智城發展控股有限公司

SMART CITY DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

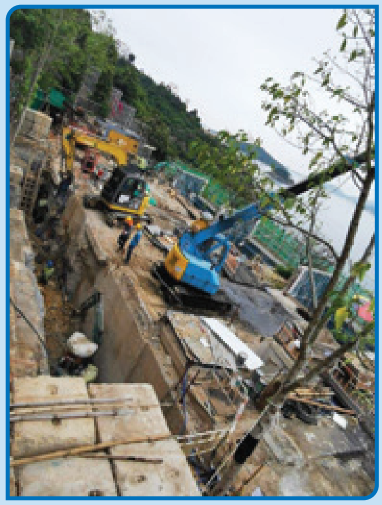
Stock Code : 8268

ANNUAL REPORT 2022

Construction Projects

Tai Mong Tsai, Sai Kung, N.T., Hong Kong (Lot 243 S.A. in DD 252)

Superstructure Works
Main contractor for one residential house including E&M works



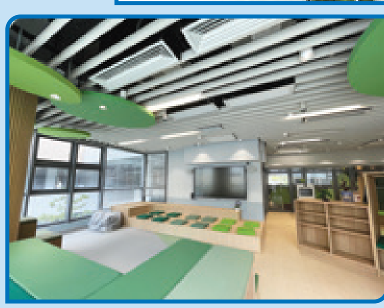
No.39 South Bay Road, Hong Kong

Superstructure Works
Main contractor for one residential house including E&M works

Electrical & Mechanical (“E&M”) Engineering Projects

The Salvation Army Centaline Charity Fund Queen’s Hill School AND TWGHs Tseng Hin Pei Primary School

Electrical & Fire Services Installation



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Contents

BOARD OF DIRECTORS

Executive Directors

Mr. Hung Kenneth
Ms. Lau Po Yee

Independent Non-Executive Directors

Mr. Wong Yuk Lun Alan
Mr. Lam Wai Hung
Ms. Au Shui Ming Anna

BOARD COMMITTEES

Audit Committee

Mr. Lam Wai Hung *(Chairman)*
Mr. Wong Yuk Lun Alan
Ms. Au Shui Ming Anna

Remuneration Committee

Mr. Wong Yuk Lun Alan *(Chairman)*
Mr. Lam Wai Hung
Ms. Au Shui Ming Anna

Nomination Committee

Ms. Au Shui Ming Anna *(Chairman)*
Mr. Wong Yuk Lun Alan
Mr. Lam Wai Hung

Internal Control Committee

Mr. Lam Wai Hung *(Chairman)*
Mr. Wong Yuk Lun Alan
Ms. Au Shui Ming Anna

COMPANY SECRETARY

Ms. Wong Po Ling, Pauline (resigned on 18 March 2022)
Mr. Yip To Chun (appointed on 18 March 2022)

COMPLIANCE OFFICER

Mr. Hung Kenneth

AUTHORISED REPRESENTATIVES

Mr. Hung Kenneth
Ms. Wong Po Ling, Pauline (resigned on 18 March 2022)
Mr. Yip To Chun (appointed on 18 March 2022)

AUDITOR

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North Point
Hong Kong

LEGAL ADVISERS

Howse Williams

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KY1-1108 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Dah Sing Bank, Limited
Nanyang Commercial Bank Limited

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 8268

WEBSITE

www.smartcity-d.com

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of Smart City Development Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present this annual report ("**Annual Report**") and the audited consolidated financial statements of the Group for the year ended 31 March 2022 ("**Reporting Period**").

FINANCIAL PERFORMANCE

Despite the continuous recovery of the global economy in 2021 and 2022, the unstable situation of the Coronavirus disease pandemic posed increasing challenges to different industries and led to divergent economic performance in different countries. As a result, the construction industry in Hong Kong is still under pressure. During the Reporting Period, the Group has disposed Deson Construction Engineering Limited and its interest in Beijing Chang-de which completion took place on 10 August 2021. After the disposal, the Group will focus its interior fittings-out works business in Hong Kong and Macau. The Group will uphold an on-going parallel development of its construction business (including building construction, interior fitting-out works and E&M works) in Hong Kong and Macau. To cope with the difficulties encountered in the construction and engineering industry, the Group has adopted a prudent strategy in project tendering.

The Group's revenue for the Reporting Period recorded at approximately HK$324.9 million which represented a decrease of approximately 47.4% from approximately HK$617.8 million for the year ended 31 March 2021. For the construction business segment, revenue for the Reporting Period recorded at approximately HK$319.4 million, which represented a decrease of approximately 47% from approximately HK$606.1 million for the year ended 31 March 2021. For the securities investment segment, revenue for the Reporting Period recorded a gain of approximately HK$3.7 million, which represented a decrease of approximately 64% from approximately HK$10.3 million for the year ended 31 March 2021. For the property investment business segment, revenue for the Reporting Period recorded at approximately HK$0.6 million, which represented an increase of approximately 260% from approximately HK$0.2 million for the year ended 31 March 2021. For the money lending business segment, revenue for the Reporting Period recorded at approximately HK$1.3 million, which represented an increase of approximately 10.0% from approximately HK$1.1 million for the year ended 31 March 2021. The Group recorded a net profit attributable to owners of the Company of approximately HK$15.3 million for the Reporting Period (2021: HK$9.9 million).

OUTLOOK

In the coming year, we believe that the construction market in Hong Kong will remain competitive and challenging. However, with the Group's proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base. The long-established relationships with our customers, subcontractors and suppliers and the commitment of our management team to provide quality work and service have played and will continue to play, a vital role in building up our reputation and the Group's competitiveness in the market. In addition, further opportunities may arise which include the promotion by the HK government in the widely adoption of modular integrated construction method ("**MIC**"), government enhancement work to combat Covid-19 and the recent development of the Greater Bay Area.

We will continuously look for attractive growth opportunities in China, Hong Kong and elsewhere that will drive the financial returns for shareholders in the long term.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our customers, shareholders and business partners for their continuous care and support. I would also like to thank all of our employees for the dedication and loyalty they have shown throughout the years.

Hung Kenneth
Executive Director

Hong Kong, 23 June 2022

BUSINESS REVIEW

The Group's principal businesses are (i) acting as a contractor in the building industry operating in Hong Kong and Macau where we provide one-stop comprehensive services with the following three major types of services: (a) building construction works and related businesses; (b) electrical and mechanical engineering ("**E&M**") works; and (c) alterations, addition, renovation, refurbishment and fitting-out works ("**Interior fitting-out works**"); (ii) investment in securities, where the Group invests in long term and short term investment in marketable securities; (iii) property investment in Hong Kong, where the Group acquires properties in Hong Kong and earns rental income; and (iv) money lending business.

The Group's revenue for the Reporting Period recorded at approximately HK$324,904,000 which represented a decrease of approximately 47.4% from approximately HK$617,771,000 for the year ended 31 March 2021. For construction segment, revenue for the Reporting Period recorded at approximately HK$319,368,000 which represented a decrease of 47% from approximately HK$606,141,000 for the year ended 31 March 2021. For investment in marketable securities segment, revenue for the Reporting Period recorded at a gain of approximately HK$3,660,000 which represented a decrease of 64% from a gain of approximately HK$10,311,000 for the year ended 31 March 2021. For property investment segment, revenue for the Reporting Period recorded at approximately HK$612,000 which represented an increase of 260% from approximately HK$170,000 for the year ended 31 March 2021. For money lending segment, revenue for the Reporting Period recorded at approximately HK$1,264,000 which represented an increase of 10% from approximately HK$1,149,000 for the year ended 31 March 2021.

(i) Construction Segment

(a) Building construction works and related businesses:

For the Reporting Period, revenue recorded at this section amounted to approximately HK$127,959,000 (2021: HK$166,186,000).

The decrease of 23.0% was mainly due to the significant revenue recognition for the main contractor works for the residential redevelopment works including E&M works at Peak Road House A, Hong Kong was recorded in the last reporting period. The above decrease was partially offset by the revenue generated from the site formation and foundation works for proposed residential development at South Lantau Road, Cheung Sha, Lantau Island which commenced in April 2021.

(b) E&M works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK$153,412,000 (2021: HK$236,363,000).

The decrease by approximately 35.1% was mainly due to less revenue recognition during the Reporting Period of the projects which were almost completed including (i) electrical and fire services installations for construction of two 30-classroom primary schools at Queen's Hill, Fanling, (ii) triennial term contract for the maintenance and repair of, alterations and additions to fire services installations for Health Services Building in Hong Kong Region and Outlying Islands; (iii) building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Hong Kong; (iv) 30-month term contract for the maintenance and repair of, alterations and additions to, fire services installations for Health Services Buildings in New Territories Region; (v) upgrading of gasholder No. 2 at Shatin Sewage Treatment Works; and (vi) 24-month term contract for building services works at Sogo Department Store, Causeway Bay and Tsim Sha Tsui, Hong Kong.

The above decrease was partially offset by the additional revenue generated for the triennial term contract for operation and maintenance of air-conditioning installations at Attended Municipal Venues in Hong Kong Region.

(c) Interior fitting-out works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK$37,997,000 (2021: HK$203,592,000).

The significant decrease by 81% was mainly due to (i) the PRC operation, Beijing Chang-de Architectural & Decoration Co., Limited (北京長迪建築裝飾工程有限公司) ("**Beijing Chang-de**") was disposed on 10 August 2021 where its revenue is no longer included into the Group's consolidated revenue after the completion date; and (ii) the interior fitting-out works at House A and House C at Stubbs Road, Hong Kong had generated more revenue in the last reporting period which were almost completed in March 2021.

(ii) Securities Investment Segment

For the Reporting Period, gain recorded from this segment amounted to approximately HK$3,660,000 (2021: HK$10,311,000).

As at 31 March 2022, the Group managed a portfolio of listed equity investments and unlisted debt investments with an aggregate fair value of approximately HK$19 million (2021: HK$29 million), which are classified as financial assets at fair value through profit or loss.

During the Reporting Period, the Group recorded (i) an unrealised loss on fair value change of listed equity and unlisted debt investments of approximately HK$634,000 (2021: unrealised gain of HK$3,214,000); (ii) a realised gain of approximately HK$3,806,000 (2021: HK$6,689,000); (iii) interest income from the debt investments of approximately HK$376,000 (2021: HK$381,000); and (iv) dividend income from equity investments of approximately HK$112,000 (2021: HK$27,000). Details of the marketable securities are disclosed under the sub-section headed "**Significant Investments**" in this section.

(iii) Property Investment Business Segment

For the Reporting Period, revenue recorded from this segment amounted to approximately HK$612,000 (2021: HK$170,000). It was mainly attributable to rental income earned from the investment properties.

(iv) Money Lending Business Segment

For the Reporting Period, revenue recorded from this segment amounted to approximately HK$1,264,000 (2021: HK$1,149,000).

Due to the significant improvement of the overall gross profit margin of construction segment, the net profit for this Reporting Period increased by approximately HK$6,609,000 to approximately HK$15,065,000 as compared with the net profit, which amounted to approximately HK$8,456,000 for the year ended 31 March 2021.

Basic earnings per share is HK7.67 cents (2021: HK4.93 cents) for the Reporting Period.

STATUS OF THE LEGAL CASE

References were made to the announcements of the Company dated 21 December 2017 and 2 February 2021. As stated in the announcement of the Company dated 2 February 2021, the Company has received a judgement in favour of Beijing Chang-de on the suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK$22 million (approximately RMB19 million) from the bank account of Beijing Chang-de ("**Legal Case**") from the People's Court in Chaoyang District, Beijing ("**Judgement**") rendered on 30 December 2020. Pursuant to the Judgement, Beijing Chang-de had claimed total damages of approximately RMB19 million from a former employee of Beijing Chang-de who has claimed to be deceived in the suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK$22 million (approximately RMB19 million). However, having considered, among others, the nature of works and experience of the defendant, the gravity of the mistake and the ability of the defendant to bear the loss, the People's Court in Chaoyang District, Beijing has ordered the defendant to (i) pay a principal amount of approximately RMB3,790,000 plus interest to Beijing Chang-de within 10 days after the delivery of the Judgement; and (ii) bear litigation costs and expenses of approximately RMB28,000 payable within 7 days after the delivery of the Judgement.

Beijing Chang-de was notified that an appeal has been filed by the defendant on 18 February 2021. The Board of the Company expects that the Judgement will no longer have material impact on the overall financial or operating conditions of the Group.

On 10 August 2021, a direct wholly-owned subsidiary of the Company entered into a disposal agreement with an independent third party to sell its interest in Deson Construction Engineering Limited. Since Deson Construction Engineering Limited holds equity interest in Beijing Chang-de, upon the completion, the Group has ceased to have any interests in Beijing Chang-de and Beijing Chang-de will no longer be consolidated into the financial statements of the Company.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group's revenue amounted to approximately HK$325 million (2021: approximately HK$618 million), decreased by approximately 47% as compared to the last reporting period. The decrease in revenue was mainly due to the PRC operation, Beijing Chang-de Architectural & Decoration Co., Limited (北京長迪建築裝飾工程有限公司) ("**Beijing Chang-de**") was disposed on 10 August 2021 where its revenue is no longer included into Group's consolidated revenue after the completion date.

Gross profit margin

The Group's gross profit increased by approximately HK$1.0 million or approximately 2%, from approximately HK$48.9 million for the year ended 31 March 2021 to approximately HK$49.9 million for the Reporting Period. The increase in gross profit was mainly due to the more profit recognition derived from the projects completion of construction segment which is partially offset by less realised fair value gain on the marketable securities and other investments as compared to the last reporting period.

During the Reporting Period, the gross profit margin was approximately 15.4%, improved by 7.5 percentage points, as compared to last year's 7.9%. The improvement of gross profit margin was mainly due to the better gross profit attributable to the construction segment projects completion.

After excluding the portion generating from the securities investment segment, property investment business segment and money lending business segment, the overall gross profit margin for the Reporting Period was approximately 13.9%, increased by 7.8 percentage points as compared to the last year's 6.1%. The increase in gross profit margin was mainly due to the better gross profit attributable to the construction segment projects completion.

Other income and gains

Other income and gains decreased by approximately HK$3.5 million or 78.0% from approximately HK$4.5 million for the year ended 31 March 2021 to approximately HK$1.0 million for the reporting period. The decrease was mainly due to the government grants obtained in the last reporting period.

Administrative expenses

Administrative expenses decreased by approximately HK$7.3 million or 17.0% from approximately HK$43.4 million for the year ended 31 March 2021 to approximately HK$36.1 million for the Reporting Period. The decrease was mainly because of the PRC operation, Beijing Chang-de was disposed on 10 August 2021 where its administrative expenses is no longer included into Group's expenses after the completion date and also the decrease on miscellaneous administrative expenses.

Other operating income/expenses, net

Other operating expenses, net increased by approximately HK$0.8 million from other operating income of approximately HK$0.2 million for the year ended 31 March 2021 to other operating expenses of approximately HK$0.6 million for the Reporting Period. The increase was mainly due to a gain on deregistration of subsidiary of approximately HK$1.7 million recorded in the last reporting period.

Finance costs

Finance costs decreased by approximately HK$0.4 million or 66.2% from approximately HK$0.7 million for the year ended 31 March 2021 to approximately HK$0.2 million for the Reporting Period. The decrease was mainly due to the decrease in interest expense on short-term loans in the Reporting Period.

Prepayments, deposits and other receivables

The Group's prepayments, deposits and other receivables decreased by approximately HK$56.0 million or 77% as at 31 March 2022 as compared to last reporting period. It was mainly due to (i) the disposal of DCEL group in August 2021 which deconsolidated approximately HK$12.3 million prepayments, deposits and other receivables, and (ii) the decrease of cash held at securities accounts of licensed corporations under the Group's name of around HK$42.8 million which has been utilised in the investment in securities segment or transferred to bank accounts of the Group.

Contract assets

The Group's contract assets decreased by approximately HK$54.2 million or 59.3% as at 31 March 2022 as compared to last reporting period. It was mainly due to the disposal of DCEL group in August 2021 which deconsolidated approximately HK$35.6 million.

Accounts payable

The Group's accounts payable decreased by approximately HK$38.8 million or 82.2% as at 31 March 2022 as compared to last reporting period. It was mainly due to the disposal of DCEL group in August 2021 which deconsolidated approximately HK$35.5 million.

Other payables and accruals

The Group's other payables and accruals decreased by approximately HK$54.3 million or 34.3% as at 31 March 2022 as compared to last reporting period. It was mainly due to (i) the disposal of DCEL group in August 2021 which deconsolidated approximately HK$7.1 million and (ii) decreased in cost accrual due to projects completion of construction segment.

Loans and interest receivables

As at 31 March 2022, the Group's loan receivables, together with accrued interest receivables (before accumulated allowance for ECL), amounted to HK$26,149,000 (31 March 2021: HK$12,823,000).

As at 31 March 2022, 9 loans and interest receivables remained outstanding, of which 9 loans and interest receivables with the aggregate gross balance of HK$26,149,000 were classified under stage 1 (initial recognition). At the end of the reporting period, the Company performed an impairment assessment on the Group's loans and interest receivables with reference to a valuation prepared by an independent professional valuer. The valuation measured impairment on loans and interest receivables using the general approach, which is often referred to "three-stage model", under Hong Kong Financial Reporting Standard 9 Financial Instruments. Based on the valuation, a total allowance for ECL on loan receivables of HK$87,000 (31 March 2021: HK$Nil) was made for the Reporting Period. The Group has recorded a reversal of allowance of HK$19,000 due to the repayment of two loans and the valuation prepared by the independent professional valuer.

The Group has recorded an increase of ECL on loans and interest receivables during the Reporting Period due to the increase in loans and interest receivables. The Group will continue to monitor the performance of its loan portfolio closely, especially in the repayment and financial condition of each customer.

Major terms of the outstanding loans as at 31 March 2022 are as follows:

	Loan and interest receivables (before accumulated allowance for ECL) as at 31 March 2022 HK$'000	Accumulated allowance for ECL HK$'000	Reversal of allowance (allowance) for ECL for the year ended 31 March 2022 HK$'000	Loan and interest receivables (after accumulated allowance for ECL) as at 31 March 2022 HK$'000	Interest rate per annum	Collateral and/or guarantee obtained	Terms of maturity
Stage 1							
Customer A	1,007	(5)	4	1,006	8%	No	1 year and extended for 2 years
Customer B	2,392	–	(7)	2,385	12%	No	1 year and extended for 1 year
Customer C	5,100	–	(23)	5,077	8%	No	1 year
Customer D	5,000	–	(8)	4,992	12%	No	1 year
Customer E	2,500	–	(4)	2,496	12%	Yes	1 year and 3 months
Customer F	5,000	–	(20)	4,980	10%	No	2 years
Customer G	4,000	–	(16)	3,984	10%	No	2 years
Customer H	1,000	–	(9)	991	10%	No	2 years
Customer I	150	–	–	150	10%	No	1 month
2 Ex-customers	–	(15)	15	–			
	26,149	(20)	(68)	26,061			

Liquidity and financial resources

The Group has continued to maintain a suitable liquid position. As at 31 March 2022, the Group had cash and cash equivalents of approximately HK$67,345,000 (2021: HK$61,969,000), which are mainly denominated in Hong Kong dollars and Renminbi. As at 31 March 2022, the Group had total assets of approximately HK$299,808,000 (2021: HK$390,125,000). The Group's current ratio at 31 March 2022 was approximately 1.31 (2021: 1.10).

As at 31 March 2022, the gearing ratio for the Group is approximately 1.5% (2021: 1.3%). It was calculated based on the non-current liabilities of approximately HK$1,974,000 (2021: HK$1,487,000) and long term capital (equity and non-current liabilities) of approximately HK$132,345,000 (2021: HK$107,211,000).

Capital expenditure

Total capital expenditure for the Reporting Period was approximately HK$5,107,000 (2021: HK$30,045,000), which was mainly used in the purchase of leasehold land and motor vehicles.

Contingent liabilities

At the end of the Reporting Period, the Group had no significant contingent liabilities.

Commitments

At the end of the Reporting Period, the Group had no significant capital commitment.

Charges on group assets

Assets with a carrying value of approximately HK$37,457,000 were pledged as security for the Group's banking facilities.

Treasury policies

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollar, hence, there is no significant exposure to foreign exchange rate fluctuations.

Capital structure of the Group

On 28 April 2021, the shareholders of the Company approved an ordinary resolution to consolidate the share of the Company on the basis that every five issued and unissued then-existing shares of HK$0.025 each in the share capital of the Company into one consolidated share of HK$0.125 each with the Company's authorised shares consolidated from 4,000,000,000 shares to 800,000,000 consolidated shares. The share consolidation became effective on 28 April 2021.

Save as disclosed above, there was no change in capital structure of the Group during the Reporting Period.

PROSPECTS

(i) Construction Business

Subsequent to the disposal of the Deson Construction Engineering Limited and its interest in Beijing Chang-de which completion took place on 10 August, 2021, the Group will focus its interior fittings-out works business in Hong Kong and Macau. The Group will uphold an on-going parallel development of its construction business (including building construction, interior fitting-out works and E&M works) in Hong Kong and Macau. To cope with the difficulties encountered in the construction and engineering industry, the Group has adopted a prudent strategy in project tendering.

Management Discussion and Analysis

With its proven track records and adequate expertise in the main contracting business, the Group was included in Building Category Group C of the "List of Approved Contractors for Public Works", and Turn-key Interior Design and Fitting-out Works Category Group II of the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" under Development Bureau of the Government of the Hong Kong Special Administrative Region (the "**HKSAR**"); the Registered General Building Contractor, the Minor Works Class I Contractor and the Registered Specialist Contractor (Site Formation Works and Foundation Works Categories) under the Buildings Department of the Government of the HKSAR.

For the E&M works, the Group was included in 11 categories of the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" under Development Bureau of the Government of the HKSAR; and the Registered Specialist Contractor (Ventilation) and Minor Works Class III Type E Contractor under Building Department of the Government of the HKSAR.

The Group is able to take an active part in the construction business development.

During the Reporting Period, new projects such as (i) alteration and addition works at House A, No. 75 Peak Road, Hong Kong; (ii) main contractor for two residential houses redevelopment including E&M works at No.39 South Bay Road, Hong Kong and Tai Mong Tsai, Sai Kung, Hong Kong; (iii) triennial contract for maintenance and repair of, alteration, additional to, fire service installations in Municipal Venues for the Government of the Hong Kong Special Administrative Region; (iv) triennial contract for the maintenance and repair of, alterations and additions to fire service installations for Airport Venues; and (v) nominated sub- contract for building services installation and renovation of Tsuen Wan Public Library, Hong Kong, were secured. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK$1,023 million. The decrease in total contract sum was mainly due to the PRC operation, Beijing Chang-de was disposed on 10 August 2021 where its revenue is no longer included into the Group's consolidated revenue after the completion date.

With the Group's proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers. The overall building and construction expenditure maintained its uptrend which was contributed by the growth in private building and construction position in Hong Kong to capture more sizeable and profitable projects as well as to further diversify the customer base by bidding works from more private residential developers. In addition, further opportunities may arise which include the promotion by the HK government in the widely adoption of modular integrated construction method ("**MiC**"), government enhancement work to combat Covid-19 pandemic and the recent development of the Greater Bay Area.

Regarding the licenses, permits and qualifications of the Group, they are all subject to the continued compliance with various standards relating to financial capability, expertise, past job reference, management and safety. The Development Bureau in recent years has gradually imposed additional requirements to some categories of work licenses which may be essential for retention in the List/Specialist List. The Group will certainly try its best endeavour to satisfy these additional requirements, so that the retention on the List/Specialist List will not be affected.

The Group operates under various licenses, permits and qualifications and the loss or failure to renew/retain any of these licenses, permits and qualifications could affect the Group's business.

Furthermore, with the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and after obtaining adequate job reference for construction works, the Group will continue to pursue the following key business strategies: (i) further expand the Group's service scope by application for additional licences, permits or qualifications which may be required; (ii) exercise more caution when tendering for new construction contracts and continue to selectively undertake new contracts; and (iii) further strengthen the Group's construction department through recruiting additional qualified and experienced staff.

(ii) Securities Investment Business

Regarding the business in investments in securities, the Group has set up a Treasury Management Committee ("**Treasury Management Committee**") to implement, on the Group's behalf, the investment policy and guidelines. The Treasury Management Committee comprises one chairman and two committee members (comprising at least two directors, including at least one executive director who acts as the investment manager). The Board has adopted cautious measures to manage this business activity aiming at generating additional investment return on the available funds of the Group from time to time.

Despite uncertainties in the global financial markets, the Group will continue to respond to the changing market environment and review its investment strategy regularly. The Group will also seek investment opportunities in listed securities and other financial products in Hong Kong and other recognised financial markets overseas with a view to generate additional income and enhance the capital use of the Group.

In view of the recent volatility in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

(iii) Property Investment Business

The Group maintained its property investment business and acquired certain commercial properties in Hong Kong for investment purpose. The Group has leased out its investment properties for recurring rental income, which generates stable rental income to the Group.

(iv) Money Lending Business

The Group was engaged in money lending business through a wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. The Group continued to make efforts to develop the money lending business. Even though the market of the money lending industry in Hong Kong has become increasingly competitive and uncertain in view of the external business environment, the Group believes that the money lending business will provide a positive impact and return to the Group.

SIGNIFICANT INVESTMENTS

As at 31 March 2022, the Group held approximately HK$19.0 million equity and debt investments at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock/ Fund code	Place of incorporation	Unrealised fair value gain/(loss) HK$'000	Market value HK$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets of the Group %
Listed equity investments							
Hang Tai Yue Group Holdings Ltd.	1	8081	Bermuda	1,092.0	2,352.0	12.4	1.8
hmvod Ltd.	2	8103	Cayman Islands	(96.3)	1,504.2	7.9	1.2
Sau San Tong Holdings Ltd.	3	8200	Cayman Islands	–	2,560.0	13.5	2.0
Individual investment less than 1% of net assets the Group				(808.2)	5,820.3	30.6	4.5
				187.5	12,236.5	64.4	9.5
Unlisted debt investments							
JPMorgan Asian Total Return Bond (Mth)	4	HK0000102936	Hong Kong	(522.8)	3,289.3	17.3	2.5
AB FCP I – American Income Portfolio (At USD)	5	LU0157308031	Luxembourg	(298.5)	3,468.7	18.3	2.7
				(821.3)	6,758.10	35.6	5.2
				(633.8)	18,995.60	100.0	14.7

Notes:

1. Hang Tai Yue Group Holdings Limited, formerly Interactive Entertainment China Cultural Technology Investments Limited, is an investment holding company mainly engaged in the mobile internet cultural business and provision of information technology (IT) services. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net assets value of approximately HK$317,811,000 as at 31 December 2021.

2. hmvod Limited, formerly Trillion Grand Corporate Company Limited, is an investment holding company principally engaged in the system development business. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net liabilities value of approximately HK$40,680,000 as at 30 September 2021.

3. Sau San Tong Holdings Limited is an investment holding company principally engaged in the provision of beauty services and products. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net assets value of approximately HK$818,588,000 as at 30 September 2021.

4. The investment objective of the fund is to achieve a competitive total return, consisting of capital growth and regular dividend income, through an actively managed portfolio investing primarily in Asian bonds and other debt securities.

5. The portfolio seeks to provide a high level of current income consistent with preservation of capital by investing in a diversified portfolio of U.S. dollar-denominated fixed income securities. The portfolio invests solely in U.S. dollar-denominated fixed income securities, including investment grade and high yield, non-investment grade securities of issuers domiciled within and outside the U.S.

During the Reporting Period, the Group disposed of certain investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK$27.1 million, giving rise to a net gain of approximately HK$3.8 million. Details of the transactions are as follows:

	Stock code	**Place of incorporation**	**Sales proceeds** HK$'000	**Realised gain** HK$'000
Shun Wo Group Holdings Limited	1591	Cayman Islands	2,936	2,276
TOMO Holdings Limited	6928	Cayman Islands	1,167	817
Hong Kong Education (Int'l) Investments Limited	1082	Incorporated in the Cayman Islands and continued in Bermuda	6,490	526
Investments with individual realised gain/(loss) of less than HK$500,000			16,541	187
			27,134	3,806

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 10 August 2021, the Group, entered into the disposal agreement with an independent third party (the "**Purchaser**") whereby the Vendor agreed to sell and the purchaser agreed to purchase the sale shares and the sale loan at an aggregate consideration of HK$2.0 million. The sale shares represent 85.7% of the issued share capital of Deson Construction Engineering Limited ("**DCEL**"), which in turn holds 70% equity interest in Beijing Chang-de. Upon Completion, the Group ceased to have any interests in DCEL and Beijing Chang-de. As such, the financial results of DCEL Group will no longer be consolidated into the financial statements of the Company upon completion. Completion has taken place immediately after the execution of the disposal agreement.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 March 2022.

HUMAN RESOURCES

As at 31 March 2022, the Group had 92 employees whom were mainly based in Hong Kong. The total employee benefit expenses including directors' emoluments for the Reporting Period amounted to approximately HK$36 million as compared to approximately HK$33 million for the year ended 31 March 2021. The increase was mainly due to increase headcount in Hong Kong and bonus payout which were partially offset by decrease of PRC staff cost after disposal of Beijing Chang-de.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Group offers discretionary bonus and share options to staff based on individual performance and the achievements of the Group's targets.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have significant events after the Reporting Period.

The Group is committed to a high standard of corporate governance practices and business ethics in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Board has continued and will continue to review and improve the Company's corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with the increasingly stringent regulatory requirements, and to fulfill its commitment to excellent corporate governance.

The Company has adopted the code provisions in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules as its own corporate governance code. The Company has, so far as applicable, principally complied with the CG Code during the period from 1 April 2021 to 31 March 2022 (the "**Period under Review**").

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Company acknowledges the importance of the roles of its Board of Directors (the "**Board**") in providing effective leadership and direction of the Company towards its objectives and ensuring transparency and accountability of all operations. The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

The Company has a division of functions reserved to the Board and delegated to the management. The Board provides leadership and approves strategic policies and plans with a view to enhance shareholders' interests while the day-to-day operations of the Company are delegated to the management with proper supervision from the Board. The Board reserves its decisions on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, corporate governance, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board is responsible for determining the policy for corporate governance of the Company and performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirement;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code.

The Company Secretary assists the Chairman in preparing the agenda for Board meetings. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the management. The delegated functions and work tasks are periodically reviewed by the Board after being reported by the management. Approval has to be obtained from the Board prior to any significant decisions being made or significant transactions or commitments being entered into by the abovementioned officers, who cannot exceed any authority given to them by resolutions of the Board or the Company.

The Board has the full support of the management to discharge its responsibilities.

The Company has arranged for appropriate insurance coverage in respect of legal actions against the Board and to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Composition

As at the date of this report, the Board comprises five members, two of whom are female, and the Board consists of two executive Directors and three independent non-executive Directors.

The Company had adopted a Board diversity policy aims to set out the approach to achieve the diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. All Board appointments in the future will continue to be made on a merit basis with due regard for the benefits of diversity of the Board and in achieving gender diversity.

The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon possible contribution that the selected candidates will bring to the Board.

The Board of the Company comprises the following Directors as at 31 March 2022:

Executive Directors

Mr. Hung Kenneth
Ms. Lau Po Yee

Independent Non-executive Directors

Mr. Wong Yuk Lun Alan
Mr. Lam Wai Hung
Ms. Au Shui Ming Anna

Details of the backgrounds and qualifications of the Directors are set out under the section headed "**Biographical Details of Directors and Senior Management**" on pages 37 to 39 of this Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

None of the members of the Board are related to one another or have any financial, business, family or other material or relevant relationships with each other.

During the Period under Review, the Board has at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, with at least one independent non-executive Director possessing the appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received a written annual confirmation from each of the independent non-executive Director regarding his independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the GEM Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors will scrutinize the performance of the Company in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

The Board values the contribution of the independent non-executive Directors, and strives to ensure constructive relations between them and the executive Directors. All Directors are encouraged to contribute their views during Board meetings.

Appointment and succession planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors. Directors to be appointed will receive a formal letter of appointment setting out the key terms and conditions of their appointment. Any Board member is entitled to recommend suitable candidate that meet the requirements of the GEM Listing Rules for consideration by the Board.

All Directors are required to retire by rotation at least once every three years at the annual general meeting, subject to re-election by the shareholders. All independent non-executive Directors are appointed for a term of not more than three years.

Training for Directors and Company Secretary

Each newly appointed director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

During the year ended 31 March 2022, the Directors are regularly appraised and updated with any new regulations and guidelines, as well as any amendments thereto issued by the Stock Exchange, particularly the effects of such new or amended regulations and guidelines on directors especially. On an ongoing basis, the Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate.

The Directors have been informed of the requirement under CG Code A.6.5 regarding continuous professional development. The Company has received from each of the Directors, namely Mr. Hung Kenneth, Ms. Lau Po Yee, Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna a written record of their continuous professional development training received.

There are also arrangements in place for providing continuing briefing and professional development to the Directors whenever necessary.

For the financial year ended 31 March 2022, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training.

Board meetings

During the Period under Review, six full board meetings were held. Details of the attendance of the Directors are as follows:

	Directors' attendance
Executive Directors	
Mr. Hung Kenneth	6/6
Ms. Lau Po Yee	6/6
Independent Non-executive Directors	
Mr. Wong Yuk Lun Alan	6/6
Mr. Lam Wai Hung	6/6
Ms. Au Shui Ming Anna	6/6

Notice of regular Board meetings were served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate information are sent to all Directors at least three days before each Board meeting or committee meeting so as to ensure that there is timely access to relevant information. All Directors can give notice to the Chairman of the Board or the Company Secretary if they intend to include matters in the agenda for Board meetings. The Board and the senior management are also obligated to keep the Directors appraised with the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary in a timely manner.

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a Board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting.

The Company Secretary is appointed by the Board and reports to the Board. He is responsible to assist to take and keep minutes of all Board meetings and Board committee meetings, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed. At Board meetings, all Directors have ample opportunities to express their respective views, voice any concerns and discuss the matters under consideration, and the results of voting at Board meetings fairly reflects the consensus of the Board. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. Directors are entitled to have access to board papers and queries will be responded fully. According to the current practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Such Director must abstain from voting and will not be counted as quorum.

Directors' commitments

Each Director has confirmed that he can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

ANNUAL GENERAL MEETING

The Company held the annual general meeting on 20 September 2021. Ms. Lau Po Yee, the executive Director of the Board, was elected as the chairman of the annual general meeting to ensure effective communication with shareholders of the Company at the meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The role of Chairman and Chief Executive Officer are currently being vacant since 29 July 2019, pending the Company to identify a suitable candidate to replace.

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The respective responsibilities of the Chairman and the Chief Executive Officer are clearly defined and set out in writing. The Chairman provides leadership for the Board and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chairman is primarily responsible for ensuring good corporate governance practices and procedures are established. He encourages all Directors to make full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. He ensures that appropriate steps are taken to provide effective communication with shareholders and their views are communicated to the Board as a whole. With the support of the management, the Chairman is also responsible for ensuring that the Directors receive adequate information (whether from senior management or otherwise) in a timely manner, which is accurate, clear, complete and reliable, and appropriate briefing on issues arising at Board meetings as well as to ensure constructive relations between the executive and non-executive Directors.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval, as well as developing policies and practices on corporate governance and compliance with legal and regulatory requirements.

The Chairman has held a meeting with the independent non-executive Directors without other Directors.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Internal Control Committee, for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees have complied with the Code provisions and are available on the Stock Exchange website www.hkexnews.hk and the Company's website www.smartcity-d.com and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. These Board committees will report back to the Board on their decisions or recommendations.

Audit Committee

The Audit Committee comprises all three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr. Lam Wai Hung is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The Group's unaudited quarterly results, interim results and annual results during the Reporting Period have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

The main duties of the Audit Committee include the following:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditor before submission to the Board;

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees, terms of engagement and its independence assessment, and make recommendation to the Board on the appointment, reappointment and removal of external auditor;

(c) to review the adequacy and effectiveness of the Group's financial reporting system, and risk management system, internal control system and associated procedures; and

(d) to review the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff, their training programmes, and budget.

The Audit Committee held four meetings during the Period under Review to review the latest financial results and reports, financial reporting and compliance procedures, effectiveness of internal control systems and the appointment of the external auditor. Minutes of Audit Committee meetings are kept by the Company. Draft and final version of the minutes of meetings are sent to all committee members for comments within a reasonable time after the meeting. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resources are provided by the Company for the Audit Committee to perform its duties.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

Details of the attendance record of members of the Audit Committee are set out below:

Name of Member	**Members' attendance**
Mr. Lam Wai Hung	4/4
Mr. Wong Yuk Lun Alan	4/4
Ms. Au Shui Ming Anna	4/4

Remuneration Committee

Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna are the members of the Remuneration Committee and Mr. Wong Yuk Lun Alan is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the executives and access to professional advice, at the Group's expense, when necessary. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as the market practice and conditions. The Remuneration Committee normally meets towards the end of each year to reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors, non-executive Directors, independent non-executive Directors and senior management and other related matters. The Group's remuneration policy is to maintain fair and competitive remuneration packages based on business needs and market practice. Factors such as market rate, an individual's qualification, experience, performance and time commitment are taken into account during the remuneration package determination process.

During the Period under Review, one Remuneration Committee meeting was held on 22 June 2021 and reviewed the remuneration packages of the Directors and senior management. Recommendations have been made to the Board.

Details of attendance record of members of the Remuneration Committee are set out below:

Name of Member	Members' attendance
Mr. Wong Yuk Lun Alan	1/1
Mr. Lam Wai Hung	1/1
Ms. Au Shui Ming Anna	1/1

Nomination Committee

Ms. Au Shui Ming Anna, Mr. Wong Yuk Lun Alan and Mr. Lam Wai Hung are the members of the Nomination Committee and Ms. Au Shui Ming Anna is the chairman of the committee. The primary objectives of the Nomination Committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience. The Nomination Committee also assesses the independence of independent non-executive Directors and makes recommendation to the Board on the appointment and reappointment of Directors and succession planning for Directors. Candidates for appointment as Directors may be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest caliber in their area of expertise and experience.

During the Period under Review, one Nomination Committee meeting was held on 22 June 2021 to review the structure, size and composition of the Board.

Details of attendance record of members of the Nomination Committee are set out below:

Name of Member	**Members' attendance**
Ms. Au Shui Ming Anna	1/1
Mr. Lam Wai Hung	1/1
Mr. Wong Yuk Lun Alan	1/1

The following policy has been adopted by the nomination committee to assist it in fulfilling its duties and responsibilities as provided in its terms of reference. The policy may be amended from time to time by the committee as provided therein.

Recommended candidates

The committee shall consider any and all candidates recommended as nominees for directors to it by any directors or shareholders; provided that in the case of shareholder recommendations, such recommendations comply with all applicable notice requirements set forth in the Company's articles of association, the procedures for a shareholder's nomination to be properly brought before a general meeting, and the GEM Listing Rules. The committee may also consider, in its sole discretion, any and all candidates recommended as nominees for directors to it by any source.

Desired qualifications, qualities and skills

The committee shall endeavour to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, to provide the commitment to enhancing shareholder value, practical insights and diverse perspectives. Candidates will also be assessed in the context of the then-current composition of the board, the operating requirements of the Company and the long-term interests of all shareholders. In conducting this assessment, the committee will, in connection with its assessment and recommendation of director candidates, consider diversity (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience and skills) and such other factors as it deems appropriate given the then-current and anticipated future needs of the board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the board. The committee may also consider such other factors as it may deem are in the best interests of the Company and its shareholders. The above diversity perspectives, taking into account the Company's business model and needs, are set out in a board diversity policy which has been established by the Company to see that diversity on the board can be achieved.

Independence

The committee shall ensure that at least one-third of the board members (or such other number of the members of the board as prescribed by the GEM Listing Rules from time to time) meet the definition of independent non-executive director. The committee shall annually assess each nominee for independent non-executive director by reviewing any potential conflicts of interest that he or she and their immediate family members (as defined in the GEM Listing Rules) may have, based on the criteria for independence set forth in Rule 5.09 of the Listing Rules. A retiring independent non-executive director who has served the board for a period of nine consecutive years or more is eligible for nomination by the board to stand for re-election at a general meeting provided that he or she is still considered independent by the board.

Nominee evaluation process

The committee will consider as a candidate any director who has indicated his or her willingness to stand for re-election and any other person who is recommended by any shareholders. The committee may also undertake its own search process for candidates and may retain the services of professional firms or other third parties to assist in identifying and evaluating potential nominees. The committee may use any process it deems appropriate for the purpose of evaluating candidates which is consistent with those set forth in its terms of reference, the Company's articles of association, the corporate governance policy and the policy described herein; provided that the process used for evaluating a nominee for each election or appointment of directors shall be substantially similar and under no circumstances shall the committee evaluate nominees recommended by a shareholder pursuant to a process that is substantially different than that used for other nominees for the same election or appointment of directors.

Nomination procedures

1. The secretary of the committee shall call a meeting of the committee, and invite nominations of candidates from board members, if any, for consideration by the committee prior to its meeting. The committee may also put forward candidates who are not nominated by board members.

2. For filling a casual vacancy, the committee shall make recommendations for the board's consideration and approval. For proposing candidates to stand for election at a general meeting, the committee shall make nominations to the board for its consideration and recommendation.

3. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the board to stand for election at the general meeting.

4. In order to provide information of the candidates nominated by the board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), and any other information, as required pursuant to applicable laws, rules and regulations, of the proposed candidates.

5. A shareholder can serve a notice to the board of directors or the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a director in accordance with the relevant procedures posted on the Company's website. The particulars of the candidates so proposed will be provided to all shareholders for information by way of announcement and/or supplementary circular.

6. A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the board of directors or the company secretary.

7. The board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

8. Shareholder proposed resolutions shall take the same form as the resolutions proposed for the candidates recommended by the board.

During the year, the nomination committee reviewed the board composition and independence of independent non-executive directors, and considered the suitability of those retiring directors standing for re-election at the next annual general meeting as well as the need for a director succession plan. The committee also reviewed the nomination policy and the board diversity policy and discussed the objectives set for implementing the latter, and noted that those objectives had been achieved. The committee concluded that the board composition should continue unchanged.

Internal Control Committee

The main duties of the Internal Control Committee include the following:

(i) ensuring good corporate governance standards and practices are maintained, evaluating and determining the nature and extent of the risks the Board is willing to take in achieving the Company's strategic objectives, ensuring that the Company establishes and maintains appropriate and effective risk management and internal controls systems, overseeing management in the design, implementation and monitoring of the risk management and internal control systems, ensuring that management provides a confirmation to the Board on the effectiveness of these systems by performing the duties set out in its terms of reference; and

(ii) reviewing and discussing solutions to regulatory compliance and internal control matters.

During the Period under Review, one Internal Control Committee meeting was held on 22 June 2021 to review this Corporate Governance Report, as well as to review the effectiveness of the Group's internal control system as further detailed in the sub-section headed "**Risk management and internal monitoring**" in this section.

Details of attendance record of members of the Internal Control Committee are set out below:

Name of Member	**Members' attendance**
Ms. Au Shui Ming Anna	1/1
Mr. Lam Wai Hung	1/1
Mr. Wong Yuk Lun Alan	1/1

COMPANY SECRETARY

Please refer to section headed "**Biographical Details of Directors and Senior Management**" on pages 37 to 39 of this Annual Report for biographical details of the Company Secretary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration, five highest paid employees and senior management's emoluments are set out in the notes 8 and 9 to the consolidated financial statements in this Annual Report, respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

The Company will issue a separate ESG Report no later than three months after the publication date of this Annual Report in compliance with Appendix 20 to the GEM Listing Rules.

DIVIDEND POLICY

The Board has adopted a dividend policy on 31 December 2018. The Company's dividend policy allows the shareholders of the Company (the "**Shareholders**") to share the profits of the Company whilst retaining adequate reserves for the Group's future growth.

According to the Company's dividend policy, in addition to the final dividends, the Company may declare interim dividends or special dividends from time to time.

According to the Company's dividend policy, the Board shall consider the following factors before proposing and declaring dividends:

(i) the Group's general financial condition;

(ii) the Group's working capital and debt level;

(iii) the Group's liquidity position;

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

(v) future cash requirements and availability for business operations, business strategies and future development needs;

(vi) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(vii) the general market conditions;

(viii) 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

(ix) any other factors that the Board deems relevant.

The declaration and payment of dividends by the Company is also subject to any restrictions under the Laws of the Bermuda, the articles of association of the Company and any applicable laws, rules and regulations.

The Company's dividend policy will be reviewed from time to time by the Board and there can be no assurance that dividends will be paid in any particular amount for any given period.

AUDITOR'S REMUNERATION

Messrs. Ernst & Young ("**EY**") had resigned as the auditor of the Company with effect from 20 September 2021. With the recommendation of the Audit Committee, Baker Tilly Hong Kong Limited ("**Baker Tilly**") has been appointed as the new auditor of the Company with effect from 20 September 2021 to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the next annual general meeting of the Company. The Audit Committee is mandated to review and monitor the independence of the external auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's external auditor, Baker Tilly, is independent and recommended to the Board to re-appoint it as the Company's external auditor at the forthcoming annual general meeting of the Company.

For the year ended 31 March 2022, the Group had engaged the Group's external auditor, Baker Tilly, to provide the following services and their respective fees charged are set out below:

Fee charged for the Reporting Period	HK$'000
Types of services:	
Audit of the Group	1,100
Non-audit services	114
Total	1,214

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors with reference to, and which is on terms no less exacting than, the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings throughout the Period under Review. The Company has adopted the same code of conduct regarding securities transactions for its employees and for directors or employees of its subsidiaries and holding companies who are likely to be in possession of unpublished price-sensitive information of the Company or its securities. No incident of non-compliance of the code of conduct regarding securities transactions by employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the financial position of the Group and of its financial performance and cash flow for the financial year. Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. Further, management of the Company has provided monthly updates to the Board which gives a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. The Group's consolidated financial statements are prepared in accordance with the GEM Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Directors endeavour to ensure a balanced, clear and understandable assessment of the Group's position and prospect in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2022. The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "**Independent Auditor's Report**" on pages 51 to 56 of this Annual Report. Management of the Group is obligated to provide sufficient explanation and information to the Board so that it can make an informed assessment of financial and other relevant matters.

WHISTLEBLOWING POLICY

The Company is committed to achieving and maintaining a high standard of probity, openness, and accountability. A Whistleblowing Policy is in place to create a system for the employees and other stakeholders of the Company to raise concerns, in confidence, about possible improprieties. The identity of each whistleblower and all information provided in connection with a whistleblowing report will be treated with the strictest confidence.

ANTI-CORRUPTION

The Company is committed to achieving and maintaining a high standard of ethics in its business operations. To raise anti-corruption awareness among its employees, the Company has established a set of policies to set out the minimum standard in complying with the applicable anti-corruption laws and regulations.

RISK MANAGEMENT AND INTERNAL MONITORING

Risk Management and Internal Control

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopted a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in the Reporting Period, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in the Reporting Period, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("**IA**") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountants). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted semi-annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, 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. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programmes and budget provided were sufficient.

INVESTOR RELATIONS

The Company is committed to maintaining an open and effective investor relations policy and to updating investors on relevant information/developments on a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts are conducted from time to time. The Company also replies to any enquiries from shareholders on a timely manner. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The corporate website of the Company at www.smartcity-d.com provides a communication platform via which the public and investor community can access up-to-date information regarding the Company.

Shareholders may also send any enquiries, suggestions or concerns to the Board, whose contact details are as follows:

Address	: Smart City Development Holdings Limited 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Email	: info@smartcity-d.com
Telephone no.	: (852) 2111 2988
Fax no.	: (852) 3184 3401

SHAREHOLDER RIGHTS

To ensure compliance with the CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least twenty clear business days before the annual general meeting. Voting at the forthcoming annual meeting will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures.

Poll results will be counted by Hong Kong Branch Registrar, Tricor Investor Services Limited and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as the chairmen of the Remuneration Committee, Nomination Committee, Audit Committee and Internal Control Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditor to attend the annual general meetings to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

In addition to regular Board meetings, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, may convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the Company Secretary, at the Company's head office at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s). Shareholders may also use this same method to put forward proposals for the next general meeting.

During the Period under Review, there were no significant changes to the Company's constitutional documents.

DIVERSITY

As at 31 March 2022, the gender ratio in the workforce (including senior management) for the Company is 24%. It was calculated based on the number of females in the Company at 22 and the total number of employees employed by the Company at 92. Going forward, the Company will continue to recruit employees on a merit basis and at the same time consider other diversity factors (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience and skills) to ensure that gender diversity will be achieved across the workforce.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and the investment community to engage actively with the Company.

EXECUTIVE DIRECTORS

Hung Kenneth ("Mr. Hung"), aged 51, is an executive Director, the compliance officer and the authorised representative of the Company since 29 July 2019. He is also the company secretary of Achieve Plus Investments Limited and Sunny Harvest Limited, the indirect wholly-owned subsidiaries of the Company. Mr. Hung obtained a degree of Bachelor of Science from Woodbury University in June 1995. He has management experience in companies listed on the Stock Exchange. Mr. Hung is currently an independent non-executive director of China Demeter Financial Investments Limited (stock code: 8120). He was an executive director of Hang Tai Yue Group Holdings Limited (formerly known as Interactive Entertainment China Cultural Technology Investments Limited) (stock code: 8081) from February 2014 to August 2018; an independent non-executive Director of Sino Vision Worldwide Holdings Limited (stock code: 8086) from January 2015 to October 2015, and redesignated to an executive Director from October 2015 to November 2017; and an independent non-executive director of IR Resources Limited (stock code: 8186) from March 2015 to April 2019, all of which are companies listed on GEM of the Stock Exchange.

Lau Po Yee ("Ms. Lau"), aged 31, is an executive Director since 29 July 2019. Ms. Lau obtained a degree of Bachelor of Business Administration from Universidad Empresarial de Costa Rica in April 2018. She has been a director of MJ Production Limited, a company principally engaged in media and advertising, since 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wong Yuk Lun Alan ("Mr. Wong"), aged 47, has been appointed as an independent non-executive Director since 29 July 2019. Mr. Wong holds a bachelor's degree in Accounting and Finance from University of Sunderland. Mr. Wong had been working with various accounting firms and commercial companies and has over 21 years' experience in merger and acquisitions, financial management, taxation, audit and non-audit services.

Mr. Wong is currently an independent non-executive director of Huisheng International Holdings Limited (stock code: 1340) since 6 July 2017. Mr. Wong is currently an executive director of NOVA Group Holdings Limited (stock code: 1360), a company with its shares listed on the Main Board of the Stock Exchange, since 15 July 2020. Mr. Wong has been appointed as an independent non-executive director of Temir Group (stock code: TMRR) since 15 July 2019, the issued shares of which are traded on the OTC Securities Marketplace in the United States of America. Mr. Wong has also been appointed as the independent non-executive director of Kin Shing Holdings Limited (stock code: 1630), a company whose shares are listed on the Main Board of the Stock Exchange, on 16 December 2021.

Mr. Wong was an independent non-executive director of TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited) (stock code: 872) from 2 September 2014 to 17 July 2020 and Bolina Holding Co., Ltd. (stock code: 1190) from 7 July 2016 to 27 March 2017, the issued shares of which are both listed on the Main Board of the Stock Exchange. Mr. Wong was also an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823) from 24 May 2019 to 2 March 2020, the issued shares of which were previously listed on the Stock Exchange.

Lam Wai Hung ("Mr. Lam"), aged 42, is an independent non-executive Director since 29 July 2019. He is also the chairman of the audit committee, the chairman of the internal control committee, a member of the remuneration committee and a member of the nomination committee of the Company. Mr. Lam holds a Bachelor of Arts in Accounting and Finance Degree from Leeds Metropolitan University and is a member of the Association of Chartered Certified Accountants. He had been working in various companies listed on the Stock Exchange. Mr. Lam is currently the company secretary of Titan Petrochemicals Group Limited (stock code: 1192), a company whose shares are listed on the Main Board of the Stock Exchange, since 18 January 2021. Mr. Lam has also been appointed as the independent non-executive director of Kin Shing Holdings Limited (stock code: 1630), a company whose shares are listed on the Main Board of the Stock Exchange, on 31 December 2021.

Mr. Lam was an executive director of TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited) (stock code: 872) from 2 September 2014 to 15 July 2016. He was former company secretary and authorised representative of GET Holdings Limited (formerly known as M Dream Inworld Limited) (stock code: 8100) from 31 May 2011 to 1 August 2013. Mr. Lam was an executive director of Ming Lam Holdings Limited (stock code: 1106) which is listed on the main board of the Stock Exchange from 19 March 2015 to 4 September 2020. The shares of Ming Lam have been delisted from the Stock Exchange since 2 November 2021. Mr. Lam was an independent non-executive director of Jimu Group Limited (stock code: 8187), a company whose shares are listed on the GEM of the Stock Exchange, from 25 May 2021 to 14 January 2022.

Au Shui Ming, Anna ("Ms. Au"), aged 58, is an independent non-executive Director since 29 July 2019. She is also the chairman of the nomination committee, a member of the audit committee, a member of the remuneration committee and a member of the internal control committee of the Company. Ms. Au holds a bachelor's degree in Commerce, majoring in Accounting, from the University of Wollongong in Australia. She is a Certified Practicing Accountant of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Au has extensive experience in the finance and accounting fields. Ms. Au is currently an independent non-executive director of OOH Holdings Limited (stock code: 8091) since 19 December 2016. She is also currently the chief financial officer of New Horizon Finance (HK) Limited. In addition, Ms. Au is currently a director of i-Craftsmen Limited and Smart Education Company Limited.

Ms. Au was an independent non-executive director of Jiu Rong Holdings Limited (stock code: 2358) from May 2012 to October 2015 and an executive director of China Digital Culture (Group) Limited (stock code: 8175) from July 2007 to June 2013.

SENIOR MANAGEMENT

Keung Kwok Cheung ("Mr. Keung"), aged 64, is primarily in charge of the Group's overall construction corporate strategy and daily operations, including business development and overall management. He is the Technical Director and an Authorised Signatory for Deson Development Limited as a Registered General Building Contractor with the Buildings Department since 1999.

Mr. Keung has over 40 years of experience in the fields of civil, structural and building engineering and in the management of large-scale projects.

Mr. Keung was awarded with an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982 and graduated from the University of Macau (formerly known as University of East Asia, Macau) with the Master of Business Administration in January 1991. He was admitted as a fellow member of The Hong Kong Institute of Directors in September 2004.

Kwok Koon Keung ("Mr. Kwok"), aged 55, is primarily responsible for the building and fitting-out works section of the Group and further responsible for the planning and coordination of projects, which covers the coordination of engineering resources, progress monitoring and work performance. Mr. Kwok has over 32 years of experience in the building industry.

Mr. Kwok graduated from the London South Bank University (formerly known as South Bank University) with a Bachelor of Science Degree with distinction in June 1992. He is a professional associate of The Royal Institution of Chartered Surveyors since November 1997.

Lo Wing Ling ("Mr. Lo"), aged 63, is in charge of the electrical and mechanical engineering section of our Group, responsible for the planning and coordination of projects, which cover the coordination of engineering resources, progress monitoring and work performance. Mr. Lo has over 40 years of experience in environmental engineering and building service work. Mr. Lo joined the Group in August 2000 as the director of Kenworth Engineering Limited. Mr. Lo is the Technical Director and an Authorised Signatory for Kenworth Engineering Limited as a Registered Specialist Contractor (Ventilation) with the Buildings Department since 2000 and 2001, respectively.

Mr. Lo graduated from the University of Hong Kong with a Bachelor of Science Degree in Engineering in November 1981 and through part-time studies, graduated from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) with a Bachelor of Arts Degree in Business Studies in November 1990. He has also studied as an external student and obtained a Master of Science Degree in Environmental Management from the University of London in December 2003.

Yip To Chun ("Mr. Yip"), aged 35, joined the Company as the financial controller in July, 2019 and appointed as the Company Secretary of the Group on 18 March 2022. He is a member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree of Business Administration. Mr. Yip has over 10 years of experience in accounting, financial advisory and corporate secretarial services.

Wong Po Ling, Pauline ("Ms. Wong"), aged 44, was the Company Secretary of the Group and resigned on 18 March 2022. She holds a bachelor's degree in Accountancy and a master's degree in Corporate Governance from The Hong Kong Polytechnic University. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom. Ms. Wong has experience in financial management, mergers and acquisitions and corporate governance matters.

Li Ngan Mei, May ("Ms. Li"), aged 61, is the Administration Manager of the construction business. Ms. Li joined the Group in December 1988 and has over 37 years of experience in dealing with personnel and administration matters. She is in charge of the construction business's administrative and human resources matters including the overseeing of the administrative department, which is responsible for maintenance and renewal of our licences, permits and qualifications.

Report of the Directors

The Directors hereby present their report and the audited financial statements of the Group for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Company's subsidiaries are principally engaged in (i) acting as a contractor in the construction business to provide building construction works, electrical and mechanical engineering works and alterations, addition, renovation, refurbishment and fitting-out works, mainly in Hong Kong and Macau; (ii) investment in marketable securities; (iii) investment in properties; and (iv) money lending.

SEGMENT INFORMATION

Details of segment information are set out in note 4 to the consolidated financial statements in this Annual Report.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**AGM**") will be held on Thursday, 25 August 2022. A notice convening the AGM will be published and despatched to the Company's shareholders in the manner required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on 25 August 2022. For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from 22 August 2022 to 25 August 2022, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong with effect from 15 August 2022) not later than 4: 30 p.m. on Friday, 19 August 2022.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 March 2022 and the Group's financial position at that date are set out in the consolidated financial statements.

The Directors do not recommend the payment of any final dividend for the Reporting Period (2021: Nil).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 12 and 13 to the consolidated financial statements in this Annual Report, respectively.

Further details of the Group's investment properties are set out on page 49 of this Annual Report.

SHARE CAPITAL

On 28 April 2021, the shareholders of the Company approved an ordinary resolution to consolidate the share of the Company on the basis that every five issued and unissued then-existing shares of HK$0.025 each in the share capital of the Company into one consolidated share of HK$0.125 each with the Company's authorised shares consolidated from 4,000,000,000 shares to 800,000,000 consolidated shares. The share consolidation became effective on 28 April 2021.

Save as disclosed above, there was no movement in the share capital of the Company during the Reporting Period.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the "**Consolidated Statement of Changes in Equity**" on page 61 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company has no reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five years, as extracted from the audited financial statements, is set out on page 140 of this Annual Report. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

A review of the business of the Group for the Reporting Period is set out in the section headed "**Management Discussion and Analysis**" on pages 7 to 9 of this Annual Report. These discussions form part of this "**Report of the Directors**".

PRINCIPAL RISKS AND UNCERTAINTIES

The management is already aware of the principal risks associated with the Group's business and accordingly estimates and manages all kinds of risks encountered through inspection under the risk management and internal control system.

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

The Group is reliant on the availability of public and private sector construction projects in Hong Kong

The results of operations of the Group for the building construction section are affected by the number and availability of public and private sector construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to the Hong Kong property markets and the general conditions of the property markets in Hong Kong. A downturn in either factor may result in a significant decrease in the main contractor works for property re-development for both residential properties or industrial factory buildings in Hong Kong in general.

The Group is reliant on the availability of fitting-out projects of luxury brands in both Hong Kong and Macau

The results of operations of the Group for the fitting-out works section are affected by the expansion rate of luxury brands. In the event that there is a downturn in the economy of Hong Kong and Macau, fewer shops will be opened. It may result in a significant decrease in fitting-out works for luxury brand shops.

The Group's business is labour-intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

The Group's construction works are labour-intensive in nature. During the three years ended 31 March 2022, the Group and its subcontractors did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, there is no assurance that the Group will not experience these problems in the future when the peak load of construction activities is ongoing. In the event that there is a significant increase in the costs and demand of labour and we have to retain our labour by increasing their wages, the Group's staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if the Group or the Group's subcontractors fail to retain the Group's existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to complete the Group's projects on schedule and within budget, and the Group's operations and profitability may be adversely affected.

The pricing of the Group is determined based on the estimated time and costs involved in a job which may deviate from the actual time and costs involved and any material inaccurate estimation may affect the Group's financial results

The Group needs to estimate the time and costs involved in projects for all sections in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the Group's estimation during the performance of the jobs. The actual amount of time and costs involved in completing the job may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions. Any material inaccurate estimation in the time and costs involved in a job may adversely affect the profit margin and results of operations of the Group.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. The Group strives to become an environmental-friendly corporation by saving electricity and encouraging recycling of office supplies and other materials. The Group and its activities are subject to requirements under various laws.

The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Immigration Ordinance (Chapter 115 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations.

A report on the environment, social and governance aspects is prepared in accordance with Appendix 20 to the GEM Listing Rules will be published on the Company's and Stock Exchange's websites as close as possible to, and in any event no later than three months after, the publication of the annual report.

DISCLOSURE UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 March 2022, the Group had no circumstances which would give rise to disclosure obligation under Rules 17.22 to 17.24 of the GEM Listing Rules.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group did not make any charitable contribution.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 March 2022, the Group had a headcount of 72 (2021: 98) employees, most of them are based in Hong Kong. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Group and individual performance. The Company has also adopted a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests. Being people-oriented, the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, each Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Group has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's five largest customers accounted for approximately 68% (2021: 54%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 33% (2021: 19%). Purchases from the Group's five largest suppliers accounted for approximately 64% (2021: 34%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 26% (2021: 11%).

None of the Directors of the Company or any of their associates (as defined in the GEM Listing Rules) or any other shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this Annual Report were:

Executive Directors

Mr. Hung Kenneth
Ms. Lau Po Yee

Independent Non-executive Directors

Mr. Wong Yuk Lun Alan [a, b, c & d]
Mr. Lam Wai Hung [a, b, c & d]
Ms. Au Shui Ming, Anna [a, b, c & d]

[a] Remuneration committee member
[b] Nomination committee member
[c] Audit committee member
[d] Internal control committee member

Each of the independent non-executive Directors has confirmed his/her independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules as at 31 March 2022 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid employees of the Group are set out in notes 8 and 9, respectively to the consolidated financial statements of this Annual Report. The remuneration policy of the Group can be found in the sub-section headed "**Human Resources**" in the section headed "**Management Discussion and Analysis**" of this Annual Report. The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management of the Group in reference to the Group's operating results and individuals' performance.

Pursuant to Code Provision E. 1.5 of the CG Code, the remuneration of the senior management by band for the Reporting Period, is set out as below:

Annual Remuneration	**Number of individuals**
HK$1,000,000 and below	—
HK$1,000,000 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	2
Over HK$2,000,000	1

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Company's Directors had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the Reporting Period.

Save as disclosed in note 33 to the consolidated financial statements in this Annual Report, there is no contract of significance to the business of the Group between the Company, or any of its subsidiaries, or a substantial shareholder or any of its subsidiaries, to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, during the year. During the year, no contract of significance for the provision of services to the Group by a substantial shareholder or any of its subsidiaries was made.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the "**Share Option Scheme**") on 11 August 2015, the Company has adopted the Share Option Scheme. Under the terms of the Share Option Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. There were no share options outstanding under the Share Option Scheme during the Reporting Period.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and will expire on the last date of such period.

The exercise price of share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option has been granted during the Reporting Period and there was no share option outstanding at the end of the Reporting Period.

Further details of the Share Option Scheme and the share options issued under the Share Option Scheme are included in note 27 to the consolidated financial statements in this Annual Report.

EQUITY-LINKED AGREEMENT

Save as disclosed in this Annual Report, there was no equity-linked agreement entered into by the Group during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2022, none of the Directors or the chief executive of the Company had any interests, long or short positions in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules:

As at 31 March 2022, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 March 2022, so far as is known to the Directors of the Company, the following persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Energy Luck Limited	Beneficial owner	23,978,816	11.99%
Mr. Wong Kui Shing, Danny	Interest in controlled corporation (Note 1)	23,978,816	11.99%
Masan Multi Strategy Fund SPC — Masan HK Equity Fund SP	Beneficial owner	34,171,200	17.08%
Masan Capital Limited	Investment manager (Note 2)	34,171,200	17.08%
Top Lion International Limited	Interest of a controlled corporation (Note 2)	34,171,200	17.08%

Notes:

(1) Energy Luck Limited is a company incorporated in the British Virgin Islands ("**BVI**") and is wholly owned by Mr. Wong Kui Shing, Danny. By virtue of the SFO, Mr. Wong Kui Shing, Danny is deemed to be interested in the shares beneficially owned by Energy Luck Limited.

(2) Masan Multi Strategy Fund SPC — Masan HK Equity Fund SP ("**Masan Fund**") holds a total of 30,003,200 Shares. Masan Fund is managed by Masan Capital Limited in its capacity as an investment manager, which in turn is wholly-owned by Top Lion International Limited, a company incorporated in the BVI ("**Top Lion**"). Therefore, Top Lion is deemed, or taken to be, interested in all the Shares held by Masan Fund by virtue of the SFO.

Save as disclosed above, at 31 March 2022, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "**Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation**" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

During the Reporting Period and up to the date of this report, Mr. Wong Yuk Lun Alan has the following interests in the business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business:

Director	Name of company	Nature of business	Nature of interests
Mr. Wong Yuk Lun Alan	*NOVA Group Holdings Limited ("**NOVA**")	Money lending business	Executive director of NOVA

* listed on the Main Board of the Stock Exchange

As the Board is independent to the board of NOVA, the Group is capable of carrying on its business independently of, and at arm's length, from the business of NOVA.

Save as disclosed above, the Directors are not aware of any business and interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the Reporting Period.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group had no transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

PARTICULARS OF PROPERTIES

The investment properties of the Group as of the end of the Reporting Period is as follows:

Location	Attributable interest of the Group	Group's tenure	Current use	Lease term	Gross floor area
Office 4, 6/F., Rightful Centre, No 12 Tak Hing Street, Tsim Sha Tsui, Kowloon, Hong Kong	100%	The properties are held for a term expiring on 8 October 2051	Commercial	Long term	863 sq.ft.
Flats 702 and 705 on 7th Floor, Corn Yan Centre, No. 3 Jupiter Road, Hong Kong	100%	The properties are held for a term expiring on 24 February 2895	Commercial	Long term	1,578 sq.ft.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public throughout the Reporting Period and up to the date of this Annual Report.

PRE-EMPTIVE RIGHTS

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

AUDITOR

Ernst & Young ("**EY**") retired as the auditor of the Company upon expiration of its current term of office at the annual general meeting of the Company held on Monday, 20 September 2021 (the "**AGM**"). EY had been the auditor of the Company continuously for more than seven years. The Board and the audit committee of the Board (the "**Audit Committee**") considered that (i) changing the auditor of the Company after an appropriate period of time is a good corporate governance practice to ensure independence of the auditor; and (ii) EY and the Company could not reach a consensus on the audit fee for the financial year ending 31 March 2022. As such, the Board, with the recommendation of the Audit Committee, has resolved to change the auditor of the Company and proposed to appoint Baker Tilly Hong Kong Limited ("**Baker Tilly**") as the new auditor of the Company for the financial year ending 31 March 2022 following the retirement of EY and to hold office until the conclusion of the next annual general meeting of the Company (the "**Appointment of Baker Tilly**"). The shareholders of the Company approved an ordinary resolution for the Appointment of Baker Tilly at the AGM.

Hung Kenneth
Executive Director

Hong Kong, 23 June 2022

bakertilly
天職國際

Independent auditor's report
To the shareholders of Smart City Development Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Smart City Development Holdings Limited and its subsidiaries (together the "**Group**") set out on pages 57 to 139, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss, 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 consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

The Key Audit Matter	How the matter was addressed in our audit

Revenue recognition for construction contracts

Refer to notes 3, 5, 18 and 23 to the audited consolidated financial statements

For the year ended 31 March 2022, the Group recognised revenue from construction contracting and related businesses of HK$319,368,000 and had contract assets and contract liabilities of HK$37,254,000 and HK$52,689,000, respectively.

The Group has recognised revenue from the provision of construction services over time, using an input method to measure progress towards complete satisfaction of the services, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of significant management judgements and estimates, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and estimated costs to complete.

Our audit procedures in this area included:

- Understanding and assessing the appropriateness of the Group's accounting policies for revenues recognition and assessing the compliance of those policies with HKFRSs;

- Assessing the significant judgements made by management through an examination of project documentation and discussion of the status of projects under construction with the management, finance and technical personnel of the Group;

- Understanding and testing the key controls of the Group over its processes to record contract costs and contract revenue, the calculation of the stage of completion and the identification of provision for onerous projects, if any;

- Checking the construction costs to related invoices and contracts or other relevant supporting documents and performing a comparison of the actual costs incurred with total expected completion costs, to assess the appropriateness of the status of the projects on a sampling basis;

- Recalculating the revenue recognised during the year based on the percentage of completion for all individual construction contracts at 31 March 2022; and

- Identifying and assessing possible onerous contracts by comparing the total budgeted costs, taking into consideration the actual costs incurred up to 31 March 2022, with the total contract revenue for individual construction contracts as agreed with customers.

KEY AUDIT MATTERS (CONTINUED)

The Key Audit Matter	How the matter was addressed in our audit
Impairment assessment on accounts receivable and contract assets *Refer to notes 3, 16 and 18 to the audited consolidated financial statements* As at 31 March 2022, the Group recorded gross accounts receivable of HK$39,162,000 before impairment of HK$3,447,000 and gross contract assets of HK$37,748,000 before impairment of HK$494,000. The measurement of impairment losses on the Group's accounts receivable and contract assets under the expected credit loss ("**ECL**") approach was estimated by management through the application of judgements and use of highly subjective assumptions, such as the payment history, ageing profile and management's industrial knowledge and experience. The impact of economic factors, both current and future, and forward-looking factors specific to the debtors were also considered in management's assessment of the likelihood of recovery from their customers.	Our audit procedures in this area included: • Understanding and validating the credit control procedures performed by the Group's management; • Assessing and testing the Group's processes and key controls relating to the monitoring of accounts receivable and contract assets; evaluating the methodologies, inputs and assumptions used by management in their impairment assessment and their calculation of the impairment allowance under the ECL approach; • Obtaining an understanding of and carrying out discussions with management for their source and use of the Group's historical loss pattern of the accounts receivable and basis of management's judgements used on such data under the ECL approach; • Obtaining an understanding of management's debt collection and recovery procedures with the customers for those aged receivables or amounts in dispute; • Assessing the impairment allowance as of the end of the reporting period, taking into account factors such as the repayment history, the subsequent settlements of the accounts receivable and contract assets, and other relevant information; • Evaluating whether the historical loss rates were appropriately applied and adjusted based on the current economic condition and forward-looking information; and • Testing, on a sample basis, the accuracy of ageing categories of accounts receivable to the sales invoices.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by another independent auditor who expressed an unmodified opinion on those consolidated financial statements on 22 June 2021.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Choi Kwong Yu.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 23 June 2022

Choi Kwong Yu
Practising certificate number P05071

Consolidated Statement of Profit or Loss

For the year ended 31 March 2022
(Expressed in Hong Kong dollars)

	Note	**2022 HK$'000**	2021 HK$'000
Revenue	5	**324,904**	617,771
Cost of sales	6	**(275,019)**	(568,876)
Gross profit		**49,885**	48,895
Other income and gains	5	**982**	4,473
Gain on disposal on subsidiaries	30	**3,216**	—
Fair value loss on investment properties	13	**(940)**	(250)
Administrative expenses		**(36,065)**	(43,449)
Other operating (expenses)/income, net		**(618)**	177
Finance costs	7	**(243)**	(718)
PROFIT BEFORE TAX	6	**16,217**	9,128
Income tax expense	10	**(1,152)**	(672)
PROFIT FOR THE YEAR		**15,065**	8,456
Attributable to:			
— Owners of the Company		**15,336**	9,860
— Non-controlling interests		**(271)**	(1,404)
		15,065	8,456
		HK cents	HK cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
— Basic		**7.67**	4.93
— Diluted		**7.67**	4.93

The notes on pages 64 to 139 form part of the consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022
(Expressed in Hong Kong dollars)

	Note	**2022** **HK$'000**	2021 HK$'000
PROFIT FOR THE YEAR		**15,065**	8,456
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(436)**	(456)
Reclassification adjustment for a foreign operation deregistered during the year		**–**	(1,701)
Reclassification adjustment for a foreign operation disposed of during the year	30	**(1,541)**	–
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(1,977)**	(2,157)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
(Deficit)/surplus on revaluation of leasehold land and buildings	12	**(46)**	2,872
Income tax effect	25	**9**	(474)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		**(37)**	2,398
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(2,014)**	241
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,051**	8,697
Attributable to:			
— Owners of the Company		**13,496**	10,694
— Non-controlling interests		**(445)**	(1,997)
		13,051	8,697

The notes on pages 64 to 139 form part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2022
(Expressed in Hong Kong dollars)

	Note	**2022** **HK$'000**	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**57,642**	55,731
Investment properties	13	**22,380**	23,270
Intangible asset	14	**349**	394
Prepayments	17	**–**	450
Total non-current assets		**80,371**	79,845
CURRENT ASSETS			
Loans and interest receivables	15	**26,061**	12,803
Accounts receivable	16	**35,715**	25,268
Prepayments, deposits and other receivables	17	**16,696**	72,686
Contract assets	18	**37,254**	91,510
Financial assets at fair value through profit or loss	19	**18,995**	28,906
Tax recoverable		**214**	1
Pledged deposits	20	**17,157**	17,137
Cash and cash equivalents	20	**67,345**	61,969
Total current assets		**219,437**	310,280
CURRENT LIABILITIES			
Accounts payable	21	**8,386**	47,205
Other payables and accruals	22	**103,876**	158,060
Contract liabilities	23	**52,689**	62,990
Lease liabilities	12	**422**	659
Tax payable		**998**	2,987
Interest-bearing bank and other borrowings	24	**1,092**	11,013
Total current liabilities		**167,463**	282,914
Net current assets		**51,974**	27,366
Total assets less current liabilities		**132,345**	107,211

Consolidated Statement of Financial Position

As at 31 March 2022
(Expressed in Hong Kong dollars)

	Note	**2022 HK$'000**	2021 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	12	**290**	895
Deferred tax liabilities	25	**1,684**	592
Total non-current liabilities		**1,974**	1,487
NET ASSETS		**130,371**	105,724
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**25,000**	25,000
Reserves	28	**105,371**	91,875
		130,371	116,875
Non-controlling interests		**–**	(11,151)
Total equity		**130,371**	105,724

Approved and authorised for issue by the board of directors on 23 June 2022.

Mr. Hung Kenneth
Director

Ms. Lau Po Yee
Director

The notes on pages 64 to 139 form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company									
	Issued capital HK$'000	**Share premium account** HK$'000	**Contributed surplus** HK$'000	**Property revaluation reserve** HK$'000	**Exchange fluctuation reserve** HK$'000	**Reserve funds** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 April 2020	25,000	9,381	(5,372)	14,580	3,367	5,581	53,644	106,181	(9,154)	97,027
Profit/(loss) for the year	–	–	–	–	–	–	9,860	9,860	(1,404)	8,456
Other comprehensive income/(loss) for the year:										
Surplus on revaluation of leasehold land and buildings, net of tax	–	–	–	2,398	–	–	–	2,398	–	2,398
Exchange differences on translation of foreign operations	–	–	–	–	137	–	–	137	(593)	(456)
Reclassification adjustment for a foreign operation deregistered during the year	–	–	–	–	(1,701)	–	–	(1,701)	–	(1,701)
Total comprehensive income/(loss) for the year	–	–	–	2,398	(1,564)	–	9,860	10,694	(1,997)	8,697
Transfer to retained profits	–	–	–	–	–	(4,172)	4,172	–	–	–
Release of property revaluation reserve	–	–	–	(467)	–	–	467	–	–	–
At 31 March 2021	25,000	9,381*	(5,372)*	16,511*	1,803*	1,409*	68,143*	116,875	(11,151)	105,724
At 1 April 2021	**25,000**	**9,381**	**(5,372)**	**16,511**	**1,803**	**1,409**	**68,143**	**116,875**	**(11,151)**	**105,724**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**15,336**	**15,336**	**(271)**	**15,065**
Other comprehensive loss for the year:										
Deficit on revaluation of leasehold land and buildings, net of tax	**–**	**–**	**–**	**(37)**	**–**	**–**	**–**	**(37)**	**–**	**(37)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(262)**	**–**	**–**	**(262)**	**(174)**	**(436)**
Reclassification adjustment for a foreign operation disposed during the year (note 30)	**–**	**–**	**–**	**–**	**(1,541)**	**–**	**–**	**(1,541)**	**–**	**(1,541)**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**(37)**	**(1,803)**	**–**	**15,336**	**13,496**	**(445)**	**13,051**
Disposal of subsidiaries (note 30)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,596**	**11,596**
Transfer to retained profits	**–**	**–**	**–**	**–**	**–**	**(1,409)**	**1,409**	**–**	**–**	**–**
Release of property revaluation reserve	**–**	**–**	**–**	**(498)**	**–**	**–**	**498**	**–**	**–**	**–**
At 31 March 2022	**25,000**	**9,381***	**(5,372)***	**15,976***	**–***	**–***	**85,386***	**130,371**	**–**	**130,371**

* These reserve accounts comprise the consolidated reserves of HK$105,371,000 (2021: HK$91,875,000) in the consolidated statement of financial position.

The reserve funds of the Group include statutory reserves required to be appropriated from the profit after tax of the Company's subsidiaries in Mainland China under the laws and regulations of the People's Republic of China ("**PRC**"). The amount of the appropriation is at the discretion of these subsidiaries' boards of directors.

The notes on pages 64 to 139 form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2022
(Expressed in Hong Kong dollars)

	Note	**2022** **HK$'000**	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**16,217**	9,128
Adjustments for:			
— Finance costs	7	**243**	718
— Interest income	5	**(534)**	(2,797)
— Dividend income	5	**(112)**	(27)
— Fair value loss on investment properties	13	**940**	250
— Gain on disposal of subsidiaries	30	**(3,216)**	—
— Gain on deregistration of a subsidiary	6	**—**	(1,701)
— (Gain)/loss on disposal of items of property, plant and equipment	6	**(3)**	12
— Depreciation of property, plant and equipment	6	**2,882**	2,282
— Amortisation of an intangible asset	6	**45**	45
— Fair value gain on financial assets at fair value through profit or loss, net	5	**(3,173)**	(9,903)
— Impairment of items of property, plant and equipment	6	**430**	516
— Reversal of impairment of items of property, plant and equipment	6	**(234)**	(1,076)
— Impairment of loans and interest receivables, net	6	**68**	—
— Impairment/(reversal of impairment) of accounts receivable, net	6	**190**	(624)
— Impairment of other receivables, net	6	**167**	4,243
— Reversal of impairment of contract assets, net	6	**—**	(1,529)
		13,910	(463)
(Increase)/decrease in accounts receivable		**(11,013)**	37,630
Decrease/(increase) in contract assets		**19,263**	(5,808)
Increase in loans and interest receivables		**(13,326)**	(8,823)
Decrease in financial assets at fair value through profit or loss		**13,084**	13,223
Decrease/(increase) in prepayments, deposits and other receivables		**52,909**	(41,526)
Decrease in accounts payable		**(7,956)**	(5,834)
(Decrease)/increase in other payables and accruals		**(42,917)**	93,150
Increase/(decrease) in contract liabilities		**23,809**	(101,799)
Cash generated from/(used in) operations		**47,763**	(20,250)
Interest paid		**(255)**	(901)
Hong Kong profits tax (paid)/refunded		**(800)**	25
Overseas taxes refunded		**2**	14
Dividend received		**112**	27
Interest element on lease liabilities	7, 31	**(53)**	(63)
Net cash flows generated from/(used in) operating activities		**46,769**	(21,148)

Consolidated Statement of Cash Flows

For the year ended 31 March 2022
(Expressed in Hong Kong dollars)

	Note	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**534**	2,797
Purchases of items of property, plant and equipment		**(4,993)**	(14,775)
Proceeds from disposal of items of property, plant and equipment		**28**	—
Purchases of investment properties	13	**(50)**	(15,270)
Disposal of subsidiaries	30	**(26,523)**	—
Increase in pledged deposits		**(20)**	(63)
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		**16,000**	(41,000)
Net cash flows used in investing activities		**(15,024)**	(68,311)
CASH FLOWS FROM FINANCING ACTIVITIES			
New trust receipt loans and other borrowings		**6,147**	26,735
Repayment of trust receipt loans		**(16,508)**	(21,668)
Repayment to a non-controlling shareholder		**—**	(1,500)
Principal portion of lease payments	31	**(520)**	(654)
Net cash flows (used in)/generated from financing activities		**(10,881)**	2,913
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**20,864**	(86,546)
Cash and cash equivalents at beginning of year		**20,956**	106,490
Effect of foreign exchange rate change		**72**	1,012
CASH AND CASH EQUIVALENTS AT END OF YEAR		**41,892**	20,956
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	20	**67,345**	61,969
Bank overdrafts, secured	24	**(453)**	(13)
Non-pledged time deposits with original maturity of more than three months when acquired	20	**(25,000)**	(41,000)
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**41,892**	20,956

The notes on pages 64 to 139 form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION

Smart City Development Holdings Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 18 July 2014. The address of the Company's registered office is located at Windward 3, Regatta Office Park, PO Box 1350 Grand Cayman, KY 1–1108, Cayman Islands and its principal place of business is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are involved in the following principal activities: (i) construction business, as a main contractor and fitting out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong and Macau, and other construction related businesses; (ii) investment in securities; (iii) property investment; and (iv) money lending business.

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Registered/ issued and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
北京長迪建築裝飾工程有限公司 ("**Beijing Chang-de**") (notes (a) and (d))	The People's Republic of China (the "**PRC**")/Mainland China	Renminbi ("**RMB**") 16,000,000	Not classified	–	–	Decoration engineering
Achieve Plus Investments Limited	Hong Kong	HK$1	Ordinary	–	100	Property investment and securities investment
Brilliant Winner Limited	British Virgin Islands ("**BVI**")/Hong Kong	US$1	Ordinary	100	–	Investment holding
Colton Ventures Limited	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Cyber Fortune Limited	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson Development Limited	Hong Kong	HK$20,000,100 HK$20,000,000	Class A (b) Class B (b)	–	100	Construction contracting and investment holding
Deson Construction Engineering Limited (note (d))	BVI/Hong Kong	US$10,000	Ordinary	–	–	Investment holding
Deson Engineering Limited	Hong Kong	HK$10,000	Ordinary	–	100	Decoration engineering
Deson Industries Limited	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson (Macau) Construction Limited	Macau	MOP30,000	Ordinary	–	100	Decoration engineering
Foregrand Holdings Inc.	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
Glory Noble Limited	BVI/Hong Kong	US$1	Ordinary	100	–	Property investment
Grace Profits Investments Limited	BVI/Hong Kong	US$1	Ordinary	–	100	Investment holding
General Spread Limited	BVI/Hong Kong	US$1	Ordinary	–	100	Property investment
Kenworth Group Limited	BVI/Hong Kong	US$3	Ordinary	–	100	Investment holding

1 CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about principal subsidiaries (continued)

Name	Place of incorporation/ registration and business	Registered/ issued and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kenworth Engineering Limited	Hong Kong	HK$54,374,140 HK$20,000,000	Ordinary Preference (c)	–	100	Provision of electrical and mechanical engineering services, and securities investment
Latest Ventures Limited	BVI/Hong Kong	US$1,000	Ordinary	100	–	Investment holding
Mark Sino Limited	Hong Kong	HK$1	Ordinary	–	100	Property investment
New Stream Holdings Limited	BVI/Hong Kong	US$1	Ordinary	100	–	Investment holding
Simple Rise Inc.	Hong Kong	HK$390,000	Ordinary	–	100	Property investment
Sunny Harvest Limited	Hong Kong	HK$2	Ordinary	–	100	Property investment
Turbo Sky Limited	BVI/Hong Kong	US$1	Ordinary	100	–	Investment holding
Yellow River Consultants Services Limited	Hong Kong	HK$2	Ordinary	–	100	Money lending

Notes:

(a) Registered as a sino-foreign investment enterprise under PRC law.

(b) The holders of class A shares have voting rights and are entitled to dividend distributions. Upon the winding-up of this company, the class A shareholders are entitled to return of assets. The holders of non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return if the assets of this company are less than HK$100 trillion.

(c) The holders of the preference shares have a cumulative preferential right to this company's profits at 10% of the nominal value of its share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or any meeting of directors.

(d) Disposed of during the year ended 31 March 2022 (see note 30).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and certain buildings classified as property, plant and equipment, investment properties and financial assets at fair value through profit or loss which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

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

The nature and the impact of the revised HKFRSs are described below:

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

These amendments address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 31 March 2022. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(Expressed in Hong Kong dollars unless otherwise indicated)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient 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 amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 17	Insurance Contracts[2,5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41[1]

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

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

3 No mandatory effective date yet determined but available for adoption.

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion.

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 April 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 16 prohibit an entity from 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, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

(i) HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

(ii) HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments designated at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g. a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

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

(i) The entity and the Group are members of the same group;

(ii) One entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) The entity and the Group are joint ventures of the same third party;

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Land and buildings, classified as right-of-use assets and owned assets, are measured at fair value less subsequent accumulated depreciation and impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of profit or loss. Any subsequent revaluation surplus is credited to the consolidated statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the property revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis or reducing balance basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the remaining lease terms of the leasehold land on the straight-line basis
Leasehold improvements	Over the remaining lease terms on the straight-line basis
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Money lenders licence

Money lenders licence is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 10 years.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, except for land and buildings which are measured at fair value, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	Over the remaining lease terms
Buildings	Over the remaining lease terms
Office equipment	Over the remaining lease terms

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets (continued)

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned, if any.

Leases that transfer substantially all the rewards and risks and rewards incidental to of ownership of an underlying assets to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortised costs (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancement that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable and contract assets which apply the simplified approach as detailed below.

Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables, certain accruals, interest-bearing bank and other borrowings, and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

After initial recognition, financial liabilities at amortised cost (including interest-bearing loans and borrowings) are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

— in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(b) Consultancy services

Revenue from the provision of consultancy services is recognised over the scheduled period because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

(a) Realised fair value gain or loss on investment in securities, is recognised on the trade date basis, whilst unrealised fair value gain or loss on change in fair value is recognised at the end of the reporting period;

(b) Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably;

(c) Rental income is recognised on a time proportion basis over the lease terms; and

(d) Interest income on loans and interest receivables is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfer control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date a which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/loss per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a defined contribution retirement benefit scheme (the "**ORSO Scheme**") under the Occupational Retirement Schemes Ordinance, for those employees who were eligible to participate. The ORSO Scheme operated in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited contributions. With effect from 1 December 2000, the Group has operated both schemes and those employees who are not eligible to participate in the ORSO Scheme are eligible to participate in the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition for construction contracting and related businesses

For the year ended 31 March 2022, the Group recognised revenue from construction contracting and related businesses amounting to HK$319,368,000 (2021: HK$606,141,000). The Group has recognised revenue from the provision of construction services over time, using an input method to measure the progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and forecasts in relation to costs to complete and profit margin.

Estimation uncertainty

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

Provision for expected credit losses on accounts receivable and contract assets

The Group uses provision matrices to calculate ECLs for accounts receivable and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography).

The provision matrices are initially based on the Group's historical observed default rates. The Group will calibrate the matrices to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

(Expressed in Hong Kong dollars unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on accounts receivable and contract assets (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and contract assets is disclosed in notes 16 and 18 to the consolidated financial statements, respectively.

Provision for expected credit losses on loans and interest receivables

The Group uses judgement in making assumptions and selecting the inputs to its ECL calculation, based on the Group's past history, existing market conditions as well as forward-looking information and estimates at the end of each reporting period.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's loans and interest receivables is disclosed in note 15 to the consolidated financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 March 2022 was HK$22,380,000 (2021: HK$23,270,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13 to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimates regarding the realisability of deferred tax assets

Estimating the amount for deferred tax assets arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future taxable profits. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the unrecognised tax losses of the Group are set out in note 25 to the consolidated financial statements.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (2021: four) reportable operating segments as follows:

(a) the construction business segment is engaged in construction contract works, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services;

(b) the securities investment segment is engaged in investment in securities;

(c) the property investment business segment is engaged in the holding of investment properties; and

(d) the money lending business segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income included in "other income and gains", finance costs, certain impairment of items of property, plant and equipment as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2022

	Construction business HK$'000	Securities investment HK$'000	Property investment HK$'000	Money lending business HK$'000	Total HK$'000
Segment revenue (note 5)					
Sales to external customers	319,368	3,660	612	1,264	324,904
Other income and gains	443	–	–	5	448
	319,811	3,660	612	1,269	325,352
Segment results					
Operating profit/(loss)	16,382	3,660	(2,001)	(38)	18,003
Reconciliation:					
Interest income					534
Unallocated income					3,664
Unallocated expenses					(5,741)
Finance costs					(243)
Profit before tax					16,217
Segment assets	140,970	28,928	22,380	28,263	220,541
Reconciliation:					
Corporate and other unallocated assets					79,267
Total assets					299,808
Segment liabilities	167,562	–	460	283	168,305
Reconciliation:					
Corporate and other unallocated liabilities					1,132
Total liabilities					169,437
Other segment information:					
Fair value loss on investment properties	–	–	940	–	940
Impairment of accounts receivable, net	190	–	–	–	190
Impairment of loans and interest receivables, net	–	–	–	68	68
Gain on disposal of items of property, plant and equipment	(3)	–	–	–	(3)
Depreciation of property, plant and equipment	1,075	–	–	498	1,573
Amortisation of an intangible asset	–	–	–	45	45
Capital expenditure attributable to the reportable operating segments*	125	–	50	2,228	2,403

* Capital expenditure represents additions to property, plant and equipment, and investment properties.

4 OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2021

	Construction business HK$'000	Securities investment HK$'000	Property investment HK$'000	Money lending business HK$'000	Total HK$'000
Segment revenue (note 5)					
Sales to external customers	606,141	10,311	170	1,149	617,771
Other income and gains	3,206	–	–	–	3,206
	609,347	10,311	170	1,149	620,977
Segment results					
Operating profit/(loss)	6,372	10,311	(1,924)	703	15,462
Reconciliation:					
Interest income					1,267
Unallocated income					3,206
Unallocated expenses					(10,089)
Finance costs					(718)
Profit before tax					9,128
Segment assets	187,582	43,367	23,270	13,652	267,871
Reconciliation:					
Corporate and other unallocated assets					122,254
Total assets					390,125
Segment liabilities	269,227	11,000	399	183	280,809
Reconciliation:					
Corporate and other unallocated liabilities					3,592
Total liabilities					284,401
Other segment information:					
Fair value loss on investment properties	–	–	250	–	250
Reversal of impairment of accounts receivable, net	(624)	–	–	–	(624)
Loss on disposal of items of property, plant and equipment	12	–	–	–	12
Impairment of items of property, plant and equipment	516	–	–	–	516
Reversal of impairment of contract assets, net	(1,529)	–	–	–	(1,529)
Depreciation of property, plant and equipment	1,087	–	–	–	1,087
Amortisation of an intangible asset	–	–	–	45	45
Capital expenditure attributable to the reportable operating segments*	75	–	15,270	–	15,345

* Capital expenditure represents additions to property, plant and equipment, and investment properties.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Segment revenue from external customers

	2022 HK$'000	2021 HK$'000
Hong Kong	**288,664**	489,807
Mainland China	**36,240**	127,964
	324,904	617,771

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

(b) Non-current assets

	2022 HK$'000	2021 HK$'000
Hong Kong	**80,371**	79,797
Mainland China	**–**	48
	80,371	79,845

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

Information about a major customer

During the year, revenue of approximately HK$107,940,000 (2021: approximately HK$117,335,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer. For the purpose of identifying major customers, revenue derived from the securities investment segment is excluded.

(Expressed in Hong Kong dollars unless otherwise indicated)

5 REVENUE, OTHER INCOME AND GAINS

Revenue from contract with customers

An analysis of revenue is as follows:

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers		
Income from the construction contracting and related businesses	**319,368**	606,141
Revenue from other sources		
Fair value gain on financial assets at fair value through profit or loss, net	**3,173**	9,903
Dividend income from equity investments at fair value through profit or loss	**112**	27
Interest income from debt investments at fair value through profit or loss	**375**	381
Interest income from loans and interest receivables	**1,264**	1,149
Gross rental income	**612**	170
	324,904	617,771

(a) Disaggregated revenue information

	Construction contracting and related business	
	2022 HK$'000	2021 HK$'000
Types of goods or services		
Building construction works and related businesses	**127,959**	166,186
Electrical and mechanical engineering works	**153,412**	236,363
Fitting-out works	**37,997**	203,592
Total revenue from contracts with customers recognised over time	**319,368**	606,141
Geographical markets		
Hong Kong	**283,128**	478,177
Mainland China	**36,240**	127,964
Total revenue from contracts with customers recognised over time	**319,368**	606,141

5 REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contract with customers (continued)

(a) Disaggregated revenue information (continued)

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

	2022 **HK$'000**	2021 HK$'000
Construction contracting and other related services	**28,312**	145,641

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction contracting and other related services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 14 days to 90 days (2021: 14 days to 90 days) from the date of billing. For construction services, a certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March are as follows:

	Construction contracting and related business	
	2022 **HK$'000**	2021 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**468,230**	477,158
After one year	**71,142**	144,685
	539,372	621,843

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

(Expressed in Hong Kong dollars unless otherwise indicated)

5 REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Other income and gains

An analysis of other income and gains is as follows:

	2022 HK$'000	2021 HK$'000
Other revenue		
Bank interest income	534	1,267
Government grants*	—	2,977
Others	448	229
	982	4,473

* The government grants were subsidy granted under the Employment Support Scheme of the Government of Hong Kong Special Administrative Region to retain employment and combat Covid-19. As at the end of the reporting period, there were no unfulfilled conditions or contingencies relating to these grants.

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2022 HK$'000	2021 HK$'000
Cost of construction contracts	275,019	568,876
Auditor's remuneration	1,100	1,783
Depreciation of property, plant and equipment (note 12)	2,882	2,282
Amortisation of an intangible asset (note 14)	45	45
Lease payments not included in the measurement of lease liabilities (note 12)	3,992	3,702
Rental income on investment properties	(612)	(170)
Less: Outgoings	66	27
Net rental income	(546)	(143)
Employee benefit expense (including directors' remuneration — note 8):		
Wages, salaries, bonuses and allowances	35,201	31,776
Pension scheme contributions*	969	761
Less: Amount included in cost of construction contract	(12,010)	(8,947)
	24,160	23,590

6 PROFIT BEFORE TAX (CONTINUED)

	2022 HK$'000	2021 HK$'000
Impairment/(reversal of impairment) of financial and contract assets, net:		
Impairment of loans and interest receivables, net^ (note 15)	**68**	—
Impairment/(reversal of impairment) of accounts receivable, net^ (note 16)	**190**	(624)
Impairment of other receivables, net^ (note 17)	**167**	4,243
Reversal of impairment of contract assets, net^ (note 18)	**–**	(1,529)
	425	2,090
Impairment of items of property, plant and equipment^ (note 12)	**430**	516
Reversal of impairment of items of property, plant and equipment^ (note 12)	**(234)**	(1,076)
Gain on deregistration of a subsidiary^	**–**	(1,701)
(Gain)/loss on disposal of items of property, plant and equipment^	**(3)**	12
Foreign exchange differences, net^	**–**	(18)

* At 31 March 2022, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2021: HK$Nil).

^ These amounts are included in "Other operating (expenses)/income, net" on the face of the consolidated statement of profit or loss.

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities (note 12)	**53**	63
Interest on bank and other borrowings	**255**	901
Less: Interest capitalised	**(65)**	(246)
	243	718

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022	2021
	HK$'000	HK$'000
Fees	**1,080**	1,080
Other emoluments:		
— Salaries and allowances	**–**	–
— Discretionary bonuses	**–**	–
— Pension scheme contributions	**–**	–
	–	–
	1,080	1,080

(a) Independent non-executive directors

	2022			
	Fees	**Salaries and allowances**	**Discretionary bonuses**	**Total remuneration**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Mr. Lam Wai Hung	**120**	**–**	**–**	**120**
Mr. Wong Yuk Lun Alan	**120**	**–**	**–**	**120**
Ms. Au Shui Ming Anna	**120**	**–**	**–**	**120**
	360	**–**	**–**	**360**

	2021			
	Fees	Salaries and allowances	Discretionary bonuses	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Lam Wai Hung	120	–	–	120
Mr. Wong Yuk Lun Alan	120	–	–	120
Ms. Au Shui Ming Anna	120	–	–	120
	360	–	–	360

There were no other emoluments paid or payable to independent non-executive directors during the year (2021: HK$Nil).

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and chief executive

	2022				
	Fees HK$'000	**Salaries and allowances HK$'000**	**Discretionary bonuses HK$'000**	**Pension scheme contributions HK$'000**	**Total remuneration HK$'000**
Mr. Hung Kenneth	**360**	**–**	**–**	**–**	**360**
Ms. Lau Po Yee	**360**	**–**	**–**	**–**	**360**
	720	**–**	**–**	**–**	**720**

	2021				
	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Mr. Hung Kenneth	360	–	–	–	360
Ms. Lau Po Yee	360	–	–	–	360
	720	–	–	–	720

During the years ended 31 March 2022 and 2021, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments during the years ended 31 March 2022 and 2021.

9 FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT

The five highest paid employees during the year are neither a director nor chief executive. Details of the remuneration for the five (2021: five) non-director, highest paid employees are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and allowances	**5,840**	5,916
Discretionary bonuses	**2,629**	247
Pension scheme contributions	**223**	221
	8,692	6,384

9 FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT (CONTINUED)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2022 Number of individuals	2021 Number of individuals
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**2**	4
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**1**	—
	5	5

Other than the directors' and five highest paid employees' remuneration disclosed above, the amounts paid to the senior management as disclosed in the "biographical details of directors and senior management" section were as follows:

	2022 HK$'000	2021 HK$'000
Salaries and allowances	**1,550**	1,185
Discretionary bonuses	**138**	40
Pension scheme contributions	**21**	18
	1,709	1,243

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax regime effective from the year of assessment 2018/2019, and the first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 **HK$'000**	2021 HK$'000
Current — Hong Kong		
— Charge for the year	**998**	584
— (Over)/under-provision in prior years	**(947)**	567
Current — Elsewhere		
— Over-provision in prior years	**—**	(197)
Deferred tax (note 25)	**1,101**	(282)
Total tax expense for the year	**1,152**	672

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2022 **HK$'000**	2021 HK$'000
Profit before tax	**16,217**	9,128
Tax at the applicable statutory tax rates	**2,562**	1,040
Lower tax rate enacted by local authority	**(165)**	(165)
Income not subject to tax	**(1,625)**	(1,092)
Expenses not deductible for tax	**1,400**	1,660
Tax loss utilised from previous periods	**(851)**	(1,228)
Adjustments in respect of current income tax of previous period	**(947)**	370
Tax losses and temporary differences not recognised	**778**	255
Others	**—**	(168)
Tax charge at the Group's effective rate of 7.1% (2021: 7.4%)	**1,152**	672

11 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 200,000,000 (2021: 200,000,000) in issue during the year.

The Group had no potentially diluted ordinary shares in issue during the years ended 31 March 2022 and 2021.

The calculation of the basic and diluted earnings per share amounts attributable to ordinary equity holders of the Company is based on the following data:

	2022 **HK$'000**	2021 HK$'000
Profit		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**15,336**	9,860

	2022 **Number of shares** **'000**	2021 Number of shares '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**200,000**	200,000

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES

	Right-of-use assets				Owned assets							
	Leasehold land HK$'000	Buildings HK$'000	Office equipment HK$'000	Total HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000	Total HK$'000
31 March 2022												
At 31 March 2021 and 1 April 2021												
Cost or valuation	**42,940**	**1,308**	**335**	**44,583**	**11,340**	**1,025**	**137**	**268**	**125**	**2,529**	**15,424**	**60,007**
Accumulated depreciation and impairment	**–**	**(863)**	**(39)**	**(902)**	**–**	**(956)**	**(127)**	**(147)**	**(21)**	**(2,123)**	**(3,374)**	**(4,276)**
Net carrying amount	**42,940**	**445**	**296**	**43,681**	**11,340**	**69**	**10**	**121**	**104**	**406**	**12,050**	**55,731**
At 1 April 2021, net of accumulated depreciation	**42,940**	**445**	**296**	**43,681**	**11,340**	**69**	**10**	**121**	**104**	**406**	**12,050**	**55,731**
Additions	**2,640**	**114**	**–**	**2,754**	**–**	**–**	**–**	**125**	**–**	**2,228**	**2,353**	**5,107**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25)**	**–**	**–**	**(25)**	**(25)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(10)**	**–**	**–**	**–**	**(38)**	**(48)**	**(48)**
(Deficit)/surplus on revaluation	**(1,536)**	**–**	**–**	**(1,536)**	**1,490**	**–**	**–**	**–**	**–**	**–**	**1,490**	**(46)**
Depreciation provided during the year	**(1,244)**	**(284)**	**(67)**	**(1,595)**	**(714)**	**–**	**(1)**	**(62)**	**(9)**	**(501)**	**(1,287)**	**(2,882)**
Impairment	**(430)**	**–**	**–**	**(430)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(430)**
Reversal of impairment	**–**	**–**	**–**	**–**	**234**	**–**	**–**	**–**	**–**	**–**	**234**	**234**
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**	**1**
At 31 March 2022	**42,370**	**275**	**229**	**42,874**	**12,350**	**59**	**9**	**159**	**95**	**2,096**	**14,768**	**57,642**
At 31 March 2022												
Cost or valuation	**42,370**	**1,422**	**335**	**44,127**	**12,350**	**1,015**	**137**	**365**	**125**	**3,988**	**17,980**	**62,107**
Accumulated depreciation and impairment	**–**	**(1,147)**	**(106)**	**(1,253)**	**–**	**(956)**	**(128)**	**(206)**	**(30)**	**(1,892)**	**(3,212)**	**(4,465)**
Net carrying amount	**42,370**	**275**	**229**	**42,874**	**12,350**	**59**	**9**	**159**	**95**	**2,096**	**14,768**	**57,642**
31 March 2021												
At 31 March 2020 and 1 April 2020												
Cost or valuation	32,880	1,312	386	34,578	8,220	1,025	137	218	125	560	10,285	44,863
Accumulated depreciation and impairment	(3,360)	(569)	(386)	(4,315)	(300)	(955)	(127)	(79)	(11)	(110)	(1,582)	(5,897)
Net carrying amount	29,520	743	–	30,263	7,920	70	10	139	114	450	8,703	38,966
At 1 April 2020, net of accumulated depreciation	29,520	743	–	30,263	7,920	70	10	139	114	450	8,703	38,966
Additions	11,117	464	335	11,916	3,583	–	–	50	–	25	3,658	15,574
Disposals	–	–	–	–	–	–	–	(5)	–	(7)	(12)	(12)
Surplus on revaluation	2,381	–	–	2,381	491	–	–	–	–	–	491	2,872
Depreciation provided during the year	(1,124)	(296)	(39)	(1,459)	(684)	(1)	–	(64)	(10)	(64)	(823)	(2,282)
Impairment	–	(516)	–	(516)	–	–	–	–	–	–	–	(516)
Reversal of impairment	1,046	–	–	1,046	30	–	–	–	–	–	30	1,076
Exchange realignment	–	50	–	50	–	–	–	1	–	2	3	53
At 31 March 2021	42,940	445	296	43,681	11,340	69	10	121	104	406	12,050	55,731
At 31 March 2021												
Cost or valuation	42,940	1,308	335	44,583	11,340	1,025	137	268	125	2,529	15,424	60,007
Accumulated depreciation and impairment	–	(863)	(39)	(902)	–	(956)	(127)	(147)	(21)	(2,123)	(3,374)	(4,276)
Net carrying amount	42,940	445	296	43,681	11,340	69	10	121	104	406	12,050	55,731

Notes:

(a) The Company's right-of-use of leasehold land represents prepaid lease payments. The leasehold land, together with the owned buildings, are held for own use. The leasehold land is held on the lease terms expiring in 2047.

(b) The Group leases certain of its premises and office equipment used in its operations. Leases for these assets are negotiated for terms ranging from two to five years with no extension or termination options and all the lease payments are fixed.

12 PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (CONTINUED)

Maturity profile of lease liabilities

	2022 HK$'000	2021 HK$'000
Within one year	**422**	659
After one year but within two years	**158**	610
After two years but within five years	**132**	285
Lease liabilities	**712**	1,554
Current	**422**	659
Non-current	**290**	895
	712	1,554

Movements of carrying amounts of lease liabilities

	2022 HK$'000	2021 HK$'000
At beginning of year	**1,554**	1,373
Additions	**114**	799
Disposal of subsidiaries	**(445)**	—
Accretion of interest (note 7)	**53**	63
Payments	**(573)**	(717)
Exchange realignment	**9**	36
At end of year	**712**	1,554

The maturity analysis of lease liabilities is disclosed in note 37 to the consolidated financial statements.

12 PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (CONTINUED)

Amounts recognised in the consolidated statement of profit or loss

	2022 **HK$'000**	2021 HK$'000
Depreciation expense of right-of-use assets	**1,595**	1,459
Additions of interest expense on lease liabilities	**53**	63
Impairment of right-of-use assets	**–**	516
Expense relating to short-term leases (included in administrative expenses)	**3,992**	3,702
	5,640	5,740

The Group had total cash outflows for leases of HK$4,565,000 during the year ended 31 March 2022 (2021: HK$4,419,000). The Group also had non-cash additions of right-of-use assets of HK$114,000 (2021: HK$799,000) during the year ended 31 March 2022.

As at 31 March 2022, except for the leasehold land of which the value was assessed by the directors at HK$2,640,000 based on recent transaction price using the market approach, the other leasehold land and buildings were revalued at the end of the reporting period based on valuation performed by Peak Vision Appraisals Limited ("**Peak Vision**"), an independent professional qualified valuer, at an aggregate open market value of HK$52,080,000 based on their existing use.

As at 31 March 2021, all the leasehold land and buildings were revalued at the end of the reporting period based on valuation performed by Peak Vision at an aggregate open market value of HK$54,280,000 based on their existing use.

A revaluation deficit of HK$46,000 (2021: surplus of HK$2,872,000) resulting from the revaluation on the Group's certain leasehold land and buildings, before income tax effect of HK$9,000 (2021: HK$474,000) has been charged (2021: credited) to other comprehensive income. An impairment loss of HK$196,000 (2021: reversal of impairment loss of HK$1,076,000) resulting from the revaluation on the Group's certain leasehold land and buildings was charged (2021: credited) to profit or loss in the current year.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$30,695,000 (2021: approximately HK$32,653,000).

As at 31 March 2022, leasehold land and buildings of the Group with an aggregate carrying amount of HK$20,300,000 (2021: HK$21,200,000) were pledged to secure certain banking facilities granted to the Group (note 24).

Each year, the Group appoints external valuers to be responsible for the external valuations of the Group's properties and has discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's properties held for own use:

	2022			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Leasehold land*	**–**	**–**	**2,640**	**2,640**
Office premises**	**–**	**–**	**31,780**	**31,780**
Warehouse***	**–**	**–**	**20,300**	**20,300**
	–	**–**	**54,720**	**54,720**

	2021			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Office premises*	–	–	33,080	33,080
Warehouse**	–	–	21,200	21,200
	–	–	54,280	54,280

* Included leasehold land of HK$2,640,000 (2021: HK$Nil) under right-of-use assets.

** Included leasehold land of HK$25,760,000 (2021: HK$27,540,000) under right-of-use assets.

*** Included leasehold land of HK$13,970,000 (2021: HK$15,400,000) under right-of-use assets.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

12 PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (CONTINUED)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2022 HK$'000	2021 HK$'000
Carrying amount at beginning of year	**54,280**	37,440
Additions	**2,640**	14,700
Depreciation	**(1,958)**	(1,808)
(Deficit)/surplus on revaluation recognised in other comprehensive income	**(46)**	2,872
(Impairment)/reversal of impairment recognised in profit or loss	**(196)**	1,076
Carrying amount at end of year	**54,720**	54,280

Below is a summary of the valuation techniques used and the key inputs to the valuation of properties held for own use performed by Peak Vision:

	Valuation technique	Significant unobservable inputs	Range/weighted average 2022	2021
Office premises	Direct comparison approach	Market unit selling price (per square foot)	**HK$8,277**	HK$8,798
Warehouse	Direct comparison approach	Market unit selling price (per square foot)	**HK$4,083**	HK$4,264

12 PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (CONTINUED)

The direct comparison approach

Under the direct comparison approach, fair value is estimated using the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the properties, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square foot.

The key input was the market unit selling price per square foot, and a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the properties.

13 INVESTMENT PROPERTIES

	2022 **HK$'000**	2021 HK$'000
Carrying amount at beginning of year	**23,270**	8,250
Additions	**50**	15,270
Net loss from fair value adjustment charged to profit or loss	**(940)**	(250)
Carrying amount at end of year	**22,380**	23,270

As at 31 March 2022, the Group's investment properties consist of two (2021: two) commercial properties in Hong Kong. The directors of the Company have determined that the investment properties were commercial properties, based on the nature, characteristics and risks of the properties.

As at 31 March 2022, all the investment properties were revalued at the end of the reporting period based on valuation performed by Peak Vision at HK$22,380,000.

As at 31 March 2021, except for the investment property which was revalued by the directors on 31 March 2021 at HK$15,000,000, the other investment property was revalued at the end of the reporting period based on valuation performed by Peak Vision at HK$8,270,000.

Each year, the Group appoints an external valuer to be responsible for the external valuation of the Group's properties and has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

As at 31 March 2022, the investment properties were leased to third parties under operating leases, further summary details of which are included in note 32 to the consolidated financial statements.

Further particulars of the Group's investment properties are included on page 49.

13 INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	2022			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**22,380**	**22,380**

	2021			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	23,270	23,270

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2022 HK$'000	2021 HK$'000
Carrying amount at beginning of year	**23,270**	8,250
Additions	**50**	15,270
Net loss from fair value adjustment charged to profit or loss	**(940)**	(250)
Carrying amount at end of year	**22,380**	23,270

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range/weighted average 2022	2021
Commercial properties	Investment method	Estimated rental value (per square foot per month)	**HK$24.8 to HK$28.8**	HK$24.4 to HK$28.2
		Term yield	**3.0% to 3.2%**	2.5% to 3.0%
		Reversionary yield	**3.3% to 3.7%**	3.0% to 3.6%

The investment method

Under the investment method, fair value is estimated on the basis of capitalisation of existing rent receivable from the existing tenancies and the potential reversionary market rent of the properties.

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the estimated rental value and reversionary yield, while it takes into account the rental value generated from the existing lease term to arrive at the term yield.

The key input was the estimated rental value, term yield and reversionary yield, which a significant increase/(decrease) in these inputs would result in a significant increase/(decrease) in the fair value of the investment properties.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTANGIBLE ASSET

	Money lenders licence HK$'000
31 March 2022	
At 31 March 2021 and 1 April 2021	
Cost	**450**
Accumulated amortisation	**(56)**
Net carrying amount	**394**
At 1 April 2021, net of accumulated amortisation	**394**
Amortisation provided during the year	**(45)**
At 31 March 2022, net of accumulated amortisation	**349**
At 31 March 2022	
Cost	**450**
Accumulated amortisation	**(101)**
Net carrying amount	**349**
31 March 2021	
At 31 March 2020 and 1 April 2020	
Cost	450
Accumulated amortisation	(11)
Net carrying amount	439
At 1 April 2020, net of accumulated amortisation	439
Amortisation provided during the year	(45)
At 31 March 2021, net of accumulated amortisation	394
At 31 March 2021	
Cost	450
Accumulated amortisation	(56)
Net carrying amount	394

15 LOANS AND INTEREST RECEIVABLES

	2022 HK$'000	2021 HK$'000
Loans and interest receivables	**26,149**	12,823
Less: Impairment allowance (Stage 1)	**(88)**	(20)
	26,061	12,803

The Group's loans and interest receivables, which arise from the money lending business of providing corporate loans and personal loans in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Loans and interest receivables represented loans granted by the Group to customers in the ordinary course of business.

The loans and interest receivables are unsecured, bear interest and are repayable on maturity under the term of contractual agreement or on demand in writing by the Group.

The movement in the loss allowance for the impairment of loans and interest receivables is as follows:

	2022 HK$'000	2021 HK$'000
At beginning of year	**20**	20
Reversal of impairment loss (note 6)	**(19)**	—
Impairment loss (note 6)	**87**	—
At end of year	**88**	20

A maturity profile of the loans and interest receivables as at the end of the reporting period, based on the maturity date, net of impairment allowance is as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**16,061**	12,803
One to two years	**10,000**	—
	26,061	12,803

15 LOANS AND INTEREST RECEIVABLES (CONTINUED)

An ageing analysis of the loans and interest receivables as at the end of the reporting period, based on the due date and net of impairment allowance, is as follows:

	2022	2021
	HK$'000	HK$'000
Current	**26,061**	12,803

Set out below is the information about the credit risk exposure on the Group's loans and interest receivables:

	2022	2021
Current		
Expected credit loss rate	**0.34%**	0.16%
Gross carrying amount (HK$'000)	**26,149**	12,823
Expected credit losses (HK$'000)	**88**	20

16 ACCOUNTS RECEIVABLE

	2022	2021
	HK$'000	HK$'000
Accounts receivable	**39,162**	37,501
Less: Impairment allowance	**(3,447)**	(12,233)
	35,715	25,268

The Group's trading terms with its customers are mainly on credit. The credit period granted to the customers ranges from 14 days to 90 days (2021: 14 days to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding accounts receivable. Overdue balances are reviewed regularly by senior management. The Group was exposed to concentration of credit risk as at 31 March 2022 on accounts receivable from the Group's five major customers which accounted for 70% (2021: 87%) of the Group's total accounts receivable. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

16 ACCOUNTS RECEIVABLE (CONTINUED)

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 HK$'000	2021 HK$'000
Within 90 days	**34,516**	23,377
91 to 180 days	**254**	869
181 to 360 days	**18**	86
Over 360 days	**927**	936
	35,715	25,268

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2022 HK$'000	2021 HK$'000
At beginning of year	**12,233**	14,147
Provision/(reversal) of impairment losses, net (note 6)	**190**	(624)
Amount written off as uncollectible	**(3)**	(1,897)
Disposal of subsidiaries	**(9,133)**	—
Exchange realignment	**160**	607
At end of year	**3,447**	12,233

An impairment analysis is performed at each reporting date using provision matrices to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

16 ACCOUNTS RECEIVABLE (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's accounts receivable using provision matrices and the Group categorised its customers by making reference to their geographical region:

	2022			
	Expected credit loss rate	**Gross carrying amount HK$'000**	**Expected credit losses HK$'000**	**Net carrying amount HK$'000**
Hong Kong				
Current	**0.09%**	**21,667**	**(19)**	**21,648**
Less than 3 months past due	**0.13%**	**12,886**	**(17)**	**12,869**
3 to 6 months past due	**4.74%**	**274**	**(13)**	**261**
7 to 12 months past due	**51.53%**	**1,929**	**(994)**	**935**
Over 12 months past due	**99.92%**	**2,406**	**(2,404)**	**2**
	8.80%	**39,162**	**(3,447)**	**35,715**

	2021			
	Expected credit loss rate	Gross carrying amount HK$'000	Expected credit losses HK$'000	Net carrying amount HK$'000
Hong Kong				
Current	0.64%	14,465	(92)	14,373
Less than 3 months past due	3.04%	5,960	(181)	5,779
3 to 6 months past due	10.11%	524	(53)	471
7 to 12 months past due	42.57%	101	(43)	58
Over 12 months past due	84.10%	3,416	(2,873)	543
	13.25%	24,466	(3,242)	21,224
Mainland China				
Current	1.03%	1,363	(14)	1,349
Less than 3 months past due	9.93%	2,044	(203)	1,841
3 to 6 months past due	19.35%	553	(107)	446
7 to 12 months past due	64.71%	85	(55)	30
Over 12 months past due	95.80%	8,990	(8,612)	378
	68.98%	13,035	(8,991)	4,044
	32.62%	37,501	(12,233)	25,268

(Expressed in Hong Kong dollars unless otherwise indicated)

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 **HK$'000**	2021 HK$'000
Deposits	**1,286**	870
Prepayments and other receivables	**19,929**	77,026
	21,215	77,896
Less: Impairment allowance	**(4,519)**	(4,760)
Total prepayments, deposits and other receivables	**16,696**	73,136
Portion classified as non-current assets	**–**	(450)
Current portion	**16,696**	72,686

Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Except for certain prepayments against which impairment has been made, the remaining assets are neither past due nor impaired. The financial assets included in the above net balances relate to receivables for which there was no recent history of default.

The movements in the loss allowance for impairment of prepayments and other receivables are as follows:

	2022 **HK$'000**	2021 HK$'000
At beginning of year	**4,760**	3,583
Impairment losses, net (note 6)	**167**	4,243
Disposal of subsidiaries	**(408)**	–
Amount written off as uncollectible	**–**	(3,093)
Exchange realignment	**–**	27
At end of year	**4,519**	4,760

Included in the above loss allowance for prepayments and other receivables is a provision for individual prepayments and other receivables that were not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CONTRACT ASSETS

	2022 **HK$'000**	2021 HK$'000
Unbilled revenue (note a)	**14,362**	43,364
Retention money receivables (note b)	**23,386**	49,711
	37,748	93,075
Less: Impairment allowance	**(494)**	(1,565)
	37,254	91,510

Notes:

(a) Unbilled revenue is initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as unbilled revenue are reclassified to accounts receivable.

(b) Retention money receivables are part of the consideration that the customers retain until the end of the retention period as the Group's entitlement to this final payment is conditional on the customers' satisfactory completion of Group's work.

As at 31 March 2022, HK$494,000 (2021: HK$1,565,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 16 to the consolidated financial statements.

The contract assets are expected to be recovered or settled within 2 years upon completion of services and acceptance by the customer.

The movements in the loss allowance for impairment of contract assets are as follows:

	2022 **HK$'000**	2021 HK$'000
At beginning of year	**1,565**	3,164
Reversal of impairment losses, net (note 6)	**–**	(1,529)
Amount written off as uncollectible	**–**	(143)
Disposal of subsidiaries	**(1,071)**	–
Exchange realignment	**–**	73
At end of year	**494**	1,565

18 CONTRACT ASSETS (CONTINUED)

An impairment analysis is performed at each reporting date using provision matrices to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the accounts receivable as the contract assets and the accounts receivable are from the same customer bases. The provision rates of contract assets are based on days past due of accounts receivable for groupings of various customer segments with similar loss patterns (i.e., by geographical region). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using provision matrices and the Group categorised its customers by making reference to their geographical region:

	2022			
	Expected credit loss rate	**Gross carrying amount HK$'000**	**Expected credit losses HK$'000**	**Net carrying amount HK$'000**
Hong Kong	**1.31%**	**37,748**	**(494)**	**37,254**

	2021			
	Expected credit loss rate	Gross carrying amount HK$'000	Expected credit losses HK$'000	Net carrying amount HK$'000
Hong Kong	0.86%	57,708	(494)	57,214
Mainland China	3.03%	35,367	(1,071)	34,296
	1.68%	93,075	(1,565)	91,510

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Listed equity investments, at fair value	**12,237**	21,327
Unlisted debt investments, at fair value	**6,758**	7,579
	18,995	28,906

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The fair value of the Group's short-term investments at the date of approval of these consolidated financial statements was approximately HK$34,247,000 (2021: approximately HK$22,144,000).

20 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 HK$'000	2021 HK$'000
Cash and bank balances	**44,502**	27,106
Time deposits	**40,000**	52,000
	84,502	79,106
Less: Pledged deposits for banking facilities (note 24)	**(17,157)**	(17,137)
Cash and cash equivalents as stated in consolidated statement of financial position	**67,345**	61,969
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(25,000)**	(41,000)
Cash and cash equivalents	**42,345**	20,969

At the end of the reporting period, the aggregate cash and bank balances and deposits of the Group denominated in RMB amounted to approximately HK$Nil (2021: approximately HK$4,055,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

(Expressed in Hong Kong dollars unless otherwise indicated)

21 ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	2022 **HK$'000**	2021 HK$'000
Within 90 days	**3,801**	7,792
91 to 180 days	**–**	5,206
181 to 360 days	**2,195**	230
Over 360 days	**2,390**	33,977
	8,386	47,205

Accounts payable are non-interest-bearing and are normally settled on 30-day terms.

22 OTHER PAYABLES AND ACCRUALS

	2022 **HK$'000**	2021 HK$'000
Other payables	**27,458**	44,483
Accruals	**76,418**	113,577
	103,876	158,060

Other payables are non-interest-bearing and are either settled on 30-day terms or repayable on demand.

23 CONTRACT LIABILITIES

	31 March 2022 **HK$'000**	31 March 2021 HK$'000	1 April 2020 HK$'000
Short-term advances received from customers			
Construction services	**52,689**	62,990	163,702

Contract liabilities include short-term advances received to deliver construction services. The decrease in contract liabilities in 2022 was mainly due to the decrease in short-term advances received from customers in relation to the provision of construction services at the end of the year.

(Expressed in Hong Kong dollars unless otherwise indicated)

24 INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022		
	Contractual interest rate per annum	**Maturity**	**HK$'000**
Current			
Bank overdrafts — secured	**Prime rate (note) +0.75% to 2.00%**	**—**	**453**
Trust receipt loans	**Hong Kong Interbank Offered Rate ("HIBOR") + 2.75%**	**2022–2023**	**639**
			1,092

	2021		
	Contractual interest rate per annum	Maturity	HK$'000
Current			
Bank overdrafts — secured	Prime rate (note) +0.75% to 2.00%	—	13
Other borrowings — unsecured	10.00% to 12.00%	2021	11,000
			11,013

Note: The rates represent the prevailing prime lending rates used by the respective banks in Hong Kong.

	2022 HK$'000	2021 HK$'000
Analysed into:		
Bank overdrafts and/or trust receipt loans repayable within one year or on demand	**1,092**	13
Other borrowings repayable within one year	**—**	11,000
	1,092	11,013

24 INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The carrying amounts of these bank and other borrowings approximate to their fair values as at the end of the reporting period. The fair value of bank and other borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

All borrowings are in Hong Kong dollars.

The Group's banking facilities are secured by:

(i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK$20,300,000 (2021: HK$21,200,000) (note 12); and

(ii) the pledge of the Group's bank balances of HK$17,157,000 (2021: HK$17,137,000) (note 20).

25 DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Tax losses HK$'000	Deferred tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
As 1 April 2020	–	(3,403)	3,803	400
Deferred tax (credited)/charged to profit or loss during the year (note 10)	(757)	475	–	(282)
Deferred tax charged to other comprehensive income during the year	–	–	474	474
At 31 March 2021 and 1 April 2021	**(757)**	**(2,928)**	**4,277**	**592**
Deferred tax charged to profit or loss during the year (note 10)	**757**	**344**	**–**	**1,101**
Deferred tax credited to other comprehensive income during the year	**–**	**–**	**(9)**	**(9)**
At 31 March 2022	**–**	**(2,584)**	**4,268**	**1,684**

The Group has estimated tax losses arising in Hong Kong of approximately HK$402,230,000 (2021: approximately HK$407,335,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Mainland China of approximately HK$Nil (2021: approximately HK$19,283,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 DEFERRED TAX (CONTINUED)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets in respect of tax losses of approximately HK$420,273,000 (2021: approximately HK$422,032,000) have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and in the opinion of the directors of the Company, it is not considered probable that taxable profit will be available against which the tax losses can be utilised.

26 SHARE CAPITAL

Shares

	2022 **HK$'000**	2021 HK$'000
Authorised:		
800,000,000 (2021: 4,000,000,000) ordinary shares of HK$0.125 (2021: HK$0.025) each	**100,000**	100,000
Issued and fully paid:		
200,000,000 (2021: 1,000,000,000) ordinary shares of HK$0.125 (2021: HK$0.025) each	**25,000**	25,000

On 28 April 2021, the shareholders of the Company approved an ordinary resolution to consolidate the share of the Company on the basis that every five issued and unissued then-existing shares of HK$0.025 each in the share capital of the Company into one consolidated share of HK$0.125 each with the Company's authorised shares consolidated from 4,000,000,000 shares to 800,000,000 consolidated shares.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the consolidated financial statements.

27 SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of any member of the Group. The Scheme became effective on 10 August 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and will expire on the last day of such period.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. During the year, no share options were granted (2021: Nil). At the end of the reporting period and at the date of approval of these consolidated financial statements, there were no share options outstanding under the Scheme.

28 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 61 of the consolidated financial statements.

29 PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests on Beijing Chang-de for the period from 1 April 2021 to 10 August 2021, being the date of disposal of Beijing Chang-de (note 30), and the year ended 31 March 2021 are set out below:

	From 1 April 2021 to 10 August 2021	From 1 April 2020 to 31 March 2021
Percentage of equity interest held by non-controlling interests	**40%**	40%

	From 1 April 2021 to 10 August 2021 HK$'000	From 1 April 2020 to 31 March 2021 HK$'000
Loss for the period/year allocated to non-controlling interests	**(269)**	(1,400)
Accumulated balances of non-controlling interests at end of period/year	**(10,257)**	(9,814)

The following tables illustrate the summarised unaudited financial information of Beijing Chang-de. The amounts disclosed are before any inter-company eliminations:

	From 1 April 2021 to 10 August 2021 HK$'000	From 1 April 2020 to 31 March 2021 HK$'000
Revenue	**36,240**	127,964
Total expenses	**(36,913)**	(131,465)
Loss for the period/year	**(673)**	(3,501)
Total comprehensive loss for the period/year	**(1,109)**	(4,963)
Current assets	**58,188**	54,710
Non-current assets	**48**	48
Current liabilities	**(83,729)**	(78,982)
Non-current liabilities	**(152)**	(312)
Net cash flows generated from/(used in) operating activities	**14,352**	(10,598)
Net cash flows (used in)/generated from investing activities	**(18,480)**	55
Net decrease in cash and cash equivalents	**(4,128)**	(10,543)

30 DISPOSAL OF SUBSIDIARIES

On 10 August 2021, the Group disposed of 85.7% of the issued share capital of Deson Construction Engineering Limited ("**DCEL**"), which in turn holds 70% equity interest in Beijing Chang-de, to an independent third party. The net liabilities disposed of were as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	48
Contract assets	35,603
Trade and other receivables	4,096
Cash and cash equivalents	28,523
Contract liabilities	(34,616)
Trade payables	(35,873)
Other payables	(7,126)
Lease liabilities	(445)
Due to the Group	(22,063)
Tax payable	(1,481)
Non-controlling interests	11,596
	(21,738)
Release of exchange fluctuation reserve	(1,541)
	(23,279)
Sale of loan due to the Group	22,063
Gain on disposal of subsidiaries	3,216
	2,000
Satisfied by:	
Cash and cash equivalents	2,000

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash consideration	2,000
Cash and cash equivalents disposed of	(28,523)
Cash consideration and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(26,523)

(Expressed in Hong Kong dollars unless otherwise indicated)

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$114,000 (2021: HK$799,000), in respect of lease arrangements for properties (2021: for properties and office equipment).

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings (excluding bank overdrafts) HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2020	5,933	1,373	7,306
New leases	–	799	799
Changes from financing cash flows	5,067	(654)	4,413
Interest expense (note 7)	–	63	63
Interest paid classified as operating cash flows	–	(63)	(63)
Exchange realignment	–	36	36
At 31 March 2021 and 1 April 2021	**11,000**	**1,554**	**12,554**
New leases	**–**	**114**	**114**
Disposal of subsidiaries (note 30)	**–**	**(445)**	**(445)**
Changes from financing cash flows	**(10,361)**	**(520)**	**(10,881)**
Interest expense (note 7)	**–**	**53**	**53**
Interest paid classified as operating cash flows	**–**	**(53)**	**(53)**
Exchange realignment	**–**	**9**	**9**
At 31 March 2022	**639**	**712**	**1,351**

Total cash outflow for leases

	2022 HK$'000	2021 HK$'000
Within operating activities	**(4,045)**	(3,765)
Within financing activities	**(520)**	(654)
	(4,565)	(4,419)

32 LEASE ARRANGEMENTS

As lessor

The Group leased its investment properties (note 13 to the consolidated financial statements) under operating lease arrangements, with lease negotiated for terms of two years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2022, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2022 **HK$'000**	2021 HK$'000
Within one year	**518**	612
In the second to fifth years, inclusive	**797**	270
	1,315	882

No contingent rental receivable was recognised by the Group during the year (2021: HK$Nil).

33 RELATED PARTY TRANSACTIONS

(a) Outstanding balance with related parties

Save as the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had no material transactions with related parties in accordance with HKAS 24 "Related Party Disclosures" during the year.

(b) Compensation of key management personnel of the Group

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the consolidated financial statements.

34 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 **HK$'000**	2021 HK$'000
Contracted, but not provided for:		
Motor vehicles	**–**	1,778

35 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2022 HK$'000	2021 HK$'000
Financial assets at fair value through profit or loss — designated as such upon initial recognition		
Financial assets at fair value through profit or loss (note 19)	**18,995**	28,906
	18,995	28,906
Financial assets at amortised cost		
Loans and interest receivables	**26,061**	12,803
Accounts receivable	**35,715**	25,268
Financial assets included in prepayments, deposits and other receivables	**13,900**	66,258
Pledged deposits	**17,157**	17,137
Cash and cash equivalents	**67,345**	61,969
	160,178	183,435
	179,173	212,341

Financial liabilities

	2022 HK$'000	2021 HK$'000
Financial liabilities at amortised cost		
Accounts payable	**8,386**	47,205
Financial liabilities included in other payables and accruals	**101,216**	154,950
Interest-bearing bank and other borrowings	**1,092**	11,013
Lease liabilities	**712**	1,554
	111,406	214,722

36 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through profit or loss (note 19)	**18,995**	28,906	**18,995**	28,906

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, loans and interest receivables, accounts receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and lease liabilities, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of listed equity investments is based on quoted market prices. The fair value of unlisted debt investments is based on the prices quoted by the fund administrators.

The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

36 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: HK$Nil).

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	2022			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss				
Listed equity investments	**12,237**	**–**	**–**	**12,237**
Unlisted debt investments	**–**	**6,758**	**–**	**6,758**
	12,237	**6,758**	**–**	**18,995**

	2021			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
Listed equity investments	21,327	–	–	21,327
Unlisted debt investments	–	7,579	–	7,579
	21,327	7,579	–	28,906

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets at fair value through profit or loss, loans and interests receivables, accounts receivable, accounts payable, deposits and other receivables, lease liabilities and other payables and certain accruals which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates in Hong Kong.

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 24 to the consolidated financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans, other borrowings and overdrafts, cash and bank balances, and short-term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are charged to the consolidated statement of profit or loss as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity*** HK$'000
2022			
Hong Kong dollar	**100**	**(63)**	**—**
Hong Kong dollar	**(100)**	**63**	**—**
2021			
Hong Kong dollar	100	(63)	—
Hong Kong dollar	(100)	63	—

* Excluding retained profits.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March. The amounts presented are gross carrying amounts for financial assets.

	2022				
	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Loans and interest receivables*	26,149	–	–	–	26,149
Accounts receivable*	–	–	–	39,162	39,162
Contract assets*	–	–	–	37,748	37,748
Financial assets included in prepayments, deposits and other receivables					
— Normal**	13,900	–	–	–	13,900
— Doubtful**	–	–	4,519	–	4,519
Pledged deposits					
— Not yet past due	17,157	–	–	–	17,157
Cash and cash equivalents					
— Not yet past due	67,345	–	–	–	67,345
	124,551	–	4,519	76,910	205,980

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

	2021				
	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Loans and interest receivables*	12,823	—	—	—	12,823
Accounts receivable*	—	—	—	37,501	37,501
Contract assets*	—	—	—	93,075	93,075
Financial assets included in prepayments, deposits and other receivables					
— Normal**	66,258	—	—	—	66,258
— Doubtful**	—	—	4,760	—	4,760
Pledged deposits					
— Not yet past due	17,137	—	—	—	17,137
Cash and cash equivalents					
— Not yet past due	61,969	—	—	—	61,969
	158,187	—	4,760	130,576	293,523

* For accounts receivable and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrices is disclosed in notes 16 and 18 to the consolidated financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 16 to the consolidated financial statements.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable and loans and interest receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against that of its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance stable liquidity.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2022			
	On demand HK$'000	**Less 12 months HK$'000**	**1 to 3 years HK$'000**	**Total HK$'000**
Accounts payable	**–**	**8,386**	**–**	**8,386**
Financial liabilities included in other payables and accruals	**100,116**	**1,100**	**–**	**101,216**
Lease liabilities	**–**	**446**	**304**	**750**
Interest-bearing bank and other borrowings	**1,092**	**–**	**–**	**1,092**
	101,208	**9,932**	**304**	**111,444**

	2021			
	On demand HK$'000	Less 12 months HK$'000	1 to 3 years HK$'000	Total HK$'000
Accounts payable	–	47,205	–	47,205
Financial liabilities included in other payables and accruals	153,350	1,600	–	154,950
Lease liabilities	–	698	920	1,618
Interest-bearing bank and other borrowings	13	11,367	–	11,380
	153,363	60,870	920	215,153

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2022 and 31 March 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, lease liabilities, and interest-bearing bank and other borrowings, less pledged deposits and cash and cash equivalents. Capital represents equity attributable to owners of the Company.

The gearing ratios as at the end of the reporting periods were as follows:

	2022 **HK$'000**	2021 HK$'000
Accounts payable	**8,386**	47,205
Other payables and accruals	**103,876**	158,060
Lease liabilities	**712**	1,554
Interest-bearing bank and other borrowings	**1,092**	11,013
Less: Pledged deposits	**(17,157)**	(17,137)
Less: Cash and cash equivalents	**(67,345)**	(61,969)
Net debt	**29,564**	138,726
Capital	**130,371**	116,875
Capital and net debt	**159,935**	255,601
Gearing ratio	**18%**	54%

(Expressed in Hong Kong dollars unless otherwise indicated)

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**22,628**	26,072
Total non-current assets	**22,628**	26,072
CURRENT ASSETS		
Prepayments, deposits and other receivables	**19**	21
Cash and cash equivalents	**143**	143
Total current assets	**162**	164
CURRENT LIABILITIES		
Other payables and accrued charges	**255**	436
Total current liabilities	**255**	436
Net current liabilities	**(93)**	(272)
NET ASSETS	**22,535**	25,800
EQUITY		
Issued capital	**25,000**	25,000
Reserves	**(2,465)**	800
TOTAL EQUITY	**22,535**	25,800

(Expressed in Hong Kong dollars unless otherwise indicated)

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2020	9,381	(7,756)	1,625
Loss for the year and total comprehensive loss for the year	–	(825)	(825)
At 31 March 2021 and 1 April 2021	**9,381**	**(8,581)**	**800**
Loss for the year and total comprehensive loss for the year	**–**	**(3,265)**	**(3,265)**
At 31 March 2022	**9,381**	**(11,846)**	**(2,465)**

39 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 June 2022.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below.

RESULTS

	Year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**324,094**	617,771	627,626	645,835	792,010
PROFIT/(LOSS) BEFORE TAX	**16,217**	9,128	(2,602)	(19,808)	29,647
Income tax (expense)/credit	**(1,152)**	(672)	286	86	(905)
PROFIT/(LOSS) FOR THE YEAR	**15,065**	8,456	(2,316)	(19,722)	28,742
Attributable to:					
— Owners of the Company	**15,336**	9,860	(3,216)	(14,917)	38,831
— Non-controlling interests	**(271)**	(1,404)	900	(4,805)	(10,089)
	15,065	8,456	(2,316)	(19,722)	28,742

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**299,808**	390,125	388,034	415,118	403,172
Total liabilities	**(169,437)**	(284,401)	(291,007)	(315,405)	(267,831)
Non-controlling interests	**—**	11,151	9,154	10,609	2,774
	130,371	116,875	106,181	110,322	138,115