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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. Lau Chi Wang (*Chairman*)  
Mr. Lau Chi Ming  
Dr. Lau Chi Keung (*Chief Executive Officer*)  
Mr. Sun Wei

### Independent Non-executive Directors

Mr. Leung Bing Kwong Edward  
Mr. Pang Ka Hang  
Mr. Wong Chun Nam

## BOARD COMMITTEES

### Audit Committee

Mr. Pang Ka Hang (*Chairman*)  
Mr. Leung Bing Kwong Edward  
Mr. Wong Chun Nam

### Remuneration Committee

Mr. Wong Chun Nam (*Chairman*)  
Mr. Lau Chi Ming  
Mr. Leung Bing Kwong Edward  
Mr. Pang Ka Hang

### Nomination Committee

Mr. Leung Bing Kwong Edward (*Chairman*)  
Dr. Lau Chi Keung  
Mr. Pang Ka Hang  
Mr. Wong Chun Nam

### Investment Committee

Mr. Lau Chi Ming (*Chairman*)  
Dr. Lau Chi Wang  
Dr. Lau Chi Keung  
Mr. Leung Bing Kwong Edward  
Mr. Pang Ka Hang  
Mr. Wong Chun Nam

## COMPANY SECRETARY

Ms. Yim Sau Ping

## AUTHORISED REPRESENTATIVES

Mr. Lau Chi Ming  
Ms. Yim Sau Ping

## AUDITORS

HLB Hodgson Impey Cheng Limited  
*Certified Public Accountants*  
31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6/F, Kai Tak Commercial Building  
Nos. 317-319 Des Voeux Road Central  
Sheung Wan  
Hong Kong

## COMPLIANCE ADVISER

Frontpage Capital Limited  
26/F, Siu On Centre  
188 Lockhart Road  
Wan Chai, Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright  
Units 4101-04, 41/F  
Sun Hung Kai Centre  
30 Harbour Road  
Wan Chai, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## PRINCIPAL BANKS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

## COMPANY'S WEBSITE

[www.riyingholding.com](http://www.riyingholding.com)

## STOCK CODE

1741



# Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Ri Ying Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), I would like to present to our shareholders the annual report of the Group for the year ended 30 September 2021.

## FINANCIAL RESULTS

For the year ended 30 September 2021, the Group recorded a total revenue of approximately HK\$223.1 million, representing a decrease of approximately 26.6% as compared to approximately HK\$303.9 million for the year ended 30 September 2020. The Group recorded a net loss of approximately HK\$23.9 million for the year ended 30 September 2021 as compared to a net profit of approximately HK\$10.2 million for the year ended 30 September 2020. Such decrease was primarily due to (i) the decrease in gross profit of the Group as a result of the prolonged negotiations with customer on progress certification of work done for a large scale project and the undertaking of certain sizeable projects at a relatively competitive price; and (ii) the increase in administrative and other operating expenses as a result of the increase in depreciation on right-of-use assets due to higher office rentals for the PRC office and the increase in staff costs for the Group's expansion in the PRC.

## PROSPECTS

Our Directors are of the view that the general outlook of the construction industry and the business environment in which the Group operates remain challenging in the coming year. Although the economy of Hong Kong is showing signs of gradual recovery, benefiting from the acceleration of vaccinations and continued policy support from the Government of Hong Kong Special Administrative Region, the number of infected cases remained volatile and the construction industry will continue to be affected by the persistent outbreak of the novel coronavirus (COVID-19) epidemic (the “**Epidemic**”). Meanwhile, in view of the ageing population in the PRC and the increasing health awareness under the Epidemic, the Group will continue to enhance our product offering by launching new health products so as to capture the business opportunity and accommodate the market demand under the Epidemic for the health management and consultancy business in the PRC. The Group will continue to adopt prudent financial management and cost control and explore suitable business and investment opportunities to drive our business growth.

## APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our shareholders, customers, suppliers and subcontractors for their continuous support. I would also like to send my warmest thanks to all our management and staff members for their hard work and dedication throughout the years.

**Lau Chi Wang**

*Chairman and Executive Director*

Hong Kong, 30 December 2021

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, excavation and lateral support (ELS) works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. The Group is able to undertake construction works as either a main contractor or a subcontractor. Apart from construction works, the Group also provides construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services.

As at 30 September 2021, the Group had 37 construction projects on hand (including projects in progress and projects that are yet to commence) (2020: 27 construction projects on hand) with a total contract value of approximately HK\$742.1 million (2020: approximately HK\$790.1 million), out of which approximately HK\$496.5 million has been recognised as revenue up to 30 September 2021. The details of the Group's projects on hand as at 30 September 2021 are as follows:

Number	Project awarded	Actual/expected commencement date	Actual/expected completion date
1	Redevelopment of a school in Kowloon	July 2016	April 2022
2	Foundation, ELS and pile cap works for a commercial building in Sheung Wan	June 2018	May 2022
3	Slope remedial works for adjoining a residential properties at Mid Level	October 2018	March 2022
4	Slope improvement work for a university in Shatin	January 2020	September 2022
5	Slope works for the fresh water services reservoir at Sheung Shui and Fanling	February 2020	June 2022
6	Slope improvement work for a university in Shatin	June 2020	September 2022
7	Land slip prevention and mitigation works in various locations in Hong Kong	July 2020	December 2022
8	Foundation and ELS works for the redevelopment of a office building at Central	August 2020	March 2022
9	Slope works at Kwu Tung North New Development Areas	October 2020	December 2022
10	Foundation works for schools at Ho Man Tin and Sai Ying Pun	November 2020	June 2022
11	Fence wall modification minor works for the residential development at Tuen Mun	February 2021	September 2023
12	Site clearance works for a temple at Lantau Island	March 2021	October 2021
13	Slope maintenance works for a university in Shatin	March 2021	March 2022
14	Repave work for bus terminus at Discovery Bay	April 2021	January 2022
15	Maintenance for external works for a university in Shatin	April 2021	July 2022
16	Maintenance works for slopes and retaining walls of a residential estate at Tai Hang	April 2021	September 2022
17	Slope enhancement works for the residential development project at Tsing Yi	April 2021	November 2021

# Management Discussion and Analysis

Number	Project awarded	Actual/expected commencement date	Actual/expected completion date
18	Construction of soldier piles, site formation and infrastructure works for the public housing development at Yuen Long	May 2021	March 2022
19	Slope upgrading works for the residential properties at Mid Level	June 2021	June 2022
20	Slope and drainage maintenance works for a university in Shatin	June 2021	September 2022
21	Slope upgrading works for the Peak Tram	June 2021	December 2021
22	Slope upgrading works for the residential properties at Mid Level	June 2021	June 2022
23	Foundation works for a factory at Tsing Yi	July 2021	April 2022
24	Ground investigation works for redevelopment of the residential estate at Sai Ying Pun	July 2021	December 2021
25	Maintenance pit works for the Peak Tram	July 2021	January 2022
26	Ground investigation works for a university in Shatin	July 2021	March 2022
27	Construction work of a church in Tuen Mun	July 2021	July 2022
28	Evacuation pathway works for the Peak Tram	August 2021	December 2021
29	Land contamination assessment works for a industrial building at Chai Wan	August 2021	December 2021
30	Site clearance works for the government land at Peng Chau	September 2021	October 2021
31	Ground investigation works for house development at Ho Man Tin	September 2021	February 2022
32	Bridge remedial works for the Peak Tram	September 2021	January 2022
33	Ground Investigation Works for transitional housing project at Tsuen Wan	September 2021	November 2021
34	Slope remedial works for dangerous hillside at Ho Man Tin	November 2021	August 2022
35	Ground investigation work for a school at Choi Hung	December 2021	February 2022
36	Ground investigation work for a social welfare facility at Yuen Long	April 2022	September 2022
37	Renovation works, fire services installation, addition and alteration works, mechanical ventilation air-conditioning and electricity installation for a factory in Tai Po	October 2022	August 2024

Apart from undertaking construction works in Hong Kong, the Group also carries on the health management and consultancy business in the PRC through the sales of health products primarily on a wholesale basis and the sales of health services by providing health management advice and health check referrals for the customers. At the initial stage of the health management and consultancy business, the Group sourced health products from suppliers under third-party brands, which mainly consisted of female hygiene products for female customers in the PRC. During the year ended 30 September 2021, in view of the growing ageing population in the PRC and the increasing health awareness under the outbreak of COVID-19, the Group marketed health products under its own brands for customers in the middle age or older demographic in the PRC, which were Ginseng and related products developed and produced via the cooperation with biotechnology and pharmaceutical companies in the PRC. Due to the modification of the product mix for its health products offered in the PRC, revenue from the Group's health management and consultancy business decreased from approximately HK\$21.9 million for the year ended 30 September 2020 to approximately HK\$14.4 million for the year ended 30 September 2021. With the gradual development of the health management and consultancy business, the Group will deploy more resources in launching new products under its own brand so as to enhance its product offering and capture further growth opportunities for the business.

# Management Discussion and Analysis

## OUTLOOK

The Directors are of the view that the general outlook of the construction industry and the business environment in which the Group operates will remain challenging. Although the economy of Hong Kong is showing signs of gradual recovery, benefiting from the acceleration of vaccinations and continued policy support from The Government of Hong Kong Special Administrative Region, the Epidemic may continue to affect the construction industry as well as the operation of the Group. In light of the uncertain business environment, the Group will continue to adopt prudent financial management and cost control. Furthermore, the Group will continue to obtain additional qualifications and strengthen its financial resources to better position itself for tendering suitable projects in the public sector as a main contractor, and invest in the manpower and information system to enhance its operational capacity and efficiency. For the health management and consultancy business, the Group will continue to enhance its product offering in the coming year, including the launch of new health products as mentioned above, so as to capture the growth opportunities and accommodate the market demand under the Epidemic. Meanwhile, the Group will continue to explore suitable business and investment opportunities to drive its business growth.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately HK\$80.8 million, or 26.6%, from approximately HK\$303.9 million for the year ended 30 September 2020 to approximately HK\$223.1 million for the year ended 30 September 2021. The following table sets out a breakdown of the Group's revenue during the years ended 30 September 2021 and 2020 by segments:

	Year ended 30 September			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Foundation and site formation works	70,441	31.6	30,020	9.9
General building works and associated services	70,578	31.6	180,268	59.3
Other construction works	56,916	25.5	65,420	21.5
Construction related consultancy services	10,750	4.8	6,345	2.1
Health management and consultancy business	14,391	6.5	21,859	7.2
Total	223,076	100.0	303,912	100.0

The significant decrease in the Group's revenue was primarily driven by the decrease in revenue contribution from general building works and associated services and other construction works. Such decrease was primarily due to (i) the prolonged delays in the certification of works done for a large scale project for general building works and associated services; and (ii) the lower amount of work done undertaken by the Group for certain projects during the year ended 30 September 2021. Furthermore, due to the modification of the product mix for health products in the PRC, the revenue generated from the Group's health management and consultancy business also decreased during the year ended 30 September 2021. The decrease was partially offset by the increase in revenue contributed from foundation and site formation works as well as construction related consultancy services, which was mainly due to (i) the commencement of the sizeable projects; and (ii) the increase in value of works being approved for certain projects during the year ended 30 September 2021.

