.5 million and approximately HK$29.6 million respectively, representing a net issue price of approximately HK$0.101 per Placing Share Two, which were used as the Group's general working capital and repayment of outstanding indebtedness of the Group.

Save as disclosed above, there were no other significant events subsequent to year end and up to the date of this announcement.

DIVIDEND

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

FOREIGN CURRENCY EXPOSURE

Since the Group's business activities are mainly operated in Hong Kong and mainly denominated in Hong Kong dollars, the Directors consider that the Group's risk in foreign exchange is insignificant.

SIGNIFICANT INVESTMENT

At 31 March 2022, the Group did not hold any significant investment.

USE OF PROCEEDS FROM PLACING ONE UNDER GENERAL MANDATE

The net proceeds (after deducting the placing fee and other related expenses incurred in the Placing One) from the Placing One was approximately HK$9.2 million. During the year ended 31 March 2022, the Company had applied all of the net proceeds according to the disclosure as set out in the announcement dated 16 June 2021 (the "**Announcement**").

An analysis of the utilisation of the net proceeds from the Placing One 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 nine months ended 31 March 2022** (HK$'000)	**Unutilised net proceeds as at 31 March 2022** (HK$'000)
Repayment of outstanding indebtedness	8,300	8,300	8,300	—
General working capital	900	900	900	—
Total	9,200	9,200	9,200	—

USE OF PROCEEDS FROM PLACING TWO UNDER SPECIFIC MANDATE

The net proceeds (after deducting the placing fee and other related expenses incurred in the Placing Two) from the Placing Two was approximately HK$29.6 million. During the year ended 31 March 2022, the Company had applied all of the net proceeds according to the disclosure as set out in the announcement dated 8 February 2022 (the "**Announcement**").

An analysis of the utilisation of the net proceeds from the Placing Two 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 nine months ended 31 March 2022 (HK$'000)	Unutilised net proceeds as at 31 March 2022 (HK$'000)
Repayment of outstanding indebtedness	17,800	17,800	17,800	—
Expansion of workforce	6,800	—	—	6,800
General working capital	5,000	5,000	5,000	—
Total	29,600	22,800	22,800	6,800

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The business objectives, implementation plans and planned use of proceeds were based on the estimation and assumption of future market conditions made by the Group for the purpose of Listing. The actual use of proceeds was based on the Group's business operations and development. The net proceeds had been fully utilised up to 31 March 2022 according to the intentions previously disclosed in the Prospectus.

The following is the comparison of the business objectives as stated in the Prospectus and the Group's actual business progress up to 31 March 2022:

Business objectives	Actual business progress up to 31 March 2022
Acquisition of additional machinery and equipment	Fully utilised for acquisition of additional machinery and equipment
Strengthening our manpower	Fully utilised for recruitment of more staff
Strengthening our financial capabilities:	
(i) Surety bond for the tender of new projects	Fully utilised for payment of surety bond
(ii) Surety bond for a project	Fully utilised for payment of surety bond
Working capital	Fully utilised for general working capital

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board is pleased to present its corporate governance report of the Company for the year ended 31 March 2022, pursuant to Rule 18.44(2) of the GEM Listing Rules.

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

The Board believes that good and effective corporate governance practices are keys to obtaining and maintaining the trust of the shareholders of the Company (the "**Shareholders**") and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the Shareholders.

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

The Board is of the view that the Company has complied with all the principles and applicable code provisions of the CG Code throughout the year ended 31 March 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Rules in respect of directors' securities transactions ("**Required Standard Dealing**").

Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2022.

The Company has adopted a Compliance Manual for securities transactions by senior management as written guidelines no less exacting than the Required Standard of Dealing for relevant employees ("**Written Guidelines**") in respect of dealing in the Company's shares.

During the year ended 31 March 2022, the Company is not aware of any incident of non-compliance of the Model Code and Written Guidelines by the relevant employees.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

Board Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. Ha Chak Hung *(Chairman)*
Mr. Ip Chu Shing *(Chief Executive Officer)*
Ms. Tang Minzhen *(resigned on 6 September 2021)*

Independent non-executive Directors

Ms. Tang Shui Man
Mr. Yuk Kai Yao
Dr. Fok Wai Sun

The biographical information of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 7 to 12 of this annual report.

The relationships between the Directors are also disclosed in the respective Director's biography under the section "Biographies of Directors and Senior Management" on pages 7 to 12 of this annual report.

The Company has taken out director liability insurance to cover liabilities arising from legal action against the Directors.

Attendance Records of Directors and Committee Members

The attendance records of each Director at the Board and Board Committee meetings and annual general meeting held during the year ended 31 March 2022 are set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Mr. Ha Chak Hung	6/6	N/A	2/2	2/2	1/1
Mr. Ip Chu Shing	6/6	N/A	N/A	N/A	1/1
Ms. Tang Minzhen *(resigned on 6 September 2021)*	4/6	N/A	N/A	N/A	0/1
Ms. Tang Shui Man	6/6	4/4	2/2	2/2	0/1
Mr. Yuk Kai Yao	6/6	4/4	2/2	2/2	1/1
Dr. Fok Wai Sun	6/6	4/4	2/2	2/2	1/1

During the year ended 31 March 2022, the Board met on 30 June 2021 to approve the annual results and annual report for the year ended 31 March 2021, on 10 August 2021 to approve the quarterly results for the period ended 30 June 2021, on 10 November 2021 to approve the interim results and interim report for the period ended 30 September 2021 and on 14 February 2021 to approve the quarterly results and quarterly report for the period ended 31 December 2021. The Board also met on 30 April 2021 to appoint and resign a company secretary and on 6 September 2021 for the resignation of an executive director. Subsequent to the year ended 31 March 2022, the Board met on 30 June 2022 to approve the annual results and annual report for the year ended 31 March 2022.

Besides the above-mentioned Board meetings, the Chairman also held a meeting with the independent non-executive Directors ("**INEDs**") without the presence of executive Directors during the year ended 31 March 2022.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Ha Chak Hung and Mr. Ip Chu Shing respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board as well as the overall management of the Group's corporate strategies planning. The Chief Executive Officer focuses on the overall management of the Group's business development and marketing matters.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three INEDs representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. As such, there is a strong element in the Board to provide independent judgment.

In accordance with code provision A.4.1 of the Code, the Company has entered into a letter of appointment with each of the INEDs for initially a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The Company has received an annual confirmation of independence from each independent non-executive Director pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this annual report.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive and non-executive Director has entered into a service agreement with the Company for initially a fixed term of three years commencing from the Listing Date or date of appointment and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The service agreements and/or letters of appointment of the Directors are subject to termination in accordance with their respective terms. They can be renewed in accordance with the articles of association of the Company ("**Articles**") and the applicable GEM Listing Rules.

As required under the Articles, the Directors are subject to election by the Shareholders at the first general meeting after their appointment by the board of directors. At each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Also, the Directors to retire by rotation shall include any Director who wishes to retire and not to hold office himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment, and between persons who became or were last re-elected Directors on the same day, those to retire shall be determined by lot.

In accordance with code provision A.4.2. of the CG Code, every director including those appointed for a specific term shall be subject to retirement by rotation at least once every three years.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the Shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars and forums organised by qualified professionals, to develop and refresh their knowledge as to the industry and skills in relation to their contribution to the Board.

All the Directors understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

During the year ended 31 March 2022, all the Directors participated in a training seminar regarding director's responsibilities and duties by the Company's legal advisers to ensure that he/she has appropriate understanding of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. Such training seminar was related to corporate governance, connected transactions and directors' continuing obligations.

The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to Directors by the Company whenever necessary.

BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee, the remuneration committee and the nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with respective written terms of reference. All the Board committees should report to the Board on their decisions and works. The practices, procedures and arrangements of conduct of committee meetings follow in line with, so far as practicable, those of the Board meetings and the respective terms of reference of the committees.

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

Audit Committee

The audit committee was established on 21 September 2018 with its written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee consists of three independent non-executive Directors, being Ms. Tang Shui Man (Chairman), Mr. Yuk Kai Yao and Dr. Fok Wai Sun. None of the members of the audit committee is a former partner of the existing external auditor of the Company, BDO Limited.

During the year ended 31 March 2022, four audit committee meetings were held on 30 June 2021, 10 August 2021, 10 November 2021 and 14 February 2022 to review the annual results for the year ended 31 March 2021, the quarterly results for the three months ended 30 June 2021, the interim results for the six months ended 30 September 2021 and the quarterly results for the nine months ended 31 December 2021 of the Company and its subsidiaries respectively and other related matters.

Subsequent to the year ended 31 March 2022, the audit committee met on 30 June 2022 and reviewed (i) the Group's audited consolidated financial statements for the year ended 31 March 2022, with a recommendation to the Board for approval; (ii) the Group's financing and accounting policies; (iii) the Group's internal control system and risk management functions and (iv) recommended to the Board for consideration the reappointment of BDO Limited as the Company's external auditor at the annual general meeting.

Remuneration Committee

The remuneration committee was established on 21 September 2018 with its written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of all Directors and senior management and determine, with delegated responsibilities, the remuneration package of individual Director and senior management.

The remuneration committee consists of one executive Director, namely Mr. Ha Chak Hung and three independent non-executive Directors, being Dr. Fok Wai Sun (Chairman), Ms. Tang Shui Man and Mr. Yuk Kai Yao.

During the year ended 31 March 2022, three remuneration committee meetings were held. On 30 June 2021, the remuneration committee held a meeting to review and consider the remuneration packages of individual executive directors and senior management for the year ended 31 March 2022 and other related matters.

Subsequent to the year ended 31 March 2022 and up to the date of this report, the remuneration committee met on 30 June 2022 to discuss the remuneration package of individual directors and senior management of the Company for the year ending 31 March 2023.

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Nomination Committee

The nomination committee was established on 21 September 2018 with its written terms of reference in compliance with the code provisions of the CG Code. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management, review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendations to the Board on re-appointment of Directors.

The nomination committee consists of one executive Director, namely Mr. Ha Chak Hung and three independent non-executive Directors, being Mr. Yuk Kai Yao (Chairman), Ms. Tang Shui Man and Dr. Fok Wai Sun.

During the year ended 31 March 2022, three nomination committee meetings were held. On 30 June 2021, the nomination committee held a meeting to review the independence of independent non-executive Directors and composition of the Board. Subsequent to the year ended 31 March 2022, the nomination committee met on 30 June 2022 to discuss and recommend to the Board regarding candidates to fill vacancies on the Board and/or in the senior management.

BOARD NOMINATION POLICY

The Company has adopted a Board Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the GEM Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 5.09 of the GEM Listing Rules;

(8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the GEM Listing Rules, if the Board recognises the need for an additional Director or a member of the senior management, the following procedure will be followed:

(1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rule 5.09 of the GEM Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Boards maintains a balanced diverse profit. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

DIVIDEND POLICY

The Company has adopted a Dividend Policy that aims to provide guidelines for the Board to determine whether dividends are to be declared and paid to the shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) interest of shareholder;

(6) taxation consideration;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the GEM Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

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

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. 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 the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including production, procurement, marketing, finance, human resources, information technology. Review of the Company's risk management and internal control systems has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2022.

There is no internal audit unit as the Board does not perceive the cost efficiency to set up one at the present scale of operations of the Company, the Board has invested resources to enhance the internal control system and to take active steps in addressing the recommendation of the internal control system review in the management letter from the external auditors during the audit process.

During the year ended 31 March 2022, the Board reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for the year ended 31 March 2022 to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The auditor has indicated some material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Group incurred a loss before taxation of approximately HK$20.6 million and reported an operating cash outflow of approximately HK$11.5 million. As of that date, the Group had current bank and other borrowings of approximately HK$nil, trade and other payables of approximately HK$6.2 million, amounts due to directors of approximately HK$15.0 million and bank overdraft of approximately HK$nil while the Group only maintained its bank balances and cash of approximately HK$14.2 million. These conditions, along with other matters as set forth in Note 3(b)(ii), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The auditor's opinion is not modified in respect of this matter.

The Directors, having made appropriate enquiries to the circumstances and taken into account certain plans and measures, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements on a going concern basis. For details of plans and measures taken by the Directors, please refer to note 3(b)(ii) to the consolidated financial statements in this annual report.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements for the year ended 31 March 2022 in this report.

AUDITOR'S REMUNERATION

During the year ended 31 March 2022, the Company engaged BDO Limited ("**BDO**") as the external auditor. The fees in respect of audit and non-audit services (excluding disbursement fees) provided by BDO for the year ended 31 March 2022 amounted to HK$830,000 and HK$50,000, respectively.

COMPANY SECRETARY

Ms. Wong Chi Ling, was appointed by the Board as the company secretary of the Company. The biographical details of Ms. Wong are set out in the section headed "Biographies of Directors and Senior Management" of this report. Ms. Wong's primary contact at the Company was Mr. Ha Chak Hung, the Chairman and Executive Director during the Reporting Period.

Ms. Wong had confirmed that she had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules during the year ended 31 March 2022.

SHAREHOLDERS' RIGHT

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an EGM to be called by the Board for the transaction if any business specified in such requisition.

Right to put enquiries to the Board

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

Procedure for shareholders to put forward proposals at shareholders' meetings

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the principal place of business of the Company in Hong Kong or by e-mail to tm.angiechung@gmail.com for the attention of the Company Secretary.

INVESTOR RELATIONS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities in accordance with GEM Listing Rules.

The Company's annual and interim reports and circulars are printed and sent to all Shareholders.

Moreover, announcements, circulars, publications and press releases of the Company are published on the Company's website (**www.grandtalentsgroup.com.hk**). The Company's website disseminates corporate information and other relevant financial and non-financial information electronically on a timely basis.

The Company acknowledges that general meetings are good communication channel with Shareholders and the Directors and the members of the Board committees are encouraged to attend and answer questions raised by Shareholders at the general meetings.

The Company is committed to promoting and maintaining effective communication with Shareholders and other stakeholders. The Board is committed to ensuring that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company so as to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders to engage actively with the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2022, there had been no change in the Company's constitutional documents.

DIRECTORS' REPORT

The Board hereby present the Directors' report and the consolidated financial statements for the year ended 31 March 2022.

LISTING ON GEM

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 23 October 2017.

The Company became the holding company of the Group upon the completion of the corporate reorganisation (the "**Reorganisation**"), details of which are set out in the section headed "History, Development and Reorganisation" in the Prospectus.

The shares of the Company (the "**Shares**") were listed on GEM of the Stock Exchange on 15 October 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in the provision of civil engineering construction works of road and highway related infrastructures and repair and maintenance works for structures of roads and highways.

For the development, performance or position of the Group's business and events after the reporting period, details are set out in the section headed "Chairman's Statement" and the section headed "Management Discussion and Analysis" of this annual report.

For the principal risks and uncertainties facing the Company, details are set out in the paragraph headed "Principal Risks and Uncertainties" in the section headed "Management Discussion and Analysis" in this annual report.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during the year ended 31 March 2022, and up to the date of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2022 are presented in the consolidated statement of profit or loss and other comprehensive income of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022.

SUMMARY FINANCIAL INFORMATION

A summary of the results and the assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the years ended 31 March 2018, 2019, 2020, 2021 and 2022 are set out in this annual report.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 33 to the consolidated financial statements. Save as disclosed in the section headed "Connected Transactions And Continuing Connected Transactions", none of the related party transactions constitutes a connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Kaiser Global (China) Company Limited (the "**Kaiser Global**"), a private company limited by shares, is wholly owned by Ms. Ha Tsit Hung, who is Mr. Ha's sister. Therefore, Kaiser Global is a connected person of the Company under the GEM Listing Rules. The principal business of Kaiser Global is trading of painting materials, antiskid road surfacing materials, and provision of related installation services.

As disclosed in Note 33(i) to the consolidated financial statements in this annual report, for the year ended 31 March 2022, the aggregate amount of purchase and service of the company paid to Kaiser Global in relation to the purchased raw material amounted to approximately HK$473,000.

During the year ended 31 March 2022, each of the executive director of the Company, namely Mr. Ha and Mr. Ip, has provided financings to the Company in the sum of approximately HK$12.0 million and HK$3.0 million respectively. The amount of HK$8.0 million due to Mr. Ha is an unsecured six months loan, interest bearing at 12.0% per annum. The remaining amounts due to Mr. Ha and Mr. Ip are unsecured, interest-free and repayable on demand. During the year ended 31 March 2022, the Group paid finance costs of HK$640,000 to Mr. Ha. Details are set out in notes 21 and 33(i) to the consolidated financial statements.

All these transactions fall under the definition of continuing connected transactions/connected transactions that are fully exempt from the reporting announcement, independent shareholders' approval, annual review and all other relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 March 2022 are set out in note 27 to the consolidated financial statements in this annual report.

SHARE OPTION SCHEME

The terms of the share option scheme adopted by the Company on 21 September 2018 (the "**Share Option Scheme**") are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No options have been granted under the Share Option Scheme as at 31 March 2021, or as at the date of this annual report.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Who may join and basis of eligibility

The Board may, at its absolute discretion, grant any full-time or part-time employee, consultant or adviser, director, substantial shareholder, distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, or any person whom the Board considers has contribution or potential contribution to the development and growth of the Group, options to subscribe for ordinary shares in the capital of the Company ("**Shares**").

Maximum number of Shares

The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of all the Shares in issue upon the date on which the Shares are listed and permitted to be dealt in the Stock Exchange equivalent to 114,220,000 shares of the Company, which is 10% of the issued share capital of the Company as at the date of this annual report.

Maximum entitlement of each participant

Unless approved by shareholders, the total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant.

Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

Grant of options and acceptance of offers

The amount payable by a grantee to the Company on acceptance of the offer for the grant of an option is HK$1.00. An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made.

Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years and shall expire on 21 September 2028.

Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

EQUITY LINKED AGREEMENT

Save and except for the Share Option Scheme as disclosed in the paragraph headed "SHARE OPTION SCHEME" above, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company enter into any agreement that will or may result in the Company issuing shares, was entered into by the Company during the year ended 31 March 2022 or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2022.

DEBENTURE

No debenture was issued by the Company during the year ended 31 March 2022.

DISCLOSURE OF INTERESTS

(a) Interests and/or short positions of Directors and chief executive in the Shares, underlying shares and debentures of the Company and its associated corporations

As at the date of this report, the Directors and chief executives of the Company had the following interests and/or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, will be required to be notified to the Company and the Stock Exchange:

(i) Interests in the Company

Name of Director	Capacity	Number of shares held *(Note 1)*	Percentage of interest in the Company
Mr. Ha *(Note 2)*	Interest of a controlled corporation	6,466,900 (L)	5.66%
Mr. Ip *(Note 2)*	Interest of a controlled corporation	6,466,900 (L)	5.66%

Notes:

1. *The letter "L" denotes the person's long positions in the Shares.*

2. *Each of Mr. Ha and Mr. Ip beneficially owns 50% of the issued share capital of Talent Prime Group Limited. Therefore, Mr. Ha and Mr. Ip are deemed to be interested in all the Shares held by Talent Prime Group Limited for the purpose of the SFO. Mr. Ha and Mr. Ip are directors of Talent Prime Group Limited.*

(ii) Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of shareholding interest
Mr. Ha	Talent Prime Group Limited	Beneficial owner	50	50%
Mr. Ip	Talent Prime Group Limited	Beneficial owner	50	50%

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had any interests and/or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the Directors.

(b) Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors, as at the date of this report, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly interested in 5% or more of the issued share capital of the Company.

Name of substantial shareholder	Capacity	Number of Shares *(Note 1)*	Percentage of interest in our Company
Talent Prime Group Limited	Beneficial owner	6,466,900 (L)	5.66%
Ms. Chung Ching Yan *(Note 2)*	Interest of spouse	6,466,900 (L)	5.66%
Ms. Lee Ming Ho *(Note 3)*	Interest of spouse	6,466,900 (L)	5.66%

Notes:

1. *The letter "L" denotes the person's long positions in the Shares.*

2. *Ms. Chung Ching Yan is the spouse of Mr. Ha. Under the SFO, Ms. Chung is deemed, or taken to be, interested in the same number of Shares in which Mr. Ha is interested.*

3. *Ms. Lee Ming Ho is the spouse of Mr. Ip. Under the SFO, Ms. Lee is deemed to be interested in the same number of Shares in which Mr. Ip is interested.*

Save as disclosed above, so far as is known to the Directors, as at the date of this report, there are no other person (not being a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying shares or debentures of the Company or any of its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly interested in 5% or more of the issued share capital of the Company.

BOARD OF DIRECTORS

Executive Directors

Mr. Ha Chak Hung *(Chairman and executive Director)*
Mr. Ip Chu Shing *(Chief Executive Officer and executive Director)*
Ms. Tang Minzhen *(resigned on 6 September 2021)*

Independent non-executive Directors

Ms. Tang Shui Man
Mr. Yuk Kai Yao
Dr. Fok Wai Sun

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

The Company has received an annual confirmation of independence from each independent non-executive Director pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the independent non-executive Director to remain independent as at the date of this annual report.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Ms. Tang Minzhen resigned as an executive director of the Company with effect from 6 September 2021.

DIRECTORS AND THEIR SERVICE AGREEMENTS

Each Director and non-executive Director has entered into a service agreement or letter of appointment with the Company for initially a fixed term of three years commencing from the Listing Date or date of appointment and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party. None of the Directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 March 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Group or any other body corporate.

EMOLUMENT OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emolument of the Directors and the five highest paid individuals of the Group are set out in notes 13 and 14 to the consolidated financial statements in this report.

EMOLUMENTS OF SENIOR MANAGEMENT

The emoluments of the senior management of the Group for the year ended 31 March 2022 falls within the following band:

Emolument Band	Number of Senior Management
Nil to HK$1,000,000	3

EMOLUMENT POLICY

The remuneration committee of the Board will make recommendations on the remuneration of the Directors and senior management and to recommend members of the Board and determine, with delegated responsibilities, the remuneration package of individual Director and senior management. The remuneration committee regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as the transactions set out in notes 13 and 33 to the consolidated financial statements in this annual report, the Group has not entered into any transaction, arrangement or contract that is significant in relation to the Group's business to which any of member of the Group was a party and in which a Director or a connected entity of that Director had, directly or indirectly, a material interest.

COMPETING BUSINESS

Other than members of the Group, none of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

NON-COMPETITION UNDERTAKING

Talent Prime Group Limited, Mr. Ha and Mr. Ip, (each a "**Covenantor**" and collectively, the "**Covenantors**"), have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 21 September 2018 (the "**Deed of Non-Competition**"). Details of the Deed of Non-Competition was set out in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus.

The Independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Covenantors and duly enforced since the Listing Date and up to the date of this annual report.

INTEREST OF CONTROLLING SHAREHOLDERS

Saved as disclosed in notes 13 and 33 to the consolidated financial statements in this annual report, there was no contract of significance between the Company or one of its subsidiaries on the one hand, and a controlling shareholder or any of its subsidiaries on the other, subsisting during or at the end of the year ended 31 March 2022.

Saved as disclosed, there was also no other contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during or at the end of the same period.

MANAGEMENT CONTRACT

During the year ended 31 March 2022, neither the Company nor its subsidiaries has entered into a contract by which (a) a person undertakes the management and administration of the whole or any substantial part of the business of the Company; and (b) the contract is not a contract of service with any Director or any person engaged in the full-time employment of the Company.

MAJOR CUSTOMERS

For the year ended 31 March 2022, the Group's five largest customers accounted for approximately 100.0% of the total revenue of the Group and the largest customer of the Group accounted for approximately 94.1% of the total revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

MAJOR SUPPLIERS

For the year ended 31 March 2022, the Group's five largest suppliers, accounted for approximately 18.34% of the cost of revenue of the Group and the largest supplier of the Group accounted for approximately 7.4% of the cost of revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus and the "Use of Proceeds" section in the Management Discussion and Analysis of this annual report, the Group did not have other plans for material investments and capital assets as at 31 March 2022.

CORPORATE GOVERNANCE

The corporate governance report of the Company for the year ended 31 March 2022 is set out of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands which oblige the Company to offer new shares on a pro rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the public float of the Company's issued securities is sufficient with at least 25% held by the public.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and the consolidated statement of changes in equity on page 49 of this annual report, respectively.

At 31 March 2022, the Company's reserves available for distribution to its Shareholders, calculated in accordance with the laws of Hong Kong, amounted to approximately HK$51.4 million.

AUDITORS

BDO Limited was then appointed as the auditor of the Company. The consolidated financial statements for the years ended 31 March 2022 and 2021 have been audited by BDO Limited. BDO Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

RELATIONSHIPS WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation.

The Group understands the importance of maintaining a good relationship with its business partners, including the customers, suppliers, bankers and other financial institutions. The Group believes that a healthy relationship can be built up by providing enhanced services to the customers, maintaining an effective communication channel to the employees and our business partners.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 26 July 2022 to Friday, 29 July 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. Shareholders of the Company are reminded to ensure all properly executed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Monday, 25 July 2022.

Mr. Ha Chak Hung
Chairman

Hong Kong, 29 June 2022

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TO THE MEMBERS OF GRAND TALENTS GROUP HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Grand Talents Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 48 to 111, 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 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(b)(ii) in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$20,402,000 and net operating cash outflow of HK$11,459,000. As of that date, the Group had current trade and other payables of HK$6,248,000, and amounts due to directors of HK$15,011,000 while the Group only maintained its bank balances and cash of HK$14,245,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue from civil engineering construction contracts and repair and maintenance works contracts

We identified the revenue from civil engineering construction contracts and repair and maintenance works contracts as a key audit matter due to significant judgments involved in the management's assessment process. The Group recognised revenue from civil engineering construction contracts and repair and maintenance works contracts amounted to HK$1,324,000 and HK$41,145,000 respectively for the year ended 31 March 2022. As disclosed in note 4, revenue from civil engineering construction works and repair and maintenance works is recognised over time under output method which requires estimation made by the management of the Group on progress and outcome of the projects with reference to the payment certificates issued by the customers, payment applications, invoices and other information.

Our response:

Our procedures in relation to the revenue from civil engineering construction contracts and repair and maintenance works contracts included:

- Obtaining an understanding of the design and implementation and testing the operating effectiveness of key internal controls over the contract revenue recognition processes;

- Discussing with the project managers to understand the status of completion of the civil engineering construction and repair and maintenance projects during the year, on a sample basis;

- Verifying the reasonableness of the contract revenue by checking to the latest payment certificates issued by the customers, certificates of work completion, invoices and other information before and after year end date for the work performed as at year end, on a sample basis; and

- Assessing the reasonableness of the actual gross margin during the year by comparing with the budgeted gross margin of the civil engineering construction and repair and maintenance projects, on a sample basis.

Impairment assessment of contract assets and trade receivables

We identified impairment assessment of contract assets and trade receivables as a key audit matter due to the significance of contract assets and trade receivables to the Group's consolidated statement of financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("**ECL**") of the Group's contract assets and trade receivables at the end of the reporting period.

As at 31 March 2022, as set out in notes 19 and 20 to the consolidated financial statements, the Group's contract assets and trade receivables amounting to HK$10,828,000 and HK$36,615,000, respectively and out of these trade receivables HK$2,602,000 were past due.

As disclosed in note 5 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of contract assets and trade receivables individually based on internal credit rating. Internal credit rating has been given to each debtor after considering aging, historical observed default rates, repayment history and past due status of respective trade receivables and contract assets. Estimated loss rates are based on probability of default and loss given default with reference to an external credit report and are adjusted for forward-looking information. The impairment loss amount of the contract assets and trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

As disclosed in note 30(b) to the consolidated financial statements, the Group reversed an amount of HK$274,000 and HK$584,000 and recognised an additional amount of HK$2,387,000 and HK$10,673,000 of impairment loss of contract assets and trade receivables, respectively, for the year and the Group's lifetime ECL on contract assets and trade receivables as at 31 March 2022 amounted to HK$8,965,000 and HK$14,930,000, respectively.

Our response:

Our procedures in relation to the impairment assessment of contract assets and trade receivables included:

- Understanding key controls on how the management estimates the credit loss allowance for contract assets and trade receivables;

- Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 March 2022, including their identification of credit-impaired contract assets and trade receivables, the reasonableness of management's assignment of the internal credit rating to each debtor, and the basis of estimated loss rates applied;

- Testing the reasonableness of internal credit rating given to each debtor by checking trade receivables aging analysis as at 31 March 2022, historical observed default rates, repayment history and past due status of respective trade receivables by reviewing the relevant invoices, bank receipts and other supporting information, on a sample basis;

- Assessing the reasonableness of the estimated loss rates by comparing the probability of default and loss given default with reference to external credit report and reviewing the adjustment for forward-looking information, on a sample basis; and

- Evaluating the disclosures regarding the impairment assessment of contract assets and trade receivables in notes 4, 5 and 30(b) to the consolidated financial statements.

Except for the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined that there are no other key audit matters to communicate in our report.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants
Chau Ka Kin
Practising Certificate no. P07445

Hong Kong, 29 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	6	**42,469**	42,157
Cost of revenue		**(38,705)**	(46,123)
Gross profit/(loss)		**3,764**	(3,966)
Other income	7	**3,174**	2,528
Other gains and losses, net	8	**(204)**	73
Administrative expenses		**(12,021)**	(15,693)
Impairment loss under expected credit loss model		**(13,056)**	(7,860)
Impairment loss on property, plant and equipment	16	**—**	(871)
Impairment loss on right-of-use assets	17	**—**	(122)
Finance costs	9	**(2,211)**	(1,832)
Loss before taxation		**(20,554)**	(27,743)
Income tax credit/(expense)	10	**152**	(1,795)
Loss for the year attributable to owners of the Company	11	**(20,402)**	(29,538)
Other comprehensive income, after tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**3**	(26)
Reclassification of exchange differences on deregistration of foreign operations		**133**	—
		136	(26)
Loss and total comprehensive income for the year attributable to owners of the Company		**(20,266)**	(29,564)
			(Restated)
Loss per share			
— Basic and diluted (HK cents)	15	**(23.42)**	(44.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	16	**2,735**	2,534
Right-of-use assets	17	**292**	373
Interest in a joint venture	18	**—**	—
Deposits paid	20	**2,934**	—
		5,961	2,907
Current assets			
Contract assets	19	**10,828**	16,342
Trade and other receivables	20	**42,090**	49,046
Amount due from a related company	21	**2**	2
Tax recoverable		**—**	930
Bank balances and cash	22	**14,245**	13,101
		67,165	79,421
Current liabilities			
Trade and other payables	23	**6,248**	15,373
Amounts due to directors	21	**15,011**	10,913
Bank and other borrowings	24	**—**	12,957
Lease liabilities	25	**231**	356
Bank overdraft	22	**—**	9,906
		21,490	49,505
Net current assets		**45,675**	29,916
Total assets less current liabilities		**51,636**	32,823
Non-current liabilities			
Lease liabilities	25	**66**	106
Deferred tax liabilities	26	**186**	186
		252	292
Net assets		**51,384**	32,531
Capital and reserves			
Share capital	27	**11,422**	4,800
Reserves		**39,962**	27,731
Total equity		**51,384**	32,531

The consolidated financial statements on pages 48 to 111 were approved and authorised for issue by the board of directors on 29 June 2022 and are signed on its behalf by:

Ha Chak Hung
DIRECTOR

Ip Chu Shing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000 (Note 34(i))	Other reserve HK$'000 (Note (i))	Exchange reserve HK$'000 (Note (ii))	(Accumulated losses)/ retained profits HK$'000 (Note (iii))	Total HK$'000
At 1 April 2020	4,800	35,187	15,457	(110)	6,761	62,095
Loss for the year	—	—	—	—	(29,538)	(29,538)
Other comprehensive income for the year	—	—	—	(26)	—	(26)
Total comprehensive income for the year	—	—	—	(26)	(29,538)	(29,564)
At 31 March 2021	**4,800**	**35,187**	**15,457**	**(136)**	**(22,777)**	**32,531**
Loss for the year	**—**	**—**	**—**	**—**	**(20,402)**	**(20,402)**
Other comprehensive income for the year	**—**	**—**	**—**	**136**	**—**	**136**
Total comprehensive income for the year	**—**	**—**	**—**	**136**	**(20,402)**	**(20,266)**
Issue of shares *(note 27(a))*	**6,622**	**32,497**	**—**	**—**	**—**	**39,119**
At 31 March 2022	**11,422**	**67,684**	**15,457**	**—**	**(43,179)**	**51,384**

Notes:

(i) *Other reserve represents (a) the deemed distribution to Ms. Wang Shen ("**Ms. Wang**"), mother of Mr. Ha Chak Hung ("**Mr. Ha**"), one of the Controlling Shareholders (as defined in note 1), and Mr. Ha and Mr. Ip Chu Shing ("**Mr. Ip**"), the directors of Talent Mark Development Limited ("**TMD**"), which arises from the differences between the fair values of the lower-than-market advances to each of them and the nominal amounts of the advances at initial recognition, and (b) share of deemed contribution of HK$1,011,000 by the non-controlling interest of Talent Tren Construction Limited ("**Talent Tren**") in respect of waiver of the amount due to TMD of the amount of HK$3,062,000 pursuant to a debt waiver agreement entered into between TMD and Talent Tren on 10 October 2016, and (c) the consideration in acquiring the entire equity interests of Talent Mart Construction Co., Limited ("**TMC**") and TMD by allotment and issuance of 4,000 and 4,200 ordinary shares with par value of US$1 each of China Talents Group Limited ("**China Talents**") to Talent Prime Group Limited ("**Talent Prime**") and the reclassification of share capital of TMD and TMC to other reserve, and (d) the reclassification of share capital of China Talents of HK$78,000 (equivalent to US$10,000) and share premium of China Talents of HK$13,994,000 to other reserve upon completion of the Reorganisation (as defined in note 1).*

(ii) *The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong which were dealt with in accordance with the accounting policy as set out in Note 4(d) to the consolidated financial statements.*

(iii) *It represents cumulative net (loss)/profits recognised in the consolidated statement of profit or loss and other comprehensive income.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(20,554)**	(27,743)
Adjustments for:		
Depreciation on property, plant and equipment	**2,124**	2,536
Depreciation on right-of-use assets	**337**	575
Impairment loss under expected credit loss model	**13,056**	7,860
Impairment loss on property, plant and equipment	**—**	871
Impairment loss on right-of-use assets	**—**	122
Modification gain on other borrowings	**—**	(152)
Loss on deregistration of a subsidiary	**319**	—
Waiver of other payables	**(2,380)**	—
(Gain)/loss on disposal of property, plant and equipment	**(115)**	79
Interest expense	**2,211**	1,832
Bank interest income	**(22)**	(142)
Operating cash flows before movements in working capital	**(5,024)**	(14,162)
Decrease/(increase) in contract assets	**3,649**	(2,141)
(Increase)/decrease in trade and other receivables	**(4,239)**	14,402
(Decrease)/increase in trade and other payables	**(6,927)**	4,823
Cash (used in)/from operations	**(12,541)**	2,922
Income tax refund	**1,082**	1,281
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(11,459)**	4,203
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(5,284)**	(211)
Proceeds from disposal of property, plant and equipment	**134**	165
Interest received	**22**	142
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(5,128)**	96
FINANCING ACTIVITIES		
Proceeds from issue of shares	**39,119**	—
New bank borrowings raised	**—**	4,000
Repayment of bank and other borrowings	**(12,957)**	(2,983)
Proceeds from a loan from a director	**8,000**	—
Repayment to directors	**(3,902)**	(1,189)
Interest paid	**(2,187)**	(1,657)
Capital element of lease liabilities paid	**(415)**	(533)
Interest element of lease liabilities paid	**(24)**	(43)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**27,634**	(2,405)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**11,047**	1,894
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3,195**	1,327
Effect of foreign exchange rate changes	**3**	(26)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by	**14,245**	3,195
Bank balances and cash	**14,245**	13,101
Bank overdraft	**—**	(9,906)
	14,245	3,195

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands (the "**Companies Law**") as an exempted company with limited liability on 23 October 2017. Its parent and ultimate holding company is Talent Prime, a limited liability company incorporated in the British Virgin Islands ("**the BVI**"). Its ultimate controlling parties are Mr. Ha and Mr. Ip who are also the directors of the Company.

The addresses of the registered office of the Company is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is located at Office 15, 9/F., Mega Cube, No. 8 Wang Kwong Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of civil engineering construction works of road and highway related infrastructures and repair and maintenance works for structures of roads and highways. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

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

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

(a) Adoption of new/revised HKFRSs — effective on 1 April 2021

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(a) Adoption of new/revised HKFRSs — effective on 1 April 2021 *(continued)*

Amendment to HKFRS 16, Covid-19-Related Rent Concessions *(continued)*

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

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

It extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The new or amended HKFRSs that are effective from 1 April 2021 did not have any significant impact on the Group's financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to 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 HK Interpretation 5 (2020)[2]
Amendments to HKAS 1	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]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 *Effective for annual periods beginning on or after 1 January 2022*

2 *Effective for annual periods beginning on or after 1 January 2023*

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

4 *Effective for common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022*

The directors of the Company do not anticipate that the application of all new and amendments to HKFRSs will have material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 17, Insurance Contracts and the related Amendments

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

Amendments to HKAS 1, 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.

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.

Amendments to HKAS 12, "Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

Amendments to HKAS 16, Property, plant and equipment — Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

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

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRSs, Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(continued)*

Accounting Guideline 5 (Revised), Merger Accounting for Common Control Combination

The amendments specify that a common control transaction involving inserting a shell entity between a parent entity and a single subsidiary or between a parent entity and a group of subsidiaries is not a business combination, and accordingly is not a 'common control combination' in this Accounting Guideline. This is because the shell entity is not a business as defined in HKFRS 3 and therefore the transaction does not represent the combination of two or more businesses. Because no substantive economic change has occurred to the composition or ownership of the group, in practice, these transactions may be accounted for by applying a principle similar to that for a reverse acquisition. The consolidated financial statements of the shell entity represent the continuation of the financial statements of the single subsidiary or the group of subsidiaries. However, the equity structure in the consolidated balance sheet of the shell entity reflects the equity structure of the shell entity.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of the consolidation financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**Listing Rules**").

(b) Basis of measurement and going concern assumption

(i) Basic of measurement

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

(ii) Going concern basis

During the year ended 31 March 2022, the Group incurred a net loss of HK$20,402,000 and net operating cash outflow of HK$11,459,000. As of that date, the Group had trade and other payables of HK$6,248,000 (note 23) and amounts due to directors of HK$15,011,000 (note 21) while the Group only maintained its bank balances and cash of HK$14,245,000 (note 22).

The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have prepared a cash flow forecast of the Group covering a period of fifteen-month (the "**Forecasted Period**"). In preparing the cash flow forecast, the directors of the Company have given careful consideration to its operating needs, the future liquidity of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding debts and be able to finance its future working capital and other financial requirements.

3. BASIS OF PREPARATION *(continued)*

(b) Basis of measurement and going concern assumption *(continued)*

(ii) Going concern basis *(continued)*

Certain plans and measures have been taken to mitigate the liquidity pressure and to improve the financial position of the Group, which mainly include, but are not limited to, the following:

(a) Two shareholders have undertaken in writing that they would not demand repayment from the Group for the amounts due to them (note 21) until the Group is in a position to repay. Two shareholders have also undertaken that they will provide financial support to the Group when the Group faces difficulties and to finance its operations for at least twelve months from the end of the reporting period.

(b) In June 2022, two shareholders have agreed in writing that they will grant a facility at a maximum of HK$8,000,000 for the purpose of general working capital of the Group. The facility is unsecured and interest-free and for a period of 15 months from the end of the reporting period. Up to the date of the approval for issue of these consolidated financial statements, the Group has drawn HK$4,000,000. Two shareholders have also confirmed that they would not request the Group to repay until the Group is in a position to repay.

(c) The Group has taken a more vigilant approach in managing the progress of projects and related costs with the aim to enable the Group to attain more profitable operations by controlling costs and to improve its operating cash outflows.

Notwithstanding that there is uncertainty inherently associated with the future outcomes as to whether the Group would be able to attain more profitable operations and the two shareholders are financially viable to provide finance to the Group, the directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the Forecasted Period. Accordingly, it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2022 on a going concern basis.

The consolidated financial statements do not include any adjustments that may be necessary should the going concern basis of preparation be determined to be inappropriate. These would include any adjustments to write down the Group's assets to their net realisable amounts, to provide for any liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

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

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

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

All intragroup assets, 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.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (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 or, when applicable, the cost on initial recognition of an investment in a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

(b) Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interests held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An interest in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the interest in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Interest in a joint venture *(continued)*

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

(c) Revenue from contracts with customers

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) 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.

Revenue from civil engineering construction works and repair and maintenance work are recognised over time since the Group's performance creates or enhances an asset that the customer controls as the Group performs.

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

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

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

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Interest income

Interest income, which mainly includes interest income from banks, is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(d) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Foreign currencies *(continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(e) Borrowing costs

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

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

(f) Leases

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which are held for own use and are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leases *(continued)*

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(g) Retirement benefits costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages, salaries and annual leave) after deducting any amount already paid.

(h) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items 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 each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Taxation *(continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with interest in a joint venture, 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 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 rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment

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 useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(j) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model;
- right-of-use assets;
- investments in subsidiaries; and
- interest in a joint venture.

If any such indicator exists the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash generating unit).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 cash generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) 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 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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.

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.

All of the Group's financial assets are subsequently measured at amortised cost.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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.

The Group recognises an impairment loss for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, amounts due from directors, amount due from a joint venture, loan to a joint venture and bank balances) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial assets *(continued)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 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. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial assets *(continued)*

Significant increase in credit risk (continued)

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

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

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.

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; or

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial assets *(continued)*

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.

Measurement and recognition of ECL

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

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.

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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company 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 the group entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, amount due to a related party, bank and other borrowings, lease liabilities and bank overdraft, are subsequently measured at amortised cost, using the effective interest method.

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.

(l) Provisions and contingent liabilities

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 the obligation, and a reliable estimate can be made of the amount of 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 flow (when the effect of the time value of money is material).

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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

(iii) Both entities are joint ventures of the same third party.

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

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

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

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

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

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Government grant

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the operating results of the Group's operations and financing plan assessed using cash flows forecasts as detailed in note 3(b)(ii) to these consolidated financial statements. However, because not all future events or conditions can be predicted, this assumption is not a guarantee as to the Group's and Company's ability to continue as a going concern.

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

(i) Estimated revenue of civil engineering construction works and repair and maintenance works

Revenue from civil engineering construction works and repair and maintenance works is recognised over time under output method which requires estimation made by the management of the Group on progress and outcome of the projects with reference to the reports of completion of work, relevant progress reports (internal/external) and other information. The management's estimate of revenue and the completion status of contract works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The civil engineering construction works and repair and maintenance works performed by the Group would also be certified by the customers periodically according to the construction contracts. The Group regularly reviews and revises the estimation of contract revenue prepared for each contract as the contract progresses based on the internal progress reports.

(ii) Impairment assessment of non-financial assets

At each balance sheet date, the Group and Company review internal and external sources of information to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— right-of-use assets.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amounts. If an indication of impairment is identified, the Group is required to estimate the recoverable amount, representing the greater of the asset's fair value less cost of disposal or its value in use. Changes in any of these estimates could result in a material change to the asset's carrying amount in the financial statements.

(iii) Impairment assessment of contract assets and trade receivables

The management of the Group estimates the amount of lifetime ECL of contract assets and trade receivables individually based on internal credit rating. Internal credit rating has been given to each debtor after considering aging, historical observed default rates, repayment history and past due status of respective trade receivables. Estimated loss rates are based on probability of default and loss given default with reference to an external credit report and are adjusted for forward-looking information. The impairment loss amount of the contract assets and trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

(iv) Current tax and deferred tax

The Group is mainly subjected to income tax in Hong Kong. Significant judgement is required in determining the amount of the provision and the timing of payment. There are many transactions and calculations for which the ultimate tax expense is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final outcome of these matters is different from the amounts that were originally estimated, such differences will impact the provision for income tax and deferred tax in the period in which such determination is made.

Deferred tax assets relating to certain deductible temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the period in which such estimate is changed.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from provision of civil engineering construction works and repair and maintenance works.

Disaggregation of revenue from contracts with customers

	2022	2021
	HK$'000	HK$'000
Type of services		
Civil engineering construction works	**1,324**	556
Repair and maintenance works	**41,145**	41,601
	42,469	42,157

Performance obligations for contracts with customers

The Group provides civil engineering construction works and repair and maintenance works to customers. Such works are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the Group performs. Revenue is recognised for these contract works based on the stage of completion of the contract using output method. Contracts with the Group's customers are agreed in fixed-price.

The Group's contracts include payment schedules which require stage payments over the contract period once certain specified milestones are reached.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Performance obligations for contracts with customers *(continued)*

A contract asset is recognised over the period in which the contract services are performed representing the Group's right to consideration for the services performed because the rights are conditional on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

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

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for civil engineering construction works and repair and maintenance works such that the Group need not disclose the information of remaining performance obligations at the end of the year provided that these contracts have expected durations of one year or less.

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker ("**CODM**"), Mr. Ha and Mr. Ip, the executive directors, for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. Information reported to CODM is based on business line operated by the Group. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

(i) Civil engineering construction works — Provision of civil engineering construction works of road and highway related infrastructures

(ii) Repair and maintenance works — Provision of repair and maintenance works for structures of roads and highways

6. REVENUE AND SEGMENT INFORMATION *(continued)*

The Group's CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the Group's CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

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

For the year ended 31 March 2022

	Civil engineering construction works HK$'000	**Repair and maintenance works HK$'000**	**Total HK$'000**
Segment revenue			
External customers	**1,324**	**41,145**	**42,469**
Segment results	**279**	**3,485**	**3,764**
Impairment loss under expected credit loss model#	**(3,098)**	**(9,744)**	**(13,056)**
Other income			**3,174**
Other gains and losses, net			**(204)**
Administrative expenses			**(12,021)**
Finance costs			**(2,211)**
Loss before taxation			**(20,554)**

For the year ended 31 March 2021

	Civil engineering construction works HK$'000	Repair and maintenance works HK$'000	Total HK$'000
Segment revenue			
External customers	556	41,601	42,157
Segment results	(2,227)	(1,739)	(3,966)
Impairment loss under expected credit loss model	(5,616)	(2,244)	(7,860)
Impairment loss on property, plant and equipment			(871)
Impairment loss on right-of-use assets			(122)
Other income			2,528
Other gains and losses, net			73
Administrative expenses			(15,693)
Finance costs			(1,832)
Loss before taxation			(27,743)

Out of the amount, HK$214,000 does not relate to the reportable segments.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4 to the consolidated financial statements. Segment results mainly represented gross profit/(loss) earned by each segment without allocation of other income, other gains and losses, net, administrative expenses, impairment loss under expected credit loss model, impairment loss on property, plant and equipment, impairment loss on right-of-use assets and finance costs. This is the measure reported to CODM for the purposes of resource allocation and performance assessment. During the year ended 31 March 2022 and 2021, the impairment loss under expected credit loss model, impairment loss on property, plant and equipment and impairment loss on right-of-use assets are not included in the segment results.

Geographical information

The Group's operations are principally located in Hong Kong and all of the Group's revenue are derived from and non-current assets are mainly located in Hong Kong.

Information about major customers

Revenue from customers for the year individually contributing over 10% of the Group's revenue is as follows:

	2022 HK$'000	2021 HK$'000
Customer A[1]	**40,215**	35,291
Customer B[1]	**—**	6,000

[1] *Revenue from repair and maintenance works.*

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Bank interest income	**22**	142
Government grant *(note (a))*	**760**	2,004
Wavier of other payables *(note (b))*	**2,380**	—
Other income	**12**	382
	3,174	2,528

Notes:

(a) *During the year ended 31 March 2022, the Group successfully applied for funding support from the Employment Support Scheme (the "**ESS**") under the Anti-epidemic Fund, set up by the Government of Hong Kong Special Administrative Region. The purpose of the funding support is to provide financial support to enterprises against the outbreak of coronavirus. There are no unfulfilled conditions or contingencies relating to the grants recognised.*

During the year ended 31 March 2021, the Group successfully applied for funding support from the ESS and the subsidies for Suppliers of Construction-related Machineries and Equipment Rental under the Anti-epidemic Fund, set up by the Government of Hong Kong Special Administrative Region. The purpose of the funding support is to provide financial support to enterprises against the outbreak of coronavirus. There were no unfulfilled conditions or contingencies relating to the grants recognised.

7. OTHER INCOME *(continued)*

Notes: (Continued)

(b) It represented expenses of RMB2,000,000 incurred by a wholly-owned subsidiary, 易斯特科技管理(深圳)有限公司, which was deregistered on 8 May 2021 (note 35). The counterparty did not request for repayment and a waiver thereof was recognised upon its deregistration.

8. OTHER GAINS AND LOSSES, NET

	2022	2021
	HK$'000	HK$'000
Gain/(loss) on disposal of property, plant and equipment	**115**	(79)
Loss on deregistration of a subsidiary	**(319)**	—
Modification gain on other borrowings	**—**	152
	(204)	73

9. FINANCE COSTS

	2022	2021
	HK$'000	HK$'000
Interests on a loan from a director *(note 21)*	**640**	—
Interests on bank and other borrowings and bank overdraft	**1,547**	1,789
Interests on lease liabilities *(note 17)*	**24**	43
	2,211	1,832

10. INCOME TAX CREDIT/(EXPENSE)

	2022	2021
	HK$'000	HK$'000
Current tax — Hong Kong Profits Tax		
For the year	**—**	—
Overprovision in prior year	**152**	469
Deferred tax *(note 26)*	**—**	(2,264)
	152	(1,795)

Pursuant to the rules and regulations of Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax under such jurisdictions for the years ended 31 March 2022 and 2021.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No provision for Hong Kong profits tax has been made as the group companies have no assessable profits for both years.

The subsidiary established in the People's Republic of China (the "**PRC**") during the years ended 31 March 2021 was subject to the Enterprise Income Tax ("**EIT**"). Under the Law of the People's Republic of China and Implementation Regulation on EIT, the tax rate of the PRC subsidiary is 25%.

10. INCOME TAX CREDIT/(EXPENSE) *(continued)*

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

	2022 HK$'000	2021 HK$'000
Loss before taxation	**(20,554)**	(27,743)
Tax credit at Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	**(3,391)**	(4,577)
Tax effect of different tax rate of a subsidiary operating in other jurisdiction	**—**	(23)
Tax effect of expenses not deductible for tax purpose	**429**	1,256
Tax effect of income not taxable for tax purpose	**(169)**	(328)
Tax effect of deductible temporary differences not recognised	**324**	(1,485)
Tax effect of unused tax loss not recognised	**2,807**	7,421
Overprovision in prior year	**(152)**	(469)
Income tax (credit)/expense for the year	**(152)**	1,795

In respect of deferred tax assets and liabilities, details are set out in note 26 to the consolidated financial statements.

11. LOSS FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Loss and total comprehensive income for the year has been arrived at after charging:		
Directors' remuneration		
Fees	**542**	921
Salaries and other allowances	**1,440**	1,440
Retirement benefits scheme contributions	**61**	76
	2,043	2,437
Other staff costs:		
Salaries and other allowances	**17,596**	18,942
Retirement benefits scheme contributions	**623**	777
Total staff costs	**20,262**	22,156
Auditor's remuneration	**830**	750
Expenses relating to short-term leases *(note 17)*		
— Office premises *(note)*	**138**	—
— Machinery and equipment	**366**	993
Expenses relating to a lease of low-value assets *(note 17)*	**12**	7
	516	1,000
Material costs	**5,075**	3,618
Depreciation on property, plant and equipment *(note 16)*	**2,124**	2,536
Depreciation on right-of-use assets *(note 17)*	**337**	575
Impairment loss on property, plant and equipment *(note 16)*	**—**	871
Impairment loss on right-of-use assets *(note 17)*	**—**	122

Note: There is no renewal option for the lease of office premises.

12. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2021: HK$ Nil).

13. DIRECTORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	Directors' Fee HK$'000	Salaries and other allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2022				
Executive directors:				
Mr. Ha	—	720	18	738
Mr. Ip	—	720	18	738
Ms. Tang Minzhen (resigned on 6 September 2021)	182	—	7	189
Independent non-executive directors:				
Ms. Tang Shui Man ("**Ms. Tang**")	120	—	6	126
Mr. Yuk Kai Yao ("**Mr. Yuk**")	120	—	6	126
Dr. Fok Wai Sun ("**Dr. Fok**")	120	—	6	126
Total	542	1,440	61	2,043

	Directors' Fee HK$'000	Salaries and other allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2021				
Executive directors:				
Mr. Ha	—	720	18	738
Mr. Ip	—	720	18	738
Mr. Han Shengjun ("**Mr. Han**") (resigned on 31 August 2020)	157	—	8	165
Ms. Tang Minzhen (appointed on 10 September 2020)	402	—	11	413
Non-executive directors:				
Mr. Chen Tao (appointed on 28 August 2020 and removed on 2 March 2021)	2	—	3	5
Independent non-executive directors:				
Ms. Tang Shui Man ("**Ms. Tang**")	120	—	6	126
Mr. Yuk Kai Yao ("**Mr. Yuk**")	120	—	6	126
Dr. Fok Wai Sun ("**Dr. Fok**")	120	—	6	126
Total	921	1,440	76	2,437

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company (since its incorporation) and the Group.

13. DIRECTORS' EMOLUMENTS *(continued)*

The non-executive director's emoluments, and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During both years, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors waived or agreed to waive any emoluments in both years.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year included two directors (2021: two directors). Details of their emoluments are set out in note 13 above. Details of the emoluments of the remaining three (2021: three) highest paid non-director individuals for the year, are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**1,473**	1,624
Discretionary bonus	**42**	20
Retirement benefits scheme contributions	**17**	36
	1,532	1,680

Discretionary bonus was determined with reference of the Group's operating result and individual performance for such financial year.

The emoluments were within the following band:

	2022 **No of** **individuals**	2021 No of individuals
Nil to HK$1,000,000	**3**	3

During both years, no emoluments were paid by the Group to the remaining three (2021: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. LOSS PER SHARE

(a) Basic loss per share

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

	2022 HK$'000	2021 HK$'000
Loss		
Loss for the purpose of basic loss per share	(20,402)	(29,538)

	2022 '000	2021 '000 (Restated)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	87,112	66,497

The weighted average number of ordinary shares used for the purpose of calculating the basic loss per share have been adjusted for the bonus elements in the issue of shares of the Company on 5 July 2021 and 8 February 2022 (note 27(a)) and share consolidation on 29 December 2021 (note 27(b)) as if they had occurred on 1 April 2020. Loss per share for the year ended 31 March 2021 was restated accordingly.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 March 2022 and 2021 are the same as the basic loss per share of the Company as there are no dilutive potential ordinary shares for the years ended 31 March 2022 and 2021.

16. PROPERTY, PLANT AND EQUIPMENT

	Construction equipment HK$'000	Furniture, fixtures and equipment HK$'000	Computer HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2020	6,075	612	167	4,169	11,023
Additions	211	—	—	—	211
Disposals	(648)	(239)	(91)	(747)	(1,725)
At 31 March 2021	**5,638**	**373**	**76**	**3,422**	**9,509**
Additions	**2,314**	**—**	**—**	**30**	**2,344**
Disposals	**—**	**—**	**—**	**(327)**	**(327)**
At 31 March 2022	**7,952**	**373**	**76**	**3,125**	**11,526**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2020	2,347	340	133	2,229	5,049
Depreciation for the year (note 11)	1,559	71	10	896	2,536
Impairment loss for the year (note 11)	342	200	—	329	871
Eliminated on disposals	(648)	(238)	(90)	(505)	(1,481)
At 31 March 2021	**3,600**	**373**	**53**	**2,949**	**6,975**
Depreciation for the year (note 11)	**1,650**	**—**	**9**	**465**	**2,124**
Eliminated on disposals	**—**	**—**	**—**	**(308)**	**(308)**
At 31 March 2022	**5,250**	**373**	**62**	**3,106**	**8,791**
CARRYING VALUES					
At 31 March 2022	**2,702**	**—**	**14**	**19**	**2,735**
At 31 March 2021	2,038	—	23	473	2,534

The above items of property, plant and equipment are depreciated over their estimated useful lives, after taking into account of their estimated residual value, using straight-line method, at the following rates per annum:

Construction equipment	30%
Furniture, fixtures and equipment	20%
Computer	20%
Motor vehicles	30%

For the purpose of impairment testing, the Group has engaged an independent firm of professional valuers (the "**Valuers**") to perform an appraisal of the fair value of the individual assets of the cash generating unit (the "**CGU**") in the civil engineering construction works segment and repair and maintenance works segment. The recoverable amounts of the CGU have been determined on the basis of higher of the fair value less costs of disposal ("**FVLCTD**") and VIU calculations of the CGU.

As at 31 March 2022, based on the valuation report prepared by Valuers, the impairment loss should be considered on the FVLCTD on the individual assets of the CGU. During the year ended 31 March 2022, no further impairment losses (2021: HK$871,000 and HK$122,000) were recognised for property, plant and equipment (note 16) and right-of-use assets (note 17) for the year ended 31 March 2022.

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Valuation techniques and inputs in level 2 fair value measurements

As at 31 March 2022 and 2021, the directors of the Company determined that the fair value of the property, plant and equipment and right-of-use assets by adopting depreciated replacement cost (the "**DRC**") approach. The DRC approach requires a valuation of the fair value of the individual assets in its existing use and an estimate of the new replacement cost of the individual assets from which deductions are then made to allow for physical deterioration and all forms of obsolescence and optimisation. The fair value is a level 2 input as defined in HKFRS 13 "Fair Value Measurement".

The fair value measurement is based on the asset's highest and best use, which does not differ from its actual use.

17. RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises HK$'000	Motor vehicles HK$'000	Total HK$'000
COST			
At 1 April 2020	324	1,691	2,015
Additions	—	—	—
At 1 April 2021	**324**	**1,691**	**2,015**
Additions	**—**	**256**	**256**
Written off upon expiry of lease	**(324)**	**—**	**(324)**
At 31 March 2022	**—**	**1,947**	**1,947**
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 April 2020	135	810	945
Depreciation for the year	162	413	575
Impairment loss for the year	27	95	122
At 31 March 2021	**324**	**1,318**	**1,642**
Depreciation for the year	**—**	**337**	**337**
Written off upon expiry of lease	**(324)**	**—**	**(324)**
At 31 March 2022	**—**	**1,655**	**1,655**
CARRYING VALUES			
At 31 March 2022	**—**	**292**	**292**
At 31 March 2021	—	373	373

Details of impairment assessment is set out in the note 16 to the consolidated financial statements.

17. RIGHT-OF-USE ASSETS *(continued)*

The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities *(note 9)*	**24**	43
Depreciation on right-of-use assets *(note 11)*	**337**	575
Impairment loss on right-of-use assets *(note 11)*	**—**	122
Expenses relating to short-term leases *(note 11)*	**504**	993
Expenses relating to leases of low-value assets *(note 11)*	**12**	7
Total amount recognised in profit or loss	**877**	1,740

Details of the carrying amount and contractual maturity analysis of lease liabilities and total cash outflow for leases are set out in note 25(b) to the consolidated financial statements.

18. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture is as follows:

	2022 HK$'000	2021 HK$'000
Cost of investment in a joint venture	**—**	—
Share of post-acquisition losses and other comprehensive expense *(note)*	**—**	—
	—	—

Note: Share of loss has been fully recognised up to the investment in a joint venture during the year ended 31 March 2020. No further share of loss is required to be recognised for the years ended 31 March 2022 and 2021.

Details of the Group's joint venture at the end of each reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			2022	2021	2022	2021	
Talent Global Development Limited ("**Talent Global**")	Hong Kong	Hong Kong	**50%**	50%	**50%**	50%	Provision of repair and maintenance works for structures of roads and highways

19. CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Unclaimed revenue	**13,281**	16,372
Retention receivables	**6,512**	6,822
	19,793	23,194
Less: impairment loss	**(8,965)**	(6,852)
	10,828	16,342

Notes:

(a) Unclaimed revenue of HK$5,465,000 (2021: HK$6,180,000) (net of impairment loss of HK$6,307,000 (2021: HK$5,592,000)) and HK$1,455,000 (2021: HK$4,321,000) (net of impairment loss of HK$54,000 (2021: HK$279,000)) in respect of civil engineering construction projects and repair and maintenance projects included in contract assets represents the Group's right to receive consideration for work completed but not yet claimed because the right is conditional upon the satisfaction by the customers on the contract work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed contract work from the customers or external surveyors.

(b) Retention receivables of HK$2,027,000 (2021: HK$3,371,000) (net of impairment loss of HK$1,820,000 (2021: HK$432,000)) and HK$1,881,000 (2021: HK$2,470,000) (net of impairment loss of HK$784,000 (2021: HK$549,000)) in respect of civil engineering construction projects and repair and maintenance projects included in contract assets represents the Group's right to receive the receivables because the right is conditional until the expiry of defect liability period. The retention receivables are transferred to the trade receivables when the rights become unconditional. Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the date of the completion of the respective project. The Group does not hold any collateral over these balances.

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

Details of the impairment assessment of contract assets for the years ended 31 March 2022 and 2021 are set out in note 30(b) to the consolidated financial statements.

Significant changes in the contract assets during the year are as follows:

	2022 HK$'000	2021 HK$'000
Transfers from the contract assets recognised at the beginning of year to trade receivables	**4,322**	14,112

20. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Non-Current		
Deposits paid *(note (a))*	**2,934**	—
Current		
Trade receivables	**51,545**	47,540
Less: impairment loss	**(14,930)**	(4,841)
	36,615	42,699
Other receivables, deposits and prepayments *(note (b))*	**5,475**	6,347
Total trade and other receivables	**42,090**	49,046

Notes:

(a) It represented deposits paid for the acquisition of construction equipment and a motor vehicle.

(b) Other receivables, deposits and prepayments mainly represented the prepayment for construction materials and advance payments to sub-contractors/suppliers. Due to the COVID-19 pandemic, the Group had advance payments of HK$4,986,000 (2021: HK$Nil) to sub-contractors/suppliers in order to securing the capacity and construction materials from subcontractors/suppliers. The remaining balance mainly represented deposits paid of HK$490,000 (2021: 493,000) and surety bond of HK$Nil (2021: HK$5,000,000). The surety bond was a deposit as collateral security for a surety bond in respect of a construction contract in favour of the Group's customer in 2021. The deposit was interest-free and was refunded to the Group during the year ended 31 March 2022.

Trade receivables

The Group recognises trade receivables upon obtaining the completion of work certificates/issuance of invoices. The payment certificates will generally be issued by project employer one month to ten months after obtaining the completion of work certificates/issuance of invoices for billing purpose and the credit term granted to customers is generally 30 to 45 days from the date of invoice.

The following is an aged analysis of trade receivables, net of impairment loss, presented based on date of completion of work certificate/invoice at the end of each reporting period:

	2022 HK$'000	2021 HK$'000
0–30 days	**6,451**	6,989
31–60 days	**767**	845
61–90 days	**1,202**	479
91–180 days	**3,940**	6,107
181–365 days	**2,754**	6,505
> 365 days	**21,501**	21,774
	36,615	42,699

The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on the historical and periodic repayments records and continuous business relationship with those customers.

20. TRADE AND OTHER RECEIVABLES *(continued)*

Trade receivables *(continued)*

At 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$2,602,000 (2021: HK$3,782,000) which are past due as at the reporting date. Out of the past due balances, HK$2,602,000 (2021: HK$3,782,000) has been past due for 90 days or more and is not considered as default due to long-term on-going relationship with and past payment history of these debtors.

Details of impairment assessment of trade and other receivables for the years ended 31 March 2022 and 2021 are set out in note 30(b) to the consolidated financial statements.

21. AMOUNTS DUE FROM/(TO) A RELATED COMPANY/DIRECTORS

The Group

	2022 **HK$'000**	2021 HK$'000
Amount due from a related company		
Talent Prime Group Limited ("**Talent Prime**") *(Note (a))*	**2**	2
Amounts due to directors *(Note (b))*		
Mr. Ha	**12,011**	7,913
Mr. Ip	**3,000**	3,000
	15,011	10,913

Notes:

(a) Talent Prime is the ultimate holding company of the Company. The amount is non-trade in nature, unsecured, interest free and repayable on demand.

(b) Included in the amount due to Mr. Ha as at 31 March 2022, HK$8,000,000 is an unsecured six-month loan, interest-bearing at 12.0% per annum and due on 11 December 2021. Upon the original due date, the Company and Mr. Ha entered into a supplemental agreement to extend the due date for one year from 11 December 2021 and other terms remained unchanged. The remaining amounts due to Mr. Ha and Mr. Ip are non-trade in nature, unsecured, interest-free and repayable on demand. All directors have agreed in writing that they would not demand repayment from the Group until the Group is in a position to repay.

22. BANK BALANCES AND CASH/BANK OVERDRAFT

Bank balances and cash comprise bank balances and cash on hand. Included in the bank balances as at 31 March 2022, was a time deposit of HK$10,000,000 (2021: HK$10,415,000) with original maturity of less than three months carrying a fixed-rate interest of 2.20% (2021: 2.40%) and used to secure a revolving loan (note 24(a)). The remaining bank balances carry interest at prevailing market interest rate at 0.01% (2021: 0.01%) per annum.

Bank overdraft carries interest at market rate of 4.90% (2021: 2.16%) per annum.

23. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	1,191	8,178
Retention payables	567	567
Accrued expenses	2,430	1,923
Accrued payroll expenses	2,060	2,333
Other payable	—	2,372
Total trade and other payables	6,248	15,373

Trade payables

The average credit period on trade payables is 30 days. The following is an aged analysis of trade payables presented based on the date of invoices/payment certificates at the end of each reporting period:

	2022 HK$'000	2021 HK$'000
0–30 days	68	326
31–60 days	—	85
61–90 days	—	33
> 90 days	1,123	7,734
	1,191	8,178

Retention payables

The retention payables are to be settled within 1 year, based on the expiry of defects liability period, at the end of each reporting period.

The following is an aged analysis of retention payables presented based on the dates of invoices/payment certificates at the end of each reporting period:

	2022 HK$'000	2021 HK$'000
Within one year	567	567

24. BANK AND OTHER BORROWINGS

	2022 HK$'000	2021 HK$'000
Secured variable-rate bank loans (a)	—	5,017
Unsecured fixed-rate other borrowings (b)	—	7,940
	—	12,957
Carrying amounts repayable		
Within one year	—	12,957
Amounts shown under current liabilities	—	12,957

(a) The Group had two term loans and one revolving loan with aggregate outstanding principal amounts of HK$1,017,000 and HK$4,000,000, respectively, advanced from a local bank in Hong Kong. The bank loans were obtained to finance the Group's operations. The term loans carried interest at 4.5% per annum and due in June 2021. The revolving loan was secured by a time deposit (note 22), interest bearing at 4.9% per annum and repayable in one year. These loans have been repaid in full during the year ended 31 March 2022.

(b) It represents an unsecured loan from a financial institution (other than a bank), interest bearing at 14.0% per annum and originally repayable in September 2020. During the year ended 31 March 2021, the Group and the borrower entered into extension agreements, the maturity of the loan is extended to September 2021 and was interest bearing at 10.0% per annum from 1 March 2021 onwards. Other terms remain unchanged. This loan has been repaid in full during the year ended 31 March 2022.

(c) The Group's banking facilities are secured by way of:

(i) unlimited personal guarantees executed by certain directors of the Company;

(ii) pledge of a time deposit (note 22).

(d) During the years ended 31 March 2022 and 2021, the bank loans were subject to the fulfilment of covenant relating to the Group's net assets value which is commonly found in banking facilities. If the Group breaches the covenant, the drawn down facilities will become repayable on demand. The Group regularly monitors its compliance with the covenants.

As at 31 March 2022 and 2021, none of the bank covenants relating to drawn down facilities had been breached. The directors of the Company consider there is no material impact in regard of the outbreak of a novel coronavirus to the Group's bank borrowings.

25. LEASE LIABILITIES

The Group leases office premises and certain motor vehicles in Hong Kong, which comprise only fixed payments over the lease terms.

25. LEASE LIABILITIES *(continued)*

(a) The carrying amounts of the Group's lease liabilities and the movements during the year are as follows:

	2022 HK$'000	2021 HK$'000
At 1 April	**462**	995
Additions during the year	**250**	—
Accretion of interest recognised during the year *(note 9)*	**24**	43
Lease payments	**(439)**	(576)
At 31 March	**297**	462

	2022 HK$'000	2021 HK$'000
Analysed into:		
Current portion	**231**	356
Non-current portion	**66**	106

(b) The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	2022 HK$'000	2021 HK$'000
Total minimum lease payments:		
Due within one year	**242**	372
Due within the second to fifth year inclusive	**67**	109
	309	481
Less: future finance charges	**(12)**	(19)
Present value of lease liabilities	**297**	462
Present value of lease liabilities is as follows:		
Due within one year	**231**	356
Due within the second to fifth year inclusive	**66**	106
	297	462
Less: portion classified as current liabilities	**(231)**	(356)
Non-current liabilities	**66**	106

26. DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to tax levied by the same taxation authority on the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2022 HK$'000	2021 HK$'000
Deferred tax liability	(186)	(186)
	(186)	(186)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through taxable profits is probable. At the end of the reporting period, the Group had unused tax losses of approximately HK$51,287,000 (2021: HK$34,275,000) available for offset against future profits and carried forward indefinitely in Hong Kong. No deferred tax asset has been recognised in respect of the unused tax losses of approximately HK$51,287,000 (2021: HK34,275,000) due to the unpredictability of future profits streams.

No deferred tax liability has been recognised for taxable temporary difference in the consolidated financial statements at 31 March 2022 and 2021 as the tax effect thereof was not material.

The following is the deferred tax assets and liabilities recognised by the Group and movement thereon during the year:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2020	(485)	2,563	2,078
Credit to the profit or loss for the year *(note 10)*	299	(2,563)	(2,264)
At 31 March 2021	**(186)**	**—**	**(186)**
Credit to the profit or loss for the year *(note 10)*	—	—	—
At 31 March 2022	**(186)**	**—**	**(186)**

27. SHARE CAPITAL

(a) Authorised and issued share capital

	2022			2021		
	Par value per share HK$	Number of shares '000	Amount HK$'000	Par value per share HK$	Number of shares '000	Amount HK$'000
Authorised						
At 1 April	0.01	1,000,000	10,000	0.01	1,000,000	10,000
Share Consolidation	0.90	(900,000)	—	—	—	—
Increase in authorised shares after Share Consolidation	0.10	100,000	10,000	0.10	—	—
At 31 March	0.10	200,000	20,000		1,000,000	10,000
Issued and fully paid						
At 1 April	0.01	480,000	4,800	0.10	480,000	4,800
Shares issued before Share Consolidation	0.01	91,200	912	—	—	—
Share Consolidation	0.90	(514,080)	—	—	—	
Shares issued after Share Consolidation	0.10	57,100	5,710	—	—	—
At 31 March	0.10	114,220	11,422	0.10	480,000	4,800

Increase in authorised share capital

On 29 December 2021 after the Share Consolidation, the authorised share capital of the Company was increased from HK$10,000,000 to HK$20,000,000 by an creation of an additional 100,000,000 shares with a nominal value of HK$0.1 each.

Placing of shares during the year

On 5 July 2021, 91,200,000 ordinary shares were issued and allocated to six placees who are independent third parties to the Group through a placing agent at HK$0.105 per share. Accordingly, the Company's issued share capital was increased by HK$912,000 and the balance of the proceeds, net of direct cost incurred, of HK$8,424,000 was credited to the share premium account.

The Company has used certain net proceeds for the repayment of outstanding indebtedness of the Group. The remaining proceeds will be used for general working capital of the Group.

On 8 February 2022, 57,100,000 ordinary shares issued and allocated to six placees who are independent third parties to the Group through a placing agent at HK$0.535 per share. Accordingly, the Company's issued share capital was increased by HK$5,710,000 and the balance of the proceeds, net of direct cost incurred, of HK$24,073,000 was credited to the share premium account.

The Company has used certain net proceeds for the repayment of the outstanding indebtedness of the Group. The remaining proceeds will be used for development of the Group's business and the general working capital of the Group.

27. SHARE CAPITAL *(continued)*

(b) Share Consolidation

With effect from 29 December 2021, every ten issued and unissued existing shares of par value of HK$0.01 each in the share capital of the Company were consolidated into one consolidated share (the "**Consolidated Share**") of par value of HK$0.10 each (the "**Share Consolidation**"). All Consolidated Shares rank pari passu in all respects with each other. The Share Consolidation has let to adjustments to the exercise price of the share options and the number of Consolidated Shares falling to be issued upon exercise of the subscription rights attaching to the share options in accordance with the terms and conditions of the share option scheme of the Company. As no share options have been granted, exercised or cancelled by the Company under the scheme since its adoption, the adjustment is not necessary to reflect in these consolidated financial statements.

28. SHARE OPTIONS SCHEME

The share option scheme was conditionally adopted pursuant to the written resolutions of the shareholders passed on 21 September 2018 (the "**Adoption Date**"). The purpose of the share option scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations.

The share option scheme will remain in force for a period of ten years commencing on the Adoption Date.

The directors may grant any employee, director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe shares in accordance with the terms of the share option scheme.

The maximum number of shares issuable upon exercise of all options to be granted under the share option scheme must not in aggregate exceed 10% of all the shares in issue as at the listing date. Therefore, it is expected that the Company may grant options in respect of up to 48,000,000 shares to the participants under the share option scheme.

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme must not exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of options granted under the share option scheme in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.

An option may be exercised in accordance with the terms of the share option scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant.

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

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

No share options have been granted, exercised or cancelled by the Company under the scheme since its adoption.

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of trade and other payables, amounts due to directors, bank and other borrowings, lease liabilities, bank overdraft and equity attributable to owners of the Group, comprising issued share capital, share premium, other reserve, exchange reserve and (accumulated losses)/retained profits.

The management of the Group reviews the capital structure on a continuous basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends or new share issues as well as the issue of new debts and redemption of existing debts. The net debts-to-equity ratios at 31 March 2022 and 2021 were as follows:

	2022 **HK$'000**	2021 HK$'000
Total debts:		
Trade and other payables	**6,248**	15,373
Amounts due to directors	**15,011**	10,913
Bank and other borrowings	**—**	12,957
Lease liabilities	**297**	462
	21,556	39,705
Less: Cash and cash equivalents		
Bank balances and cash	**(14,245)**	(13,101)
Bank overdraft	**—**	9,906
Net debts	**7,311**	36,510
Equity	**51,384**	32,531
Net debts-to-equity ratio	**14.3%**	112.2%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost	51,352	61,169
Financial liabilities		
Amortised cost	21,556	49,611

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amount due from a related company, bank balances and cash, trade and other payables, amounts due to directors, bank and other borrowings, lease liabilities and bank overdraft.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate bank overdraft and variable-rate bank borrowings as set out in notes 22, 22 and 24, respectively. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank deposit, other borrowings and lease liabilities as set out in notes 22, 24 and 25, respectively. The Group currently does not have an interest rate hedging policy. The directors monitor the Group's exposures on an ongoing basis and will consider hedging the interest rate should the need arises.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the variable-rate amounts of bank balances, bank overdraft and bank borrowings outstanding at the end of the reporting period was outstanding for the whole year. 25 basis points, 50 basis points and 50 basis points (2021: 25 basis points, 50 basis points and 50 basis points) increase or decrease are used on bank balances, bank overdraft and bank borrowings, respectively when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on bank balances had been 25 basis points (2021: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would increase/decrease by HK$nil (2021: HK$7,000).

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Interest rate risk *(continued)*

Sensitivity analysis (continued)

If interest rates on bank overdraft had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by HK$nil (2021: HK$41,000).

If interest rates on bank borrowings had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by HK$nil (2021: HK$21,000).

Credit risk and impairment assessment

As at 31 March 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets and contract assets as stated in the consolidated statement of financial position.

The Group is exposed to concentration of credit risk as at 31 March 2022 on contract assets and trade receivables from the Group's 2 (2021: 2) major customers amounting to HK$36,736,000 (2021: HK$45,174,000) and accounted for 78% (2021: 77%), of the Group's total contract assets and trade receivables. In the opinion of the management of the Group, the major customers of the Group are certain reputable and sizable companies in the market with good settlement history. The management of the Group considers that the credit risk is limited in this regard.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In addition, the management of the Group performs impairment assessment under ECL model on trade balances and contract assets individually. Internal credit rating has been given to each debtor after considering aging, historical observed default rates, repayment history and past due status of respective trade receivables and contract assets. Estimated loss rates are based on probability of default and loss given default with reference to an external credit report and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort and trade receivables and contract assets with credit impaired were assessed based on the probability of the sums expected to be recovered.

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Trade receivables and contract assets arising from contracts with customers (continued)

The management of the Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The management of the Group reviews the recoverable amount of these receivables and contract assets at the end of the reporting period.

Bank balances

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group is exposed to concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

Other receivables

For the purposes of internal credit risk management on other receivables, the management of the Group considers the financial capacity of the debtors to assess whether credit risk has increased significantly since initial recognition.

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

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

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

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

2022	Notes	External credit rating	Internal credit rating	12-month or Lifetime ECL	Average loss rate	Gross carrying amount HK$'000
Financial assets at amortised cost						
Trade receivables	20	N/A	Low risk *(note 1)*	Lifetime ECL — not credit-impaired	3.6%	26,617
			Watch risk *(note 1)*	Lifetime ECL — not credit-impaired	31.0%	2,170
			Doubtful *(note 1)*	Lifetime ECL — not credit-impaired	75.3%	4,001
			Loss *(note 1)*	Lifetime ECL — credit-impaired	54.9%	18,757
						51,545
Amount due from a related company	21	N/A	Low risk *(note 2)*	12m ECL	N/A	2
Other receivables and deposits	20	N/A	Low risk *(note 2)*	12m ECL	N/A	490
			Loss *(note 2)*	Lifetime ECL — credit-impaired	100%	1,022
Bank balances	22	Baa1 to Aa2	N/A	12m ECL	N/A	14,106
Other item						
Contract assets	19	N/A	Low risk *(note 1)*	Lifetime ECL — not credit-impaired	3.6%	3,076
			Watch list *(note 1)*	Lifetime ECL — not credit-impaired	31.0%	1,000
			Doubtful *(note 1)*	Lifetime ECL — not credit-impaired	75.3%	578
		N/A	Loss *(note 1)*	Lifetime ECL — credit-impaired	53.6%	15,139
						19,793

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

2021	Notes	External credit rating	Internal credit rating	12-month or Lifetime ECL	Average loss rate	Gross carrying amount HK$'000
Financial assets at amortised cost						
Trade receivables	20	N/A	Low risk *(Note 1)*	Lifetime ECL — not credit-impaired	6.1%	39,094
			Watch list *(Note 1)*	Lifetime ECL — not credit-impaired	28.2%	8,220
			Doubtful *(Note 1)*	Lifetime ECL — not credit-impaired	68.8%	226
						47,540
Amount due from a related company	21	N/A	Low risk *(Note 2)*	12m ECL	N/A	2
Other receivables and deposits	20	N/A	Low risk *(Note 2)*	12m ECL	2.6%	6,511
Bank balances	22	Baa1 to Aa2	N/A	12m ECL	N/A	13,079
Other item						
Contract assets	19	N/A	Low risk *(Note 1)*	Lifetime ECL — not credit-impaired	5.8%	6,476
			Watch list *(Note 1)*	Lifetime ECL — not credit-impaired	38.6%	16,640
			Doubtful *(Note 1)*	Lifetime ECL — not credit-impaired	69.2%	78
						23,194

Notes:

1. *For contract assets and trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the impairment loss using lifetime ECL. The Group assessed the expected credit losses for each debtor individually.*

2. *For the purposes of internal credit risk management, the Group considers the financial capacity of the debtors to assess whether credit risk has increased significantly since initial recognition. In determining the ECL for other receivables and deposits and amount due from a related company, the Group has given internal credit rating to each debtor after considering the historical default experience, repayment history and forward-looking information, as appropriate, and concluded that credit risk inherent in the outstanding balance of deposits and amount due from a related company is insignificant. During the year ended 31 March 2022, the Group provided HK$1,022,000 and reversed HK$168,000 (2021: provided HK$168,000) impairment loss on other receivables.*

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

During the year ended 31 March 2022, the Group provided HK$10,673,000 and reversed HK$584,000 (2021: provided HK$1,480,000 and reversed HK$16,000) impairment loss for trade receivables. Trade receivables of HK$18,757,000 (2021: HK$nil) was considered to be credit-impaired during the year ended 31 March 2022.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2020	3,377	—	3,377
Impairment loss recognised	1,480	—	1,480
Impairment loss reversed	(16)	—	(16)
At 31 March 2021	**4,841**	**—**	**4,841**
Transfer	**(1,594)**	**1,594**	**—**
Impairment loss recognised	**1,972**	**8,701**	**10,673**
Impairment loss reversed	**(584)**	**—**	**(584)**
At 31 March 2022	**4,635**	**10,295**	**14,930**

During the year ended 31 March 2021, the management of the Group and a customer were in negotiation on long-aged trade receivables and contract assets (before impairment) of HK$759,000 and HK$11,772,000 respectively. On 25 August 2021, a writ of summons was made by the Group, as the plaintiff, against the customer in respect of the construction services rendered by the Group. On 10 December 2021, the Group filed a statement of claims to the court for a sum of approximately HK$15,500,000. Subsequent to deadline of filing the defence, the customer has applied to the court for the extension of filing of defence. Up to the date of the approval for issue of these consolidated financial statements, the customer yet filed the defence nor counter claim to the court. Management of the Group transferred the opening balance of lifetime ECL on trade receivables and contract assets of HK$361,000 and HK$6,013,000, respectively, from not credit-impaired to credit-impaired, and an additional lifetime ECL (credit-impaired) on trade receivables and contract assets of HK$187,000 and HK$2,097,000, respectively, were recognised during the year ended 31 March 2022.

The Group writes off a trade receivables when there is information indicating that the debtor is in severe financial difficulty or there is disagreement to the balances and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, has entered into bankruptcy proceedings or determined as uncollectible.

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

During the year ended 31 March 2022, the Group provided HK$2,387,000 and reversed HK$274,000 (2021: provided HK$6,272,000 and reversed HK$44,000) impairment loss for contract assets, respectively. Contract assets of HKS15,139,000 (2021: HK$Nil) was considered to be credit-impaired during the year ended 31 March 2022.

The following table shows the movement in lifetime ECL that has been recognised for contract assets under simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2020	624	—	624
Impairment loss recognised	6,272	—	6,272
Impairment loss reversed	(44)	—	(44)
At 31 March 2021	**6,852**	**—**	**6,852**
Transfer	**(6,013)**	**6,013**	**—**
Impairment loss recognised	**290**	**2,097**	**2,387**
Impairment loss reversed	**(274)**	**—**	**(274)**
At 31 March 2022	**855**	**8,110**	**8,965**

During the year ended 31 March 2022, the Group reversed HK$168,000 and provided HK$1,022,000 (2021: provided HK$168,000 and HK$ Nil) impairment loss on a deposit for a surety bond and other receivables, respectively, which are included in "trade and other receivables" (note 20).

The following table shows the movement in 12m ECL and lifetime ECL that has been recognised for other receivables under general approach ECL model.

	12m ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2020	—	—	—
Impairment loss recognised	168	—	168
At 31 March 2021	**168**	**—**	**168**
Impairment loss recognised	**—**	**1,022**	**1,022**
Impairment loss reversed	**(168)**	**—**	**(168)**
At 31 March 2022	**—**	**1,022**	**1,022**

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

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

The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2022						
Non-derivative financial liabilities						
Trade and other payables	**N/A**	**6,248**	**—**	**—**	**6,248**	**6,248**
Amounts due to directors	**N/A**	**15,011**	**—**	**—**	**15,011**	**15,011**
Lease liabilities	**5.83**	**242**	**67**	**—**	**309**	**297**
		21,501	**67**	**—**	**21,568**	**21,556**

	Weighted average interest rate	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2021						
Non-derivative financial liabilities						
Trade and other payables	N/A	15,373	—	—	15,373	15,373
Amounts due to directors	N/A	10,913	—	—	10,913	10,913
Bank and other borrowings	5.97	13,375	—	—	13,375	12,957
Bank overdraft	2.16	10,120	—	—	10,120	9,906
Lease liabilities	5.83	372	109	—	481	462
		50,153	109	—	50,262	49,611

30. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement

Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and other receivables, amounts due from/(to) a related company and directors, trade and other payables, bank and other borrowings, lease liabilities and bank overdraft.

Due to their short term nature, their carrying values approximates fair value.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	**Bank and other borrowings**	**Amounts due to directors**
	HK$'000	HK$'000	HK$'000
At 1 April 2020	995	12,000	12,102
Financing cash flows	(576)	(442)	(1,189)
Finance costs recognised	43	1,551	—
Modification gain on other borrowings	—	(152)	—
At 31 March 2021	**462**	**12,957**	**10,913**
Financing cash flows	**(439)**	**(14,504)**	**3,458**
Finance costs recognised	**24**	**1,547**	**640**
Lease commencement	**250**	**—**	**—**
At 31 March 2022	**297**	**—**	**15,011**

32. RETIREMENT BENEFITS PLANS

(a) The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of an independent trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefits scheme contributions arising from the MPF Scheme charged to profit or loss of HK$684,000 (2021: HK$853,000) represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

(b) Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "**Schemes**") organised by the relevant local government authorities, whereby the Group is required to make contributions to the Schemes of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The obligations are calculated based on a certain percentage of the basic payroll.

33. RELATED PARTY DISCLOSURES

(i) Transactions

During the year, the Group entered into the following transactions with its related parties:

Name of related parties	Nature of transactions	2022 HK$'000	2021 HK$'000
Mr. Ha	Financing	**(12,011)**	(7,913)
Mr. Ip	Financing	**(3,000)**	(3,000)
Mr. Ha	Finance costs	**640**	—
Kaiser Global (China) Company Limited	Purchases of raw materials	**473**	—

For the terms of financing, details are set out in note 21 to the consolidated financial statements.

(ii) Balances

Details of the balances with directors and a related company are set out in the note 21 to consolidated statement of financial statements.

(iii) Compensation of key management personnel

	2022 HK$'000	2021 HK$'000
Salaries and other allowances	**3,029**	3,211
Retirement benefits scheme contributions	**90**	94
Discretionary bonus	**95**	50
	3,214	3,355

Key management personnel of the Company include directors and senior management. The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	19,844	19,844
Amounts due from subsidiaries	27,276	18,790
	47,120	38,634
Current assets		
Bank balances and cash	13,793	10,415
	13,793	10,415
Current liabilities		
Other payables	1,523	1,021
Amounts due to subsidiaries	390	390
Amount due to a director	8,000	—
Bank and other borrowings	—	11,940
Bank overdraft	—	9,906
	9,913	23,257
Net current assets/(liabilities)	3,880	(12,842)
Total assets less current liabilities	51,000	25,792
Capital and reserves		
Share capital	11,422	4,800
Reserves	39,578	20,992
Total equity	51,000	25,792

Movement in the Company's reserves

	Share premium (Note (i)) HK$'000	Other reserve (Note (ii)) HK$'000	Accumulated losses (Note (iii)) HK$'000	Total HK$'000
At 1 April 2020	35,187	13,917	(21,137)	27,967
Loss and total comprehensive income for the year	—	—	(6,975)	(6,975)
At 31 March 2021 and 1 April 2021	35,187	13,917	(28,112)	20,992
Issue of shares	32,497	—	—	32,497
Loss and total comprehensive income for the year	—	—	(13,911)	(13,911)
At 31 March 2022	67,684	13,917	(42,023)	39,578

(i) Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the capitalisation of new shares on 21 September 2018 and expenses incurred in connection with the issue of the shares.

(ii) On 21 September 2018, Talent Prime and Infinite Honor transferred the entire issued share capital of China Talents to the Company. As settlement of the consideration, the Company allotted and issued 9,200 and 700 ordinary shares of the Company to Talent Prime and Infinite Honor, respectively, at HK$0.01 each share. The amount represented the difference between the net assets value of China Talents upon transfer and the share capital issued by the Company.

(iii) Cumulative net losses recognised in profit or loss.

35. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation	Date of incorporation	Issued and fully share paid-up capital	Equity attributable to the Company As at 31 March 2022	2021	Principal activities
China Talents[1]	The BVI	17 February 2017	US$10,000	**100%**	100%	Investment holding
TMD	Hong Kong	29 April 2010	HK$4,200,000	**100%**	100%	Civil engineering construction works of road and highway related infrastructure and repair and maintenance works for structures of roads and highways
TMC	Hong Kong	4 April 2014	HK$2	**100%**	100%	Repair and maintenance works for structures of roads and highways
Holy Star Holdings Limited	The BVI	30 April 2019	US$50,000	**100%**	100%	Investment holding
EST International (HK) Limited	Hong Kong	30 May 2019	HK$100,000	**100%**	100%	Investment holding
易斯特科技管理(深圳)有限公司[2]	The PRC	24 July 2019	Registered capital CNY10,000,000	**N/A**	100%	Inactive

1 *Directly held by the Company.*

2 *Deregistered on 8 May 2021.*

None of the subsidiaries had issued any debt securities at the end of the year.

36. CONTINGENT LIABILITIES

On 19 February 2019, a writ of summons and statement of claim was made by the plaintiff against the Group in respect of the construction services rendered to the Group. The claim is for a sum of approximately HK$1,500,000 together with interest and cost. In the opinion of the directors of the Company, the amount claimed is not reasonable and the Group does not agree to this claim. After obtaining legal advice, the Group considers that the possibility of cash outflow is remote.

Subsequent to the year end date, the plaintiff filed a mediation notice to the District Court and attempted to resolve the disputes through mediation and the Group also agreed to the said proposal. Up to the date of authorisation for issue of these consolidated financial statements, there is no significant progress.

Save as disclosed in note 30(b) and this note to consolidated financial statements, the Group did not have other material contingent liabilities to be disclosed.

37. COMMITMENTS

At 31 March 2022 and 2021, the Group did not have material commitments to be disclosed.

38. EVENT AFTER THE REPORTING PERIOD

The Hong Kong Government (the "Government") passed the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 on 9 June 2022 to abolish the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund System to offset severance payment and long service payment. The new law abolishing the offsetting will come into effect in 2025 on an exact date to be announced by the Government. The removal of the offsetting arrangement will not have retrospective effect and may cause financial impact on the Group's consolidated financial statements in future years.

Up to the date of the approval for issue for these consolidated financial statements, the directors of the Company consider that the possible impact could not be estimated.

FINANCIAL SUMMARY

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
For the year					
Revenue	**42,469**	42,157	84,595	108,323	91,764
Loss before taxation	**(20,554)**	(27,743)	(19,131)	4,593	10,065
Loss attributable to equity holders of the Company	**(20,402)**	(29,538)	(16,525)	1,923	6,854
At year end					
Total assets	**73,126**	82,328	108,107	115,885	61,241
Total liabilities	**21,742**	49,797	46,012	37,155	24,421
Total equity attributable to equity holders of the Company	**51,384**	32,531	62,095	78,730	36,820