# Management Discussion and Analysis

## Cost of sales

Cost of sales decreased by approximately HK\$65.7 million, or 24.5%, from approximately HK\$267.9 million for the year ended 30 September 2020 to approximately HK\$202.2 million for the year ended 30 September 2021. Such decrease was mainly driven by the corresponding decrease in revenue.

## Gross profit and gross profit margin

The gross profit decreased by approximately HK\$15.1 million, or 42.1%, from approximately HK\$36.0 million for the year ended 30 September 2020 to approximately HK\$20.9 million for the year ended 30 September 2021. The Group's gross profit margin was approximately 11.9% and 9.4% for the years ended 30 September 2020 and 2021, respectively.

During the year ended 30 September 2021, the Group recorded a gross loss margin for general building works and associated services (2020: gross profit margin of approximately 10.9%; 2021: gross loss margin of approximately 1.6%), mainly due to (i) the prolonged negotiations between the Group and the customers on progress certification of works done for a large scale project; and (ii) the costs incurred for defect rectification for certain projects. Further, the Group recorded a decrease in gross profit margin for foundation and site formation works (2020: approximately 12.7%; 2021: approximately 6.4%), primarily because the Group undertook certain sizeable projects at a competitive pricing in order to bolster the Company's profile and enhance future business prospects. Such decrease was partially offset by the increase in gross profit margins for other construction works (2020: approximately 4.8%; 2021: approximately 11.1%) and construction related consultancy services (2020: approximately 2.5%; 2021: approximately 29.5%) with relatively higher gross profit margin projects undertaken during the year ended 30 September 2021. Furthermore, the Group's gross profit margin for health management and consultancy business increased during the year ended 30 September 2021 (2020: approximately 42.6%; 2021: approximately 55.6%) as less costs attributable to the sales of products were incurred.

## Other income, gains and losses

The other income, gains and losses decreased by approximately HK\$2.6 million, or 50.7% from approximately HK\$5.2 million for the year ended 30 September 2020 to approximately HK\$2.6 million for the year ended 30 September 2021, primarily due to the decrease in bank interest income received during the year ended 30 September 2021.

## Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK\$13.3 million, or 44.4%, from approximately HK\$29.9 million for the year ended 30 September 2020 to approximately HK\$43.2 million for the year ended 30 September 2021. Such increase was mainly contributed by (i) the increase in depreciation of right-of-use assets by the new leases of the PRC office entered; and (ii) increase in staff costs due to the increase in the number of employees on payroll for expansion of the Group's business in the PRC.

## Income tax (credit)/expense

The Group recorded income tax credit of approximately HK\$1.0 million for the year ended 30 September 2021, primarily attributable to the decrease in the taxable profit for the year ended 30 September 2021 (2020: income tax expense of approximately HK\$0.7 million).

## (Loss)/profit for the year

As a result of the foregoing, for the year ended 30 September 2021, the Group recorded a net loss of approximately HK\$23.9 million as compared to the net profit approximately HK\$10.2 million for the year ended 30 September 2020.



# Management Discussion and Analysis

## PRINCIPAL RISKS AND UNCERTAINTIES

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

- the Group's revenue mainly relies on successful tenders of or acceptance of its quotations for construction projects which are non-recurring in nature and any failure of the Group to secure projects from its existing customers and/or new customers in the future would affect the Group's business operation and financial results;
- a significant portion of the Group's revenue was generated from contracts awarded by a limited number of customers, and any significant decrease in the number of projects with the major customers may materially and adversely affect the Group's financial condition and operating results;
- the Group relies substantially on subcontractors to help to complete the projects;
- the Group depends on key management personnel with relevant knowledge, experience and expertise; and
- the Group determines the price of its quotation or tender based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from its estimate due to unexpected circumstances, thereby leading to cost overruns and adversely affecting the Group's operations and financial results.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business strategies as set out in the prospectus of the Company dated 28 September 2018 (the "Prospectus") with actual business progress up to 30 September 2021.

<b>Business strategies as stated in the Prospectus</b>	<b>Implementation activities up to 30 September 2021 as stated in the Prospectus</b>	<b>Actual business progress up to 30 September 2021</b>
Apply for additional licences	<ul style="list-style-type: none"><li>– Acquire one set of bored piling machine; one set of rock-socket piling machine; two sets of mini-piling machines and four air compressors; and maintain newly acquired machinery to fulfill plant requirements of the licenses</li><li>– Acquire a piece of land for machinery storage</li><li>– Increase the employed capital of Po Shing Construction Limited and Fong On Construction Limited</li></ul>	<p>The Group has acquired the bored piling machines, rock-socket piling machine and two air compressors.</p> <p>The Group was in the course of identifying suitable land for machinery storage. Due to the Group's specific requirements on the land premises and the property market condition of Hong Kong, the Group has taken more time to identify suitable land.</p> <p>The Group has increased the employed capital of both subsidiaries.</p>

# Management Discussion and Analysis

Business strategies as stated in the Prospectus	Implementation activities up to 30 September 2021 as stated in the Prospectus	Actual business progress up to 30 September 2021
Fund the initial costs of the Group's construction projects	<ul style="list-style-type: none"> <li>– Finance the working capital requirement and upfront costs for the three of the Group's projects</li> </ul>	The funding costs for (i) the redevelopment of an outdoor activities centre at Stanley; (ii) the redevelopment at Sheung Wan; and (iii) the alterations and additions works for commercial building at North Point were fully utilised.
Strengthening the Group's manpower	<ul style="list-style-type: none"> <li>– Recruit two project managers, two project engineers, two quantity surveyors, one safety officer, two site foremen and one mechanical fitter</li> <li>– Retain talents as recruited for this business strategy</li> </ul>	<p>The Group has recruited one project manager, two project engineers, two quantity surveyors and two foremen and is in the process to identify suitable candidate for the remaining vacancy.</p> <p>The Group has utilised the proceeds for retaining the above newly recruited staffs to facilitate the business development.</p>
Investment in the new information system	<ul style="list-style-type: none"> <li>– Upgrade the existing hardware and acquire new computer facilities</li> <li>– Upgrade the accounting system to enhance documentation and manual procedures and upgrade the human resources management system to consolidate and automate attendance, payrolls and retirement fund contribution</li> <li>– Upgrade the engineering and design system to facilitate the planning, designing, and managing of construction projects through automatic generation of drawings and reports, design analysis, schedule simulation and facilities management</li> </ul>	<p>The Group has upgraded existing hardware and acquired new computer facilities.</p> <p>The Group has upgraded the accounting system to enhance documentation and is in the course of identifying suitable service providers for upgrading the human resources management system.</p> <p>The Group has upgraded engineering and design system.</p>

## USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK\$86.6 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

# Management Discussion and Analysis

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 30 September 2021:

	Planned use of proceeds up to 30 September 2021 HK\$ million	Actual use of proceeds from the Listing Date to 30 September 2021 HK\$ million	Unutilised balance as at 30 September 2021 HK\$ million	Expected timeline for utilising the unutilised net proceeds
Apply for additional licences	39.5	6.3	33.2	30 September 2022
Fund the initial costs of the Group's construction projects	21.8	21.8	–	N/A
Strengthening the Group's manpower	13.9	7.4	6.5	30 September 2022
Investment in the new information system	2.7	1.2	1.5	30 September 2022
General working capital	8.7	8.7	–	N/A
	86.6	45.4	41.2	

During the year ended 30 September 2021, the net proceeds from the Listing were utilised and expected to be utilised in the manners as disclosed in the Prospectus and there has been no change in the use of proceeds.

Up to 30 September 2021, approximately HK\$45.4 million out of net proceeds from the Listing had been used. The remaining unutilised net proceeds of approximately HK\$41.2 million were deposited in licensed banks in Hong Kong. The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, due to the unstable economic environment under the prolonged outbreak of COVID-19, the Group will utilise the remaining balance in a conservative manner. The Directors will constantly evaluate the Group's business objectives and specific needs from time to time. Further announcement will be made if there are any changes on the use of proceeds as and when appropriate. Such amounts are expected to be fully utilised on or before 30 September 2022.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 16 October 2018. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The Group's operation and investments were financed principally by cash generated from its business operations and equity contribution from the shareholders.

As at 30 September 2021, the Group had net current assets of approximately HK\$167.0 million (2020: approximately HK\$194.4 million) and bank deposits, balances and cash of approximately HK\$105.9 million (2020: approximately HK\$132.1 million), which were denominated in Hong Kong dollars, Renminbi and US dollars.

# Management Discussion and Analysis

As at 30 September 2021, the Group's total equity attributable to owners of the Company amounted to approximately HK\$182.2 million (2020: approximately HK\$203.6 million), and the Group's total debt comprising lease liabilities amounted to approximately HK\$4.0 million (2020: approximately HK\$7.6 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

## GEARING RATIO

As at 30 September 2021, the gearing ratio of the Group, which is calculated as the total debt (comprising lease liabilities) divided by total equity, was approximately 2.2% (2020: approximately 3.7%).

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 30 September 2021, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures.

Save as disclosed in this annual report, the Group did not have other plans for material investments or acquisition of capital assets as at 30 September 2021.

## CHARGE ON GROUP ASSETS

As at 30 September 2021, the Group has pledged certain motor vehicles with net book value amounted to approximately HK\$0.3 million under non-cancellable lease agreements (2020: certain machinery and motor vehicles with net book value amounted to approximately HK\$2.9 million).

As at 30 September 2021, the Group paid a cash collateral of approximately HK\$4.2 million (2020: approximately HK\$6.4 million) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments.

## FOREIGN EXCHANGE EXPOSURE

For the Group's operation in Hong Kong, the major revenue and expenses are denominated in Hong Kong dollars, while there are certain monetary assets and monetary liabilities that are denominated in Renminbi, which would expose the Group to foreign exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises. For the Group's operation in the PRC, the major revenue and expenses are denominated in Renminbi.

## TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.



# Management Discussion and Analysis

## CONTINGENT LIABILITIES

As at 30 September 2021, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$16.0 million (2020: approximately HK\$21.9 million). The Company and the executive Directors have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

## COMMITMENTS

As at 30 September 2021, the Group had capital commitments of approximately HK\$2.0 million contracted but not provided for the acquisition of property, plant and equipment (2020: Nil).

## SEGMENT INFORMATION

The Group's reportable and operating segments are as follows: (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; (iv) construction related consultancy services; and (v) health management and consultancy business. Details of the segmental information of the Group is disclosed in Note 5, to the consolidated financial statements of this annual report.

## INFORMATION ON EMPLOYEES

As at 30 September 2021, the Group had 135 employees (2020: 85 employees). The increase in the number of employees was mainly attributable to the expansion in the health management and consultancy business in the PRC.

Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of training were provided to the employees.

For the year ended 30 September 2021, the total staff cost (including Directors' emoluments and mandatory provident funds contributions) amounted to approximately HK\$30.1 million (2020: approximately HK\$23.6 million).

## DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 30 September 2021 (2020: Nil).

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Dr. Lau Chi Wang, B.B.S., J.P., (劉志宏) (“Dr. CW Lau”)**, aged 74, is the chairman of the Company (the “**Chairman**”) and an executive Director. Dr. CW Lau is responsible for overseeing the Group’s corporate governance, setting the corporate policy and supervising all matters at the Board level. Dr. CW Lau was appointed as a Director on 3 January 2018 and redesignated as the Chairman and an executive Director on 12 February 2018. Dr. CW Lau is also a member of the investment committee of the Company (the “**Investment Committee**”). Dr. CW Lau is currently a director of Fong On Construction Limited, Fong On Geotechnics Limited, Po Shing Construction Limited and James Lau & Associates Limited. Dr. CW Lau was appointed as a Justice of the Peace in July 2002 by the Chief Executive of Hong Kong. In July 2009, Dr. CW Lau was awarded the Bronze Bauhinia Star for his contribution to Hong Kong.

Dr. CW Lau has over 50 years of experience in construction, design and research in the field of civil engineering. Dr. CW Lau worked as a trainee designer in Redpath Dorman Long Limited from 1968 to 1971 with his last position held as a site engineer. He then re-joined Redpath Dorman Long Limited as a design engineer from 1972 to 1973. Dr. CW Lau subsequently worked as a research assistant in King’s College London from 1973 to 1976 and obtained his PhD from the University of London in 1977 based on his research work. He later worked as a soils engineer in the Buildings Ordinance Office (currently known as the Buildings Department) from 1977 to 1980. He then joined Wong & Ouyang (HK) Limited as an assistant chief structural engineer from 1980 to 1989 with his last position held as a chief civil engineer. Dr. CW Lau was a director of Wong & Ouyang (Civil – Structural Engineering) Limited.

Dr. CW Lau has been an authorised person, a registered structural engineer and a registered geotechnical engineer under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since July 1983, December 1994 and April 2005, respectively. He has also been a chartered engineer of The Council of Engineering Institutions, a registered professional engineer (civil, structural and geotechnical) of Hong Kong Engineers Registration Board and a first class registered structural engineer of the People’s Republic of China approved by the National Administration Board of Architectural Registration since August 1972, May 1995 and March 2002, respectively. Dr. CW Lau was granted the qualification as a barrister by The Honourable Society of Gray’s Inn and was called to the Hong Kong Bar in July 1992 and September 1993, respectively.

Dr. CW Lau obtained a Higher Diploma in Structural Engineering from Hong Kong Technical College (currently known as The Hong Kong Polytechnic University) in July 1968. He later obtained a Master of Science in the Faculty of Technology from The Victoria University of Manchester (currently known as the University of Manchester) in December 1972. He then obtained a Doctor of Philosophy in Geotechnical Engineering from University of London in August 1977. He obtained a Master of Business Administration from The Chinese University of Hong Kong in December 1982. He subsequently completed a Bachelor of Laws and Master of Science in Financial Economics from the University of London in August 1985 and December 1994, respectively. He later obtained a Master of Laws from the University of Hong Kong in December 1999.

Dr. CW Lau is the brother of Mr. Lau Chi Ming and Dr. Lau Chi Keung.

# Biographical Details of Directors and Senior Management

**Mr. Lau Chi Ming (劉志明) (“Mr. CM Lau”)**, aged 71, is the deputy chairman of the Company and an executive Director. Mr. CM Lau is responsible for carrying out all the duties of the Chairman in his absence. He was appointed as a Director on 3 January 2018 and re-designated as an executive Director on 12 February 2018. Mr. CM Lau is also the chairman of the Investment Committee and a member of the remuneration committee of the Company (the “**Remuneration Committee**”). Mr. CM Lau is currently a director of Fong On Construction Limited, Fong On Geotechnics Limited, Po Shing Construction Limited and James Lau & Associates Limited.

Mr. CM Lau has over 40 years of experience in engineering. Mr. CM Lau worked in American Engineering Corporation (Hong Kong) Limited from August 1981 to February 1985 with his last position held as a project engineer. He then worked as a senior HVAC engineer in Aoki Corporation from March 1985 to August 1987. He went on to work as a building services engineer in The Hong Kong Tuberculosis, Chest and Heart Diseases Association and the Architectural Services Department from September 1987 to October 1989 and November 1989 to April 1993, respectively.

Mr. CM Lau has been a member of The Chartered Institution of Building Services, a member of The Hong Kong Institution of Engineers and a chartered engineer of The Chartered Institution of Building Services Engineers since July 1984, January 1986 and January 1988, respectively. Mr. CM Lau has been a registered professional engineer (BSS) of Hong Kong Engineers Registration Board since November 2011.

Mr. CM Lau obtained a Bachelor of Science in Mechanical Engineering from the University of Leeds in July 1979. He then obtained a Master of Science in Management Science from Imperial College of Science and Technology (currently known as The Imperial College London) in January 1981.

Mr. CM Lau is the brother of Dr. CW Lau and Dr. Lau Chi Keung.

**Dr. Lau Chi Keung (劉志強) (“Dr. CK Lau”)**, aged 66, is the chief executive officer of the Company (the “**Chief Executive Officer**”) and an executive Director. Dr. CK Lau is responsible for overseeing the Group’s operation, business development, human resources, finance and administration. Dr. CK Lau was appointed as a Director on 3 January 2018 and re-designated as the Chief Executive Officer and an executive Director on 12 February 2018. Dr. CK Lau is also a member of the nomination committee of the Company (the “**Nomination Committee**”) and the Investment Committee. He is currently a director of Fong On Construction Limited, Fong On Geotechnics Limited, Po Shing Construction Limited and James Lau & Associates Limited. Dr. CK Lau has served as an independent non-executive director of Wecon Holdings Limited (stock code: 1793), a company listed on the Main Board of the Stock Exchange since January 2019.

Dr. CK Lau has over 40 years of experience in engineering. Dr. CK Lau worked as a graduate engineer in Ho Chung, Wallace Evans & Company Limited in August 1978 with his last position held as an engineer in 1984. He was then employed by WS Atkins (Services) Limited as a group engineer with his last position held as a senior group engineer and head of the soil structure interaction group from May 1988 to August 1994. Dr. CK Lau worked as an adjunct professor in City University of Hong Kong from June 2006 to June 2012 and The Hong Kong Polytechnic University from April 2002 to March 2005. He has re-joined The Hong Kong Polytechnic University as an adjunct professor since March 2016. He has also been appointed as an adjunct associate professor in the Department of Civil Engineering of the University of Hong Kong from September 2018 to August 2020. He has also been appointed as an adjunct professor of Civil and Environmental Engineering of The Hong Kong University of Science and Technology since April 2020.

# Biographical Details of Directors and Senior Management

Dr. CK Lau has been a registered professional engineer (civil, geotechnical and structural) of Hong Kong Engineers Registration Board since October 1997. He has also been a registered structural engineer, an authorised person, a registered geotechnical engineer and a registered inspector under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since August 1997, April 1998, May 2005 and November 2012, respectively. He has also been a first class registered structural engineer approved by the National Administration Board of Architectural Registration since June 2000. Dr. CK Lau has also been an arbitrator and a mediator of The Hong Kong Institution of Engineers, an accredited general mediator of Hong Kong Mediation Accreditation Association Limited and an accredited adjudicator of Hong Kong International Arbitration Centre since 2005, 2013 and 2015, respectively. He was admitted as a fellow of the Hong Kong Institute of Arbitrators in May 2018.

Dr. CK Lau obtained a Bachelor of Science in Civil and Structural Engineering from University College Cardiff (currently known as Cardiff University) in July 1978. He further obtained a Master of Philosophy in Soil Mechanics and a Doctor of Philosophy in Soil Mechanics from the University of Cambridge in December 1985 and May 1989, respectively.

Dr. CK Lau is the brother of Dr. CW Lau and Mr. CM Lau.

**Mr. Sun Wei (孫偉) (“Mr. Sun”)**, aged 37, was appointed as an executive Director on 25 April 2019. Mr. Sun is currently the director of RI YING Group Co., Limited, Hong Kong RI YING Holdings International Group Co., Limited, Shanghai Cai Kang Le Health Management Limited\* (上海財康樂健康管理有限公司) and Cai Kang Le Enterprise Management Limited\* (財康樂企業管理有限公司) (which are the subsidiaries of the Company) respectively.

Mr. Sun has served as the vice general manager of Riying Investment Management Group Co. Ltd.\* (日贏投資管理集團有限公司) since 2012 and the vice general manager of Beijing Baofeng Construction Enterprise Trading Co., Ltd.\* (北京寶豐建企商貿有限公司) since November 2016. In addition, he has been the supervisor of Aixin Life Insurance Co., Ltd.\* (愛心人壽保險股份有限公司) since July 2017. Mr. Sun also served as a bond analyst in Kailong Financial Software (Shanghai) Co., Ltd.\* (凱龍財金軟件(上海)有限公司) from November 2008 to September 2009, a manager of securities department in Shanghai Wind Information Co., Ltd.\* (上海萬得信息有限公司) from October 2009 to October 2010 and an assistant of the office of general manager in Shanghai Kangtai Investment Consulting Co., Ltd.\* (上海康泰投資諮詢有限公司) from November 2010 to October 2012.

Mr. Sun graduated from the College of Information Economy of Changchun Taxation Institute\* (長春稅務學院信息經濟學院) and obtained a bachelor of economics degree in finance in July 2008. Mr. Sun has over 10 years of experience in the sectors of finance and health industry.

\* for identification purpose only



# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Leung Bing Kwong Edward (梁秉綱) (“Mr. Leung”)**, aged 62, was appointed as an independent non-executive Director on 17 September 2018. He is also the chairman of the Nomination Committee and a member of each of the audit committee of the Company (the “**Audit Committee**”), the Remuneration Committee and the Investment Committee. Mr. Leung is responsible for making independent judgement and advising on the issue of strategy, performance, resources and standard of conduct of the Group.

Mr. Leung worked as an assistant civil and a geotechnical engineer in Brickell, Moss and Partners, Consulting Civil & Geotechnical Engineers from 1982 to 1986. He then worked as a project engineer in P. Y. Leung & Associates Limited and Yolles Partnership from 1986 to 1988 and 1988 to 1992, respectively. Mr. Leung rejoined P. Y. Leung & Associates Limited in 1992 and has been a director since then.

Mr. Leung has been a professional engineer of the Association of Professional Engineers of Ontario and a registered professional engineer (civil) of Hong Kong Engineers Registration Board since July 1990 and November 1994, respectively. Mr. Leung has also been a registered structural engineer and an authorised person under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) since March 1996 and November 1996, respectively.

Mr. Leung obtained a Bachelor of Science in Civil Engineering from Queen’s University at Kingston in May 1982.

**Mr. Pang Ka Hang (彭嘉恆) (“Mr. Pang”)**, aged 66, was appointed as an independent non-executive Director on 17 September 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee, the Nomination Committee and the Investment Committee. Mr. Pang is responsible for making independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Pang was the partner of Pang & Ma, Chartered Accountants from 1982 to 1987. He then worked as a president of Pang and Ma Limited from 1990 to 2017.

Mr. Pang has been a chartered accountant of The Institute of Chartered Accountants of Ontario and a member of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) since March 1980 and June 1982 respectively.

Mr. Pang obtained a Bachelor of Business Administration from Wilfrid Laurier University in October 1976.

**Mr. Wong Chun Nam (黃鎮南), B.B.S., J.P. (“Mr. Duffy Wong”)**, aged 68, was appointed as an independent non-executive Director on 17 September 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Investment Committee. Mr. Duffy Wong is responsible for making independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Duffy Wong is a founder and consultant of Ho, Wong & Wong, Solicitors & Notaries. Mr. Duffy Wong has served as an independent non-executive director of Water Oasis Group Limited (Stock Code: 1161), a company listed on the Main Board of the Stock Exchange since December 2001.

# Biographical Details of Directors and Senior Management

Mr. Duffy Wong has been a solicitor in Hong Kong since 1982, a notary public since 1994, an associate and a fellow of the Chartered Governance Institute since 1980 and 1990, respectively. He has also been a fellow of the Hong Kong Chartered Governance Institute since 1994. In addition, he has been a Chartered Tax Adviser of The Taxation Institute of Hong Kong since 2010 and an Accredited General Mediator of the Hong Kong International Arbitration Centre since 2011. He participates in many public services including being a Justice of the Peace.

## SENIOR MANAGEMENT

**Mr. Wong Kai Wa (黃啟華) (“Mr. Wong”)**, aged 57, is the general manager of Po Shing Construction Limited. Mr. Wong first joined the Group as a project manager in July 2004 and was appointed as the senior project manager on 1 July 2014. Mr. Wong was further promoted to general manager on 1 February 2019. He is primarily responsible for the overall management of the Group’s projects, operations and business development.

Prior to joining the Group, Mr. Wong worked as a foreman in Yau Lee Construction Company Limited from April 1986 to June 1994. Mr. Wong then worked as an assistant project manager in Ytong Hong Kong Limited from June 1994 to August 1997. He subsequently worked as a project manager in Fong On Construction & Engineering Company Limited from August 1997 to October 2003.

Mr. Wong was awarded a Certificate in Building Studies by Vocational Training Council in July 1993. He then obtained a Higher Certificate in Building Studies from Hong Kong Technical Colleges (currently known as Hong Kong Institute of Vocational Education) in July 1996. He later obtained a Professional Diploma in Construction Project Management from The University of Hong Kong, School of Professional and Continuing Education in July 2001. He then obtained a Bachelor of Science in Work Based Learning Studies (Construction Project Management) from Middlesex University in January 2004. He further obtained a Diploma in Occupational Health and Safety from Li Ka Shing Institute of Professional and Continuing Education of The Open University of Hong Kong in January 2005.

**Mr. Mok Kwai Hing (莫桂興) (“Mr. Mok”)**, aged 56, is the general manager of Fong On Construction Limited. Mr. Mok first joined the Group as a project manager in December 2003 and was appointed as the senior project manager on 1 January 2014. Mr. Mok was further promoted to general manager on 1 February 2019. He is primarily responsible for the overall management of the Group’s projects, operations and business development.

Prior to joining the Group, Mr. Mok worked as an engineering draftsman in David S.K. Au & Associates Limited from October 1990 to April 1994. He then worked as a quantity surveyor in Hong Kong Dredging Limited from May 1994 to April 1996. He subsequently worked as a project manager in Fong On Construction & Engineering Company Limited from May 1996 to October 2003.

Mr. Mok was awarded a Certificate in Civil Engineering Studies by Vocational Training Council in July 1988. He further obtained a Higher Certificate in Civil Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1990.

# Biographical Details of Directors and Senior Management

**Mr. Fong Pak Tong** (方百榮) (“**Mr. Fong**”), aged 54, is the chief engineer of the Group. Mr. Fong first joined the Group as a senior engineer in September 2003 and was appointed as the chief engineer on 1 September 2013. Mr. Fong is primarily responsible for the overall management of the Group’s projects, design and business development.

Prior to joining the Group, Mr. Fong worked as a graduate engineer in P&T Architects and Engineers Limited in August 1992 with his last position held as an assistant engineer in February 1996. He then worked as an engineer in Fong On Construction & Engineering Company Limited from May 1996 to August 2003.

Mr. Fong has been a member of The Hong Kong Institution of Engineers since February 1997. Mr. Fong has also been a registered professional engineer (structural) of Hong Kong Engineers Registration Board since March 1998.

Mr. Fong obtained a Bachelor of Engineer in Civil Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in October 1992. He further obtained a Master of Science in Engineering (Civil and Structural Engineering) from The University of Hong Kong in December 1999.

## COMPANY SECRETARY

**Ms. Yim Sau Ping** (嚴秀屏) (“**Ms. Yim**”), aged 39, was appointed as the company secretary of the Company (the “**Company Secretary**”) on 12 February 2018.

Prior to joining the Group, Ms. Yim worked for Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited) (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on the GEM of the Stock Exchange as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of five companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017, respectively. She has accumulated more than 10 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.



# Corporate Governance Report

## INTRODUCTION

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

## CORPORATE GOVERNANCE PRACTICE

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has fully complied with the CG Code during the year ended 30 September 2021.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the year ended 30 September 2021.

## DIRECTORS’ RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company’s policies and practices on corporate governance.

Liability insurance for the Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

## DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.



# Corporate Governance Report

## Board Composition

The composition of the Board as at the date of this annual report is set out as follows:

### Executive Directors

Dr. Lau Chi Wang (*Chairman*)

Mr. Lau Chi Ming

Dr. Lau Chi Keung (*Chief Executive Officer*)

Mr. Sun Wei

### Independent non-executive Directors

Mr. Leung Bing Kwong Edward

Mr. Pang Ka Hang

Mr. Wong Chun Nam

Biographical details of the Directors are set out in the “Biographical Details of Directors and Senior Management” section on pages 13 to 18 of this annual report.

The proportion of independent non-executive Directors is higher than what is required by Rules 3.10(1) and (2), and 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer represent at least one-third of the board of directors. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Group’s strategies, performance and control, as well as ensure that the interests of all shareholders are considered. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

# Corporate Governance Report

## **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

Each of Dr. CW Lau, Mr. CM Lau, Dr. CK Lau has entered into a service contract with the Company and it has been renewed for a term of three years from 16 October 2021 and Mr. Sun has entered into a service contract with the Company on 25 April 2019 for a term of three years. The letters of appointment of each of the independent non-executive Directors are renewed for a term of three years commencing on 16 October 2021. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable Listing Rules.

According to article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the Company's memorandum and articles of association provides that any Directors who are appointed to fill casual vacancies shall hold office only until the first general meeting of the Company after their appointment, and are subject to re-election by shareholders of the Company.

Pursuant to article 108 of the Company's memorandum and articles of association, each of Dr. CW Lau, Mr. Sun and Mr. Duffy Wong will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 18 March 2022. Dr. CW Lau, Mr. Sun and Mr. Duffy Wong, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Dr. CW Lau and Mr. Sun as executive Directors, and Mr. Duffy Wong as independent non-executive Director.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not to be performed by the same individual to avoid power being concentrated in any one individual. Dr. CW Lau is the Chairman and Dr. CK Lau is the Chief Executive Officer.

## **DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT**

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they keep abreast of the current requirements. All Directors received training materials on disclosure of insider information and responsibilities and liabilities of directors of Hong Kong listing companies.

# Corporate Governance Report

The participation by individual Directors in the continuous professional development programme during the year ended 30 September 2021 is recorded in the table below:

<b>Name of Directors</b>	<b>Disclosure of insider information</b>	<b>Responsibilities and liabilities of directors of HK listed companies</b>
<b>Executive Directors</b>		
Dr. Lau Chi Wang	✓	✓
Mr. Lau Chi Ming	✓	✓
Dr. Lau Chi Keung	✓	✓
Mr. Sun Wei	✓	✓
<b>Independent non-executive Directors</b>		
Mr. Leung Bing Kwong Edward	✓	✓
Mr. Pang Ka Hang	✓	✓
Mr. Wong Chun Nam	✓	✓

The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, so as to ensure that the Directors are aware of their responsibilities and obligations as well as to maintain good corporate governance practices.

## BOARD COMMITTEES

The Board has established four Board committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Investment Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website at [www.riyingholding.com](http://www.riyingholding.com). The terms of reference for Audit Committee, Nomination committee and Remuneration Committee are also posted on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). All Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

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

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provisions in the CG Code and disclosures in this annual report.

# Corporate Governance Report

## **Remuneration Committee**

The Remuneration Committee was established on 17 September 2018. The chairman of the Remuneration Committee is Mr. Duffy Wong, the independent non-executive Director, and other members include Mr. CM Lau, the executive Director, Mr. Leung and Mr. Pang, the independent non-executive Directors. The written terms of reference of the Remuneration Committee is posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of the Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee held one meeting to review the remuneration packages and emoluments of the Directors and senior management and considered that they are fair and reasonable during the year ended 30 September 2021. No Director nor any of his associates is involved in deciding his own remuneration.

## **Nomination Committee**

The Nomination Committee was established on 17 September 2018. The chairman of the Nomination Committee is Mr. Leung, the independent non-executive Director, and other members include Dr. CK Lau, the Chief Executive Officer and the executive Director, Mr. Pang and Mr. Duffy Wong, the independent non-executive Directors. The written terms of reference of the Nomination Committee is posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on appointment of new Directors. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity of the Board.

During the year ended 30 September 2021, the Nomination Committee held two meeting to review and recommend the re-election of Directors and establishment of the Investment Committee.

## ***Nomination Policy***

The Nomination Committee will reference to the nomination policy (the "**Nomination Policy**") adopted by the Group on 21 December 2018 for selecting and recommending candidates for directorships.



# Corporate Governance Report

## *Selection Criteria*

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria, having due regard to the benefits of diversity on the Board, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, sufficient time to effectively carry out their duties, their services on other listed and non-listed companies should be limited to reasonable numbers, qualifications including accomplishment and experience in the relevant industries the Company's business is involved in, independence, reputation for integrity, potential contributions that the individual(s) can bring to the Board and commitment to enhance and maximise shareholders' value.

## *Nomination Process*

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- (a) By giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (b) To consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the criteria;
- (c) To adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (e) To make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- (f) The Board will have the final authority on determining the selection of nominees.

## *Board Diversity Policy*

The Board adopted a Board diversity policy (the "**Diversity Policy**") on 21 December 2018.

In designing the Board's composition, Board diversity is considered from a number of perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

# Corporate Governance Report

The Nomination Committee will review this Diversity Policy, as appropriate, to ensure its effectiveness.

As at the date of this annual report, the Board comprises seven Directors. Three Directors are independent non-executive Directors, thereby promoting critical review and control of the management process.

## **Audit Committee**

The Audit Committee was established on 17 September 2018. The chairman of the Audit Committee is Mr. Pang, the independent non-executive Director, and other members include Mr. Leung and Mr. Duffy Wong, the independent non-executive Directors. The written terms of reference of the Audit Committee is posted on the Stock Exchange's website and on the Company's website.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 30 September 2021, the Audit Committee held two meetings to review and comment on the Company's 2020 annual results and 2021 interim results as well as the Company's internal control procedures and risk management systems.

The Group's consolidated financial statements for the year ended 30 September 2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 30 September 2021 comply with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

## **Investment Committee**

The Investment Committee was established on 21 January 2021. The chairman of the Investment Committee is Mr. CM Lau, the executive Director, and other members include Dr. CW Lau and Dr. CK Lau, the executive Directors; and Mr. Leung, Mr. Pang and Mr. Duffy Wong, the independent non-executive Directors. The written terms of reference of the Investment Committee is posted on the Company's website.

During the year ended 30 September 2021, the Investment Committee approved the decision for investment in securities of the Group.



# Corporate Governance Report

The duties of the Investment Committee are as follows:

- (a) Act in good faith and with due skill, care and diligence at all times;
- (b) Operate in accordance with these terms of reference at all times;
- (c) Assess the viability and the terms for any major investment project or financing arrangements of the Company;
- (d) Evaluate the feasibility, forecast, profits and loss calculations of the investment projects of the Company;
- (e) Analyse, consider, and determine whether any proposed investment project is in the best interests of the Company and its shareholders as a whole;
- (f) Consider all relationships, developments and new investment opportunities between the Company and external business and/or parties;
- (g) Oversee the credit ratings and liquidity risk management of the Company;
- (h) Review the Company's investing capital and financing strategy from time to time;
- (i) Discuss the Company's position in respect of investment risk, including but not limited to foreign exchange risk, interest rate risk and investment products risk;
- (j) Review and evaluate the Company's liquidity and funding arrangements from time to time;
- (k) Monitor significant transactions and/or investment plans which might cause significant impact to the Company's treasury position;
- (l) Consider and recommend the Board to implement appropriate policies in relation to the areas of treasury and investment (and any revision, as appropriate) from time to time;
- (m) Review, evaluate, and approve any reports in relation to the Company's investment or treasury position from time to time;
- (n) Ensure all records in relation to the Company's investments are kept properly; and
- (o) Report to the Company any matters that should be brought to the Company's attention when discharging its duties and when any specific area for improvement could be identified or recommended.

# Corporate Governance Report

## ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

Details of all Directors' attendance at the Board meeting, Board committees' meeting held for the year ended 30 September 2021 are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2021 Annual General Meeting
	Number of meetings attended/held				
Executive Directors					
Dr. Lau Chi Wang	3/5				1/1
Mr. Lau Chi Ming	5/5		1/1		1/1
Dr. Lau Chi Keung	5/5			2/2	1/1
Mr. Sun Wei	3/5				0/1
Independent non-executive Directors					
Mr. Leung Bing Kwong Edward	5/5	2/2	1/1	2/2	1/1
Mr. Pang Ka Hang	5/5	2/2	1/1	2/2	1/1
Mr. Wong Chun Nam	5/5	2/2	1/1	2/2	1/1

## COMPANY SECRETARY

The Company Secretary assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Yim as the Company Secretary. Ms. Yim possesses the necessary qualifications and experience, and is capable of performing the functions of the Company Secretary. Pursuant to Code F.1.1 of the CG Code, an issuer can engage an external service provider to provide company secretarial services, provided that the issuer should disclose the identity of a person with sufficient seniority at the issuer whom the external provider can contact. In this respect, the Company has nominated Mr. CM Lau, the executive Director as its contact point for Ms. Yim.

For the year ended 30 September 2021, Ms. Yim undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biographical details of Ms. Yim are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

# Corporate Governance Report

## INDEPENDENT AUDITORS' REMUNERATION

During the year ended 30 September 2021, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited and HLB Hodgson Impey Cheng Taxation Services Limited, in respect of the audit and non-audit services, respectively, were as follows:

<b>Services rendered</b>	<b>Remuneration paid/payable HK\$'000</b>
Audit services	
– Annual audit services	980
Non-audit services	
– Tax compliance services for the Group in relation to the Hong Kong profits tax	70
	1,050

## SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid-up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal place of business in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management system. It consists, in part, of organisational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders and the Group's assets at all times.

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment are performed or updated annually, and the results of risk assessment, evaluation and mitigation of each function or operation are documented in the Risk Registry to communicate to the Board and management for reviews.

The Group's risk management and internal control systems are, however, 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.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 30 September 2021 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews were performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 30 September 2021 as required under code provision C.2.5 of the CG Code. The Audit Committee and the Board have considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.



# Corporate Governance Report

## DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;
- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;
- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and on the Company's website.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

- (i) Corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.riyingholding.com](http://www.riyingholding.com);
- (ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) Corporate information is made available on the Company's website;



# Corporate Governance Report

- (iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (v) The Hong Kong branch share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company continues to promote investor relations and enhance communication with the existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year, there was no change to the Company's memorandum and articles of association.





# Environmental, Social and Governance Report

## ABOUT THE REPORT

This report is the “Environmental, Social and Governance Report” (collectively the “**ESG Report**”) published by the Group, which discloses the Group’s measures and performance on sustainable development topics in a transparent and open manner, in order to increase stakeholders’ confidence and understanding on the Group.

## REPORTING STANDARDS

The ESG Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) of the Stock Exchange set out in Appendix 27 of the Listing Rules. The ESG Report provides a simplified overview on the environmental, social and governance (the “**ESG**”) performance of the Group. The information in the ESG Report is derived from the Group’s official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by subsidiaries of the Group.

## REPORTING YEAR

All the information in the ESG Report reflects the performance of the Group in environmental management and social responsibility from 1 October 2020 to 30 September 2021 (the “**Reporting Period**”). This ESG Report is released annually by the Group for public review in order to improve the transparency and responsibility of information disclosure.

## REPORTING SCOPE

The Group is a construction contractor in Hong Kong principally engaged in providing (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; and (iv) construction related consultancy services in Hong Kong. Also, the Group engages in health management and consultancy business in the PRC. The ESG Report covers mainly the ESG performance within the operational boundaries of the Group including data and activities of the headquarters in Hong Kong and several construction projects engaged in Hong Kong. For the section of employment related to social aspect, it also covers the health management business in the PRC, unless otherwise stated.

Operations that had no significant environmental and social impacts contributed were excluded from the reporting scope.

After the comprehensive completion of data collection system and the Group’s deepening in its environmental, social and governance work, the Group has identified certain ESG issues relevant to the Group, which have been assessed by considering their materiality and importance to the Group’s principle activities, stakeholders as well as the Group. Those identified ESG issues and key performance indicators (“**KPIs**”) have been disclosed in the ESG Report.



# Environmental, Social and Governance Report

## ESG GOVERNANCE

The Group has developed its internal strategies and policies with aims to create sustainable values to its stakeholders, thereby to large extent minimising the Group's undue impact on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board has ultimate responsibilities for ensuring the effectiveness of the Group's ESG policies.

The Group has established dedicated teams to manage ESG issues within each business division of the Group and kept monitoring and overseeing the progress against corporate goals and targets for addressing climate change. Dedicated teams with designated staff for management of ESG issues has been assigned to enforce and supervise the implementation of the relevant ESG policies cascading through the Group.

With the forward-looking guidance and well-designed plans of action to address underlying ESG matters, the management and responsible teams keep reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis. For instance, through the assignment of the responsibility of progress tracking to different management-level positions, the Group is committed to achieving an excellent performance in ESG management while also remaining competitive compared with its peers. Details of the Group's management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.

## STAKEHOLDER ENGAGEMENT

The Stock Exchange has set forth four principles for reporting in the ESG Guide: materiality, quantitative, balance and consistency, which should form the basis for preparing the ESG Report. As the Stock Exchange emphasises, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

The Group believes that effective feedback from stakeholders not only contributes to comprehensive and impartial evaluation of its ESG performance, but also enables it to improve its performance based on the feedback. Therefore, the Group has engaged in open and regular communication with its stakeholder groups including shareholders, employees, customers, suppliers, subcontractors and government. Over the years, the Group has continued to fine-tune its sustainability focus, addressing pressing issues. The table below shows how the Group communicates with key stakeholder groups and their respective concerns.

# Environmental, Social and Governance Report

## Stakeholders and Engagement Methods

Stakeholders	Interests and concerns	Engagement channels
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Corporate strategy and governance</li> <li>• Risk mitigation and management</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Interim and annual reports, corporate websites</li> <li>• Announcements, notices of meetings, circulars</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>• Robust project management</li> <li>• Full compliance with regulations</li> <li>• Sustainability performance of operations</li> </ul>	<ul style="list-style-type: none"> <li>• Interim and annual reports, corporate websites</li> <li>• Regular meetings and communication</li> </ul>
<b>Sub-contractors</b>	<ul style="list-style-type: none"> <li>• Effective project management</li> <li>• Occupational health and safety</li> <li>• Ethical business practices</li> <li>• Sub-contractor's assessment criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Health, Safety and Environment seminars</li> <li>• Training sessions</li> <li>• Regular progress meetings</li> <li>• Audits and assessments</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Long-term business relationship</li> <li>• Ethical business practices</li> <li>• Supplier assessment criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement processes</li> <li>• Audits and assessments</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>• Laws and regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Review the latest laws and regulations regularly</li> <li>• Inspection</li> </ul>

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions from stakeholders through different forms and more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define the content of the ESG Report and presentation of the information that is more in line with the expectations of stakeholders.

## Climate Change

Climate change is one of the most complicated challenges faced by mankind in the new century. Global warming gives rise to more frequent extreme weather conditions including changes in precipitation mode, droughts, floods and bushfires. Rise in sea level will make tens of thousands of people in densely populated coastal areas and island countries homeless. Faced with all sorts of problems, individuals, corporations and governments must take immediate actions to tackle climate change.

Over-emission of greenhouse gases is the main factor in causing global climate change. To achieving a low carbon economy, the Group is committed to reducing its greenhouse gas emissions through the approaches of mitigation and adaptation. For example, the Group has strived to mitigate the risks brought by climate change through the adoption of various environmental policies and measures; and promoting energy saving measures and habits in office. The Group has also considered potential physical risks of climate change to its daily operation such as storms, fires or heatwaves and through implementation of the relevant protection measures to minimise the risks.

The Group are focused on reducing emissions in its operations, engaging suppliers to reduce emissions in supply chains, strengthening the resilience of its business and using its voice to advocate for collective action.

# Environmental, Social and Governance Report

## ENVIRONMENTAL

### Emissions

#### *Emissions from vehicle usage*

During the Group's operation in Hong Kong, the usage of private cars generate the emissions of nitrogen oxides ("NO<sub>x</sub>"), sulphur oxides ("SO<sub>x</sub>") and Particulate Matter ("PM"). The approximate amount of NO<sub>x</sub>, SO<sub>x</sub> and PM produced from the Group's operation in Hong Kong are shown in the following table:

#### **Air emissions from vehicle usage**

<b>Types of air emissions</b>	<b>2021</b>	<b>2020</b>
NO <sub>x</sub> emissions (tonnes)	0.007	0.005
SO <sub>x</sub> emissions (tonnes)	0.0002	0.0001
PM emissions (tonnes)	0.0005	0.0004

Compared to the last financial year, three types of emissions (NO<sub>x</sub>, SO<sub>x</sub> and PM) have been increased slightly, mainly due to the increase in construction sites.

In respect of reducing NO<sub>x</sub>, SO<sub>x</sub> and PM emissions, the Group has formulated and educated employees about the following measures so as to achieve the environmental friendly approach; including (i) avoid peak hour traffic and (ii) encourage the use of public transport instead of private car.

## **GREENHOUSE GAS("GHG") EMISSIONS**

During the course of operations in Hong Kong, there are GHGs emissions principally resulting from vehicle usage, electricity consumed and the use of electricity for processing fresh water and sewage water at head office and construction projects.

### **Scope 1 – Combustion of fuels in mobile sources controlled by the Group**

During the operations of the Group in Hong Kong, due to the intense usage of private cars to travel between construction sites, a certain amount of GHG are produced.

The Group strictly controls the emissions of GHG through the establishment of a comprehensive data collection system. This system helps the Group to monitor the monthly usage of all private cars to maintain the efficiency at a prominent level.

Compared to the last financial year, the total amount of GHG emissions scope 1 has increased due to the increase in construction sites.

### **Scope 2 – Electricity purchased from power companies**

Apart from the direct emissions of PM and fumes, the Group has also incurred indirect GHG, principally resulting from electricity consumed at the Hong Kong's head office and the construction sites.

# Environmental, Social and Governance Report

## Scope 3 – Other indirect emissions

In the Hong Kong's office, there are other indirect GHG emissions due to electricity used for processing fresh water and sewage by government departments and paper waste disposed at landfills.

The summary of GHG emissions from the operations are shown in the following table:

### Summary of GHG emissions

Types of GHG	2021 CO <sub>2</sub> equivalent emission	2020 CO <sub>2</sub> equivalent emission
Scope 1 – Direct emissions (tonnes)	31.09	21.59
Scope 2 – Energy indirect emissions (tonnes)	72.02	47.79
Scope 3 – Other indirect emissions (tonnes)	7.89	4.03
<b>Total</b>	<b>111.00</b>	<b>73.41</b>
<b>Intensity of GHG per number of employee (tonnes)</b>	<b>3.26</b>	<b>1.98</b>

The Group has initiated a target of 3% emission reduction in term of intensity in coming 5 years, using this Reporting Year as a baseline.

## HAZARDOUS WASTE EMISSIONS

Due to the business nature, the Group's operation does not directly generate any hazardous waste.

## NON-HAZARDOUS SOLID WASTE EMISSIONS

For the provision of foundation and site formation services, the Group has produced some non-hazardous solid waste during the operation. The emissions figures are as followings:

Non-hazardous solid waste	2021 Volume	2020 Volume
Inert construction waste disposal at Government Waste Disposal Facilities (tonnes)	7,751.10	4,449.30
Mixed construction waste disposal at Government Waste Disposal Facilities (tonnes)	867.90	1,568.34
<b>Total</b>	<b>8,619.00</b>	<b>6,017.64</b>
<b>Intensity of non-hazardous solid waste emission per number of employee (tonnes)</b>	<b>253.50</b>	<b>162.64</b>

According to the figures above, inert Construction and Demolition ("C&D") waste produced have increased significantly when comparing with last financial year's figure. The reason is that the Group has performed more excavation works during the Reporting Period and lead to more C&D waste produced.

# Environmental, Social and Governance Report

The Group is dedicated to proper management of the non-hazardous solid waste. Specific area at the site is assigned for the temporary storage of non-hazardous waste. The waste is then gathered by logistic service provider which is authorised by the Environmental Protection Department of the Hong Kong Government and delivered to the public landfills.

## USE OF RESOURCES

The Group adheres to the concept of energy conservation and emission reduction for green production. The major resources used by the Group are principally electricity and water consumed in the Group's headquarter and various project sites in Hong Kong. The Group aims to improve its energy utilisation efficiency to achieve low-carbon practices and emission reduction throughout the operation, and strive to save the resources.

The Group records and analyses the water consumption regularly. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimise water use. Throughout the years, the Group put forth a strong emphasis on minimising the usage of electricity and water during the Group's daily operations.

The total water consumption and intensity in cubic metres in Hong Kong during the Reporting Period are shown in the following table:

<b>Water Consumption</b>	<b>2021</b>	<b>2020</b>
Total water consumption (cubic metres)	12,647	4,749
<b>Intensity of total water consumption per number of employees in Hong Kong (cubic metres)</b>	<b>371.97</b>	<b>128.34</b>

Compared to the last financial year, the intensity of water consumption per number of employees has increased by approximately 189.8%, which is due to more construction sites have been worked on by the Group. The Group has initiated a target of 3% emission reduction in term of intensity in coming 5 years, using this Reporting Year as a baseline. Also, the Group is currently having a bored pile project which usually has high consumption of water when comparing with other types of project. The Group will keep on performing the current monitoring mechanism to ensure the water would be used properly and efficiently. Due to the geographical location of the Group's office and construction sites, the Group does not have any issues in sourcing for water that is fit for purpose.

## Energy Consumption

The major energy consumed by the Group are non-renewable fuel ("NRF") (direct) including diesel and petrol and purchase of energy in the form of electricity.

The Group determines to maximise energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade its equipment by purchasing electrical appliances with highly efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste.

# Environmental, Social and Governance Report

To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The total energy consumption in kWh in Hong Kong is shown in the following table:

<b>Energy Consumption</b>	<b>2021</b>	<b>2020</b>
Purchase of energy (kWh)	111,273	77,286
NRF consumed (direct) (kWh)	92,339	62,786
<b>Total energy consumption (kWh)</b>	<b>203,612</b>	<b>140,072</b>
<b>Intensity of total energy consumption per number of employees in Hong Kong (kWh)</b>	<b>5,989</b>	<b>3,786</b>

Compared to the last financial year, the intensity of total energy consumption per number of employees has increased by approximately 58.2%, which is due to more construction sites has been worked on by the Group. During the Reporting Period, the Group strictly implements the energy conservation guideline. The Group has initiated a target of 3% emission reduction in term of intensity in coming 5 years, using this Reporting Year as a baseline.

## THE ENVIRONMENT AND NATURAL RESOURCES

To develop a green approach at the project sites and office, the Group has set up various environmental system management practices as part of its effort to develop an environmental management system that supports sustainable development.

By the implementation of ISO9001 Quality Management System, the Group has given careful consideration to minimise all significant impact on the environment resources. Environmental performance is monitored regularly.

### Implemented practices

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce waste of power
- Maximise the use of nature light and energy-saving lighting systems
- Apply optimal temperature setting of air-conditioning
- Encourage duplex printing
- Reuse of single-side used paper

As a socially responsible enterprise, protecting the nature and the environment has become an integral part of the Group's corporate culture/important value. The Group constantly looks for ways to maximise benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development.

### Packaging material

Due to the business nature, the Group does not produce any finished products during the Reporting Period. Therefore, the Group does not consume significant amounts of package materials for product packaging.

# Environmental, Social and Governance Report

## PEOPLE

### Employment

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and benefits, working hours and holidays, recruitment and selection, performance management, promotion, employment termination, training and development.

As the Group is principally engaged in construction related works in Hong Kong and most engineer applicants are male. Hence, the ratio of the number of male to female employees is approximately 1.3 to 1 (2020: 2.3 to 1). However, the Group aims to refrain from any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace via implementation of human resources management policy. The above measures have helped ensuring that every employee is treated equally and fairly.

The Group has always strictly observed the relevant legislations in Hong Kong and the PRC regarding equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong) and etc. in Hong Kong; the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China" in the PRC.

The Group has its internal procedures to record employees' information in order to review employment practices regularly so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure there is no employment of child labour or forced labour in any form.

The Group also strives to establish harmonious labour relationships and create a happy working environment, promote a positive and healthy lifestyle, and lift the spirit of local workforce, encourage and strengthen internal communication through organising diversified employee activities.

During the Reporting Period, all staffs of the Group are full-time employee.



# Environmental, Social and Governance Report

## Employment Key Performance Indicators (Employee)

Total workforce structure as at 30 September 2021

<u>Region</u>	<u>Gender</u>	<u>Age below 30</u>	<u>Age 30-50</u>	<u>Age over 50</u>	<u>Number of employees by gender</u>	<u>Total number of employees</u>	<b>2021</b>	<b>2020</b>
							<b>Ratio of number of male to female employees</b>	<b>Ratio of number of male to female employees</b>
Hong Kong	Male	3	8	12	23	34	2.1:1	4.3:1
	Female	1	8	2	11			
The PRC	Male	14	37	2	53	101	1.1:1	1.5:1
	Female	17	29	2	48			
Total	Male	17	45	14	76	135	1.3:1	2.3:1
	Female	18	37	4	59			
	<b>Total</b>	<b>35</b>	<b>82</b>	<b>18</b>	<b>135</b>			

# Environmental, Social and Governance Report

## Employee recruited in the Reporting Period

Region	Gender	Age below 30	Age 30-50	Age over 50	Number of new recruits by gender	Total number of new recruits	2021	2020
							Percentage of new recruits to total number of employees	Percentage of new recruits to total number of employees
Hong Kong	Male	–	–	5	5	9	26%	11%
	Female	–	4	–	4			
The PRC	Male	37	94	2	133	215	213%	185%
	Female	31	51	–	82			
Total	Male	37	94	7	138	224	166%	109%
	Female	31	55	–	86			
	<b>Total</b>	<b>68</b>	<b>149</b>	<b>7</b>	<b>224</b>			

## Employee turnover in the Reporting Period (excluding temporary staff at construction site)

Region	Gender	Age below 30	Age 30-50	Age over 50	Staff turnover by gender	Total staff turnover	2021	2020
							Ratio of employee turnover to total number of employees	Ratio of employee turnover to total number of employees
Hong Kong	Male	2	5	5	12	12	35%	5%
	Female	–	–	–	–			
The PRC	Male	30	77	2	109	162	160%	196%
	Female	19	34	–	53			
Total	Male	32	82	7	121	174	129%	113%
	Female	19	34	–	53			
	<b>Total</b>	<b>51</b>	<b>116</b>	<b>7</b>	<b>174</b>			

# Environmental, Social and Governance Report

The number of staff turnover in the PRC have increased significantly mainly due to the change of business nature since last year.

## HEALTH AND SAFETY

The Company is an investment holding company incorporated in Cayman Islands whilst its headquarter is located in Hong Kong. The nature of its daily operation is mainly office-based where the safety risk is limited. The Hong Kong headquarters has been equipped with fire-fighting facilities including fire extinguishers and participates in the fire drill organised by the building regularly.

The Group requires employees to strictly comply with the company safety policy and guidelines which clearly specify workflows, all kinds of safety measures and guidance as well as employees' responsibilities for their health and safety at our workplace.

The Group has established a risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits.

For employees whose work station is mainly project site, the Group provides "site specific induction training" to the employees before they commence their work at the project site in accordance with the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong). Thereafter, they are given refresher talks regularly depending on the amount of changes to the site condition. The Group also provides tool-box talks, aiming to heighten employees' awareness of workplace hazards and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

In order to deal with the outbreak of the COVID-19, the Group has implemented several measures including but not limited to requiring daily health declaration to prevent the spread of virus and all people to take body temperature before entering the office area. In order to encourage employees to receive vaccination of COVID-19, the Group offered HK\$2,000 for those Hong Kong office employees who took the vaccination of COVID-19.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures set. Subsequently, the Group follows the procedures in accordance with the "Employees' Compensation Ordinance" (Chapter 282 of the Laws of Hong Kong). The Group is pleased to report that the rate of accidents and injuries during the Reporting Period was extremely low with zero fatal accident, similar to last financial year.

### Health and safety key performance indicators (Employee)

	2021	2020	2019
Number of work injuries	2	3	4
Rate of work injury in Hong Kong (per hundred employees)	5.9	8.1	9.3
Number of loss days due to work injuries	944 <sup>2</sup>	804	N/A <sup>1</sup>

Note 1: The Group had not developed any mechanism for collecting these information in 2019.

Note 2: Some loss days due to work injuries in 2021 is due to the work injuries happened in 2020.

# Environmental, Social and Governance Report

## TRAININGS AND DEVELOPMENT

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in personal development and job-related training courses. During the Reporting Period, the Group formulates quality management training programs to update its staff with the most updated standard of ISO9001, in order to maintain the highest standard of professionalism by its employees. This program includes quality assurance training in operation process and inspection assurance of materials received from supplier.

In daily operation, the Group provides induction training for new employees, experienced employees act as mentors to guide newcomers. The Group believes such arrangement can be the best practice to facilitate communication and team spirit, as well as to improve technical skills and managerial capability and encourage learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which the Group believes that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group evaluates the training needs of its employees annually to ensure that employees are offered suitable and appropriate training according to their job nature and position.

### Training and Development Key Performance Indicators in Hong Kong (Employee)

<u>Trained staff</u>	<u>Managerial level or above<sup>3</sup></u>	<u>Supervisory staff<sup>3</sup></u>	<u>General staff<sup>3</sup></u>	<u>Percentage of employees receiving training by gender<sup>3</sup></u>	<u>2021</u>	<u>2020</u>
					<u>Overall percentage of employees receiving training<sup>4</sup></u>	<u>Overall percentage of employees receiving training</u>
Male	14%	100%	14%	22%	15%	19%
Female	0%	0%	0%	0%		

Note 3: Percentage of employees trained in relevant categories = Employees in the category who took part in training/Number of employees in category x 100

Note 4: Percentage of employees trained = Employees who took part in training/Number of employees x 100

<u>Average training hours</u>	<u>Managerial level or above<sup>5</sup></u>	<u>Supervisory staff<sup>5</sup></u>	<u>General staff<sup>5</sup></u>	<u>Average training hours by gender<sup>5</sup></u>	<u>2021</u>	<u>2020</u>
					<u>Overall average training hour<sup>6</sup></u>	<u>Overall average training hour</u>
Male	8.6 hours	15.5 hours	4.3 hours	6.6 hours	4.4 hours	4.1 hours
Female	–	–	–	–		

Note 5: Overall average training hour= Total number of training hours of the category/Number of employees in category

Note 6: Average training hours per employee= Total number of training hours/Total number of employees

# Environmental, Social and Governance Report

Due to the impact of the COVID-19, many enrolled training courses had been postponed or cancelled to reduce the social distance.

## LABOUR STANDARDS

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Policy of Employment of Children under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Provision on the Prohibition of Using Child Labour of the PRC and the Labour Law of the PRC. The Group has also developed rigorous and systematic measures for recruitment and selection, to prevent itself from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges for the employees' working hours based on the statutory working hour standards and entitles them to paid leaves and sick leaves in accordance with the relevant labour laws in Hong Kong.

During the Reporting Period, the Group has not identified any material non-compliance with relevant laws and regulations in respect of the prevention of child labour and forced labour that would result in material impact to the Group.

## SUPPLY CHAIN MANAGEMENT

The Group implements supplier management in accordance with internal guidance which governs the engagement of suppliers in Hong Kong. Suppliers are chosen subjecting to screening and evaluation procedures among the suppliers, based on the quality and price. Also, to ensure suppliers' capability in quality assurance, safety and environmental responsibility, field visit and investigation is conducted, which included a comprehensive quality management system accredited with the ISO9001 standard. The investigation reviews the production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers complied with regulatory requirements are eligible for the supplier selection by the Group. The Group also carries out regular assessment on suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and regulations.

As customers are becoming more concerned about environmental issues and stress the importance of using environmentally friendly materials, the Group will continue to act as a corporate citizen in communicating and stressing those environmental issues to our suppliers. Supplier's service or product with minimal adverse environmental impacts would be one of the significant considerations for the Group to select new supplier.

Each subcontractor and supplier are reviewed after completion of their contracts. In case of major non-performance of approved subcontractor or supplier, the Group will review their suitability to remain on the approved list.

### Number of critical suppliers cooperated with the Group during the Reporting Period

<b>Region</b>	<b>2021</b>	<b>2020</b>
Hong Kong	115	163

# Environmental, Social and Governance Report

## **PRODUCT AND SERVICE RESPONSIBILITY**

The Group is committed to providing high-quality services and guarantees that the quality of the Group's projects in Hong Kong is in line with industry standards and sustainability requirements. The Group also pursues to meet higher criteria all the time.

The Group has always been focusing on quality control in construction projects since its incorporation in Hong Kong. In respect of human resources, the Group has a team of project managers with rich experience in undertaking various construction projects. In respect of systems, the Group owns a quality management system in accordance with the ISO9001 standard, which establishes the procedure to manage the non-conformity detected during construction process. When non-conforming work is identified, the Group will review the situation and stop these substandard works from continuing or re-occurring. If the defect is likely to recur, the Group will require remedial action by the subcontractor and shall more closely supervise these works whenever practicable. The Group also carries out trainings and has established a management system covering various aspects including management of quality of construction staff, quality control on raw material, site management and quality management system, so as to ensure the timely and efficient completion of our projects.

During the Reporting Period, due to the business nature of the Group, there were no recalls concerning the provision and use of products for safety and health reasons within the Group. Besides, there were no substantiated complaints received relating to the provision and use of products and services that have a significant impact on the Group's operations.

## **PROTECTION OF INTELLECTUAL PROPERTY RIGHT AND CONSUMER PRIVACY**

The Group recognises the importance of the protection over intellectual property right and consumer privacy. Proper licences for software and information are obtained by the Group to use in its business operation.

Meanwhile, the Group handles all information provided by its clients, employees and business partner in accordance with Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and related laws and regulations to ensure those information is under proper protection.

## **ANTI-CORRUPTION**

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to avoid conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.



# Environmental, Social and Governance Report

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the chairman of the Audit Committee for any misconduct and dishonest behaviour, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employee handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserves the right to take further actions against such person.

The Group plans to host regular trainings delivered by representatives from regulators and professionals to all Directors and employees in regards to anti-corruption policies and procedures so to maintain employees' awareness on anti-corruption best practices.

During the Reporting Period, the Group complied with the relevant laws and regulations regarding anti-corruption and money laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees (2020: Nil).

## COMMUNITY INVESTMENT

The Group understands well of the importance for making positive contribution to the community where it operates and considers community benefits as one of its social responsibility. The Group considers that enterprises and communities are inseparable as a whole. Enterprise development has played a leading role in the economic and social development of the community, such as providing employment opportunities and increasing taxes. At the same time, enterprise development is also inseparable from community's support and help. In order to better fulfil its social responsibilities, the Group is very concerned about environmental and health issues and sponsors relevant activities or organisations when necessary.

To strength the connection with society, the Group has made donations to Rotary Club of Hong Kong City North Community Service Fund Limited. The Group will continue to explore other means to contribute more to the community and strive to facilitate the building of a healthy and sustainable society.

# Environmental, Social and Governance Report

Environmental performance indicators are summarised in the following tables:

## Environmental Performance Indicators

### Aspect A1: Emissions

Performance indicator		2020/21 Data	2019/20 Data	The Stock Exchange ESG Reporting Guide KPI
<b>Emission</b>	Total nitrogen oxides (NO <sub>x</sub> ) emissions (tonnes)	0.007	0.005	KPI A1.1
	Total sulphur oxides (SO <sub>x</sub> ) emissions (tonnes)	0.0002	0.0001	KPI A1.1
	Total Particulate Matter (PM) emissions (tonnes)	0.0005	0.0004	KPI A1.1
	Total GHGs emissions – scope 1 (tonnes)	31.09	21.59	KPI A1.2
	Total GHGs emissions – scope 2 (tonnes)	72.02	47.79	KPI A1.2
	Total GHGs emissions – scope 3 (tonnes)	7.89	4.03	KPI A1.2
	Intensity of GHG per number of employee (tonnes)	3.26	1.98	KPI A1.2
<b>Non-hazardous solid waste</b>	Total inert construction waste disposal at Government Waste Disposal Facilities (tonnes)	7,751.10	4,449.30	KPI A1.4
	Total mixed construction waste disposal at Government Waste Disposal Facilities (tonnes)	867.90	1,568.34	KPI A1.4
	Intensity of non-hazardous solid waste emission per number of employee (tonnes) <sup>3</sup>	253.50	162.64	KPI A1.4

### Aspect A2: Use of resources

Performance indicator		2020/21 Data	2019/20 Data	The Stock Exchange ESG Reporting Guide KPI
<b>Energy</b>	Total energy consumption (kWh)	203,612	140,072	KPI A2.1
	Intensity of total energy consumption per number of employees in Hong Kong (kWh)	5,989	3,786	KPI A2.1
<b>Water</b>	Total water consumption (cubic metres)	12,647	4,749	KPI A2.2
	Intensity of total water consumption per number of employees in Hong Kong (cubic metres)	371.97	128.34	KPI A2.2



# Environmental, Social and Governance Report

## Social Performance Indicators

### Aspect B1: Employees

Performance indicator		2020/21 Data	2019/20 Data	The Stock Exchange ESG Reporting Guide KPI
<b>Total workforce structure as at 30 September 2021</b>	By region			KPI B1.1
	– Hong Kong	34	37	
	– The PRC	101	48	
	– Total	135	85	
<b>Employee recruited</b>	Gender			KPI B1.1
	– Male employees	76	59	
	– Female employees	59	26	
<b>Employee turnover</b>	Gender (Hong Kong & the PRC)			KPI B1.1
	– Male employees	138	64	
	– Female employees	86	29	
<b>Employee turnover</b>	Gender (Hong Kong & the PRC)			KPI B1.2
	– Male employees	121	65	
	– Female employees	53	31	

### Aspect B2: Health and safety

Performance indicator	2020/21 Data	2019/20 Data	2018/19 Data	The Stock Exchange ESG Reporting Guide KPI
Number of work injuries	2	3	4	KPI B2.1
Rate of work injury in Hong Kong (per hundred employees)	5.9	8.1	9.3	KPI B2.1
Number of loss days due to work injuries	944 <sup>8</sup>	804	N/A <sup>7</sup>	KPI B2.2

Note 7: The Group had not developed any mechanism for collecting these information in 2019.

Note 8: Some loss days due to work injuries in 2021 is due to work injuries happened in 2020.

# Environmental, Social and Governance Report

## Aspect B3: Development and training

Performance indicator		2020/21 Data	2019/20 Data	The Stock Exchange ESG Reporting Guide KPI
Percentage of employees trained in Hong Kong	Percentage of employees receiving training	15%	19%	KPI B3.1
Average training hours completed per employee in Hong Kong	Average training hours by employees	4.4	4.1	KPI B3.2

## Aspect B5: Supply Chain Management

Performance indicator		2020/21 Data	2019/20 Data	The Stock Exchange ESG Reporting Guide KPI
Number of Supplier by geographical region	By region – Hong Kong	115	163	KPI B5.1



# Directors' Report

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 30 September 2021.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of (i) foundation and site formation works; (ii) general building works and associated services; (iii) other construction works; (iv) construction related consultancy services in Hong Kong; and (v) health management and consultancy business in the PRC. Details of the principal activities of its subsidiaries are set out in Note 12 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

## DIVIDEND POLICY

The Board adopted a dividend policy (the “**Dividend Policy**”) on 21 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:–

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each member of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;



# Directors' Report

- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

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

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 September 2021 and the state of affairs of the Company and of the Group as at 30 September 2021 are set out in the consolidated statement of profit and loss and other comprehensive income, the consolidated financial statements, and the consolidated statement of financial position, respectively, on pages 66 to 129 of this annual report.

The Board does not recommend the payment of any final dividend for the year ended 30 September 2021.

## CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 18 March 2022 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 15 March 2022 to 18 March 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 14 March 2022.

## BUSINESS REVIEW

The review of the business of the Group during the year ended 30 September 2021 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. The description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements of this annual report. No important event affecting the Group has occurred since the end of the financial year ended 30 September 2021 and up to the date of this annual report.



# Directors' Report

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for each of the five financial years ended 30 September is set out on page 130 of this annual report. Such summary does not form part of the audited consolidated financial statements of the Group.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 September 2021 are set out in Note 14 to the consolidated financial statements of this annual report.

## DONATION

Charitable and other donations made by the Group during the year ended 30 September 2021 amounted to HK\$1,000 (2020: approximately HK\$269,000).

## SHARE CAPITAL

Details of the Company's share capital is set out in Note 22 to the consolidated financial statements of this annual report.

## SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to the written resolutions passed by the then sole shareholder of the Company on 17 September 2018. The terms of the Scheme are in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. A summary of the particulars of the Scheme as required under Rule 17.09 of the Listing Rules are set out in Note 23 to the consolidated financial statements of this annual report.

## RESERVES

Details of movements in the reserves of the Company and the Group are set out in Note 34 to the consolidated financial statements of this annual report and in the consolidated statement of changes in equity, respectively.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and 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 the existing shareholders of the Company.



# Directors' Report

## **CONNECTED AND RELATED PARTY TRANSACTIONS**

Save as disclosed in this annual report, during the year ended 30 September 2021, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## **DISTRIBUTABLE RESERVES**

Further details of the Company's distributable reserve as at 30 September 2021 are set out in Note 34 to the consolidated financial statements of this annual report.

## **MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS**

During the year ended 30 September 2021, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 24.4% (2020: approximately 36.1%), while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 67.1% (2020: approximately 65.0%).

During the year ended 30 September 2021, the percentage of the Group's largest supplier was approximately 1.6% (2020: approximately 4.8%) of the total cost of sales for the year, while the percentage of the Group's five largest suppliers accounted for approximately 3.1% (2020: approximately 11.0%) of the total cost of sales.

During the year ended 30 September 2021, the percentage of the Group's largest subcontractor was approximately 28.5% (2020: approximately 18.8%) of the total cost of sales for the year, while the percentage of the Group's five largest subcontractors accounted for approximately 55.0% (2020: approximately 54.0%) of the total cost of sales.

None of the Directors, or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers or subcontractors.



# Directors' Report

## DIRECTORS

The Directors during the year ended 30 September 2021 and up to the date of this annual report were as follows:

### Executive Directors

Dr. Lau Chi Wang (*Chairman*)

Mr. Lau Chi Ming

Dr. Lau Chi Keung (*Chief Executive Officer*)

Mr. Sun Wei

### Independent non-executive Directors

Mr. Leung Bing Kwong Edward

Mr. Pang Ka Hang

Mr. Wong Chun Nam

In accordance with the Company's memorandum and articles of association, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders of the Company after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Pursuant to Article 108 of the Company's articles of association, Dr. CW Lau, Mr. Sun and Mr. Duffy Wong will retire at the forthcoming annual general meeting and, all being eligible, will offer themselves for re-election in the said meeting.

## PERMITTED INDEMNITY PROVISION

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

## DIRECTORS' SERVICE CONTRACTS

None of the Directors has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

# Directors' Report

## EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and senior management and the five highest paid individuals of the Group are set out in Note 9 to the consolidated financial statements of this annual report.

The remuneration of the senior management of the Group for the year ended 30 September 2021 falls within the following band:

<u>Remuneration Band</u>	<u>Number of senior management</u>
Up to HK\$1,000,000	2
HK\$1,000,001 to up to HK\$1,500,000	1

## EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), considering other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and the senior management) and review the remuneration policy of the Group. It has been decided that the Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and the senior management.

## RETIREMENT BENEFITS PLANS

The Group operates a defined contribution scheme in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the schemes are held separately from the Group under independently administrated funds. Contribution to the MPF scheme follow the MPF Schemes Ordinance. In the PRC, the Group's employees are members of a state-managed retirement benefit plans operated by the government of the PRC. The Group's subsidiaries in the PRC are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions. As at 30 September 2021 and 2020, except for voluntary contribution, no forfeited contribution under the abovementioned scheme is available to reduce the contribution payable in future years.

Details of retirement benefits plans of the Group as at 30 September 2021 are set out in Note 8 to the consolidated financial statements of this annual report.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "Controlling Shareholders") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year ended 30 September 2021.



# Directors' Report

## DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in Note 30 to the consolidated financial statements of this annual report, no Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 30 September 2021.

## MANAGEMENT CONTRACTS

During the year ended 30 September 2021, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the year ended 30 September 2021 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2021, the interests and short positions of each of the Directors and chief executives of the Company (the "Chief Executive") in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares and underlying shares of the Company

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares held/interested</u>	<u>Percentage of shareholding</u>
Dr. CW Lau ( <i>Note</i> )	Interest of a controlled corporation	600,000,000	75%
Mr. CM Lau ( <i>Note</i> )	Interest of a controlled corporation	600,000,000	75%
Dr. CK Lau ( <i>Note</i> )	Interest of a controlled corporation	600,000,000	75%

*Note:* Elite Bright Developments Limited ("Elite Bright") is 100% owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shares. Therefore, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are deemed to be, or taken to be, interested in all the shares of the Company held by Elite Bright for the purpose of the SFO.

# Directors' Report

Save as disclosed above, as at 30 September 2021, none of the Directors or Chief Executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors or Chief Executive, as at 30 September 2021, the following entity and persons (not being Directors or Chief Executive) had, or were deemed to have, interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares held/interested</u>	<u>Percentage of shareholding</u>
Elite Bright	Beneficial owner	600,000,000	75%
Ms. Ng Lai Mui Theresa ( <i>Note 1</i> )	Interest of spouse	600,000,000	75%
Ms. Ng Kooi Har ( <i>Note 2</i> )	Interest of spouse	600,000,000	75%
Ms. Kwong Shun Man Jessie ( <i>Note 3</i> )	Interest of spouse	600,000,000	75%

Notes:

- (1) Ms. Ng Lai Mui Theresa is the spouse of Dr. CW Lau. Therefore, Ms. Ng Lai Mui Theresa is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CW Lau is interested for the purpose of the SFO.
- (2) Ms. Ng Kooi Har is the spouse of Mr. CM Lau. Therefore, Ms. Ng Kooi Har is deemed to be, or taken to be, interested in the same number of shares of the Company in which Mr. CM Lau is interested for the purpose of the SFO.
- (3) Ms. Kwong Shun Man Jessie is the spouse of Dr. CK Lau. Therefore, Ms. Kwong Shun Man Jessie is deemed to be, or taken to be, interested in the same number of shares of the Company in which Dr. CK Lau is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2021, none of the substantial or significant shareholders or other persons, other than the Directors and Chief Executive whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had or were deemed to have, interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 September 2021.



# Directors' Report

## COMPETING BUSINESS

During the year ended 30 September 2021, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

### Non-Competition Undertakings

In order to avoid any possible future competition arising between the Group and the Controlling Shareholders, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Elite Bright (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the deed of non-competition with the Company (for itself and for and on behalf of its subsidiaries) on 17 September 2018 (the “**Deed of Non-competition**”). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for and on behalf of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the section headed “Relationship with our Controlling Shareholders – Non-Competition Undertakings” in the Prospectus.

During the year ended 30 September 2021, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied with the Deed of Non-competition.



# Directors' Report

## **CORPORATE GOVERNANCE**

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this annual report.

## **EQUITY-LINKED AGREEMENTS**

Save as disclosed in Note 23 to the consolidated financial statements of this annual report, no equity-linked agreement was entered into by the Company at any time during the year ended 30 September 2021.

## **SUFFICIENCY OF PUBLIC FLOAT**

To the best knowledge of the Directors and based on information publicly available to the Company, at least 25% of the Company's issued share capital as required under the Listing Rules is held by the public during the year ended 30 September 2021 and up to the latest practicable date prior to the issue of this annual report.

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received from each of the independent non-executive Director an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of the Group for the year ended 30 September 2021 were audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Company. The Company has not changed its external auditors in any of the preceding three years.

## **COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group in the event of a material breach or non-compliance. During the year ended 30 September 2021, there was no material breach nor non-compliance with the applicable laws and regulations by the Group.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Board has overall responsibility for the Group's environmental, social and governance (the "ESG") strategy and reporting, and is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. The details of ESG performance of the Group are set out in the "Environmental, Social and Governance Report" section of this annual report.



# Directors' Report

## **RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES**

The Group maintains good relationships with its employees and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers, suppliers and subcontractors, without whom the success in the Group's operation would be at risk. During the year ended 30 September 2021, there were no material disputes between the Group and its customers, suppliers, subcontractors and employees.

## **EVENTS AFTER THE REPORTING PERIOD**

Saved as disclosed in this annual report, there is no other important event affecting the Group since 30 September 2021 and up to the date of this annual report.

ON BEHALF OF THE BOARD

**Ri Ying Holdings Limited**

**Lau Chi Wang**

*Chairman and Executive Director*

Hong Kong, 30 December 2021

# Independent Auditors' Report



31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## TO THE MEMBERS OF RI YING HOLDINGS LIMITED

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

### Opinion

We have audited the consolidated financial statements of Ri Ying Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 66 to 129, which comprise the consolidated statement of financial position as at 30 September 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors’ 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.

# Independent Auditors' Report

## Key Audit Matters (Continued)

### Key audit matter

### How our audit addressed the key audit matter

#### ***Recognition of revenue and costs from construction contracts and contract assets and contract liabilities***

Refer to details in Notes 4 and 5 and the accounting policies in Note 2 to the consolidated financial statements

We identified recognition of revenue and costs from construction contracts and contract assets and contract liabilities as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.

Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included:

- Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management;
- Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined;
- Evaluating the reasonableness of progress towards completion of construction works by obtaining the certificates issued by customers or payment applications confirmed by internal surveyor;
- Testing the actual costs incurred on construction works;
- Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; and
- Assessing the appropriateness and adequate of the disclosures made in the consolidated financial statements.

# Independent Auditors' Report

## Key Audit Matters (Continued)

### Key audit matter

### How our audit addressed the key audit matter

#### *Expected credit loss of trade receivables and contract assets*

Refer to details in Notes 3.1, 4, 18 and 19 and the accounting policies in Note 2 to the consolidated financial statements

The balances of trade receivables and contract assets as at 30 September 2021 were approximately HK\$17,532,000 and approximately HK\$97,234,000, respectively, which were material to the consolidated financial statements. The Group has applied the simplified approach in calculating the expected credit loss for trade receivables and contract assets.

Under the simplified approach, the Group measures the loss allowance based on lifetime expected credit loss at each reporting date by individual assessment. The assessment of the expected credit loss allowance requires significant judgments and estimation by management.

Our audit procedures included, among others, discussing with management on the estimation involved in determining the amount of expected credit loss allowance regarding the trade receivables and contract assets:

- We discussed with management on the estimation involved in determining the amount of expected credit loss allowance regarding the trade receivables and contract assets;
- We tested the working paper files prepared by management's expert to calculate the expected credit loss and checked the information included in the working paper files;
- We evaluated the competence, capabilities and objectivity of the valuation expert engaged by the management;
- We also engaged an independent valuation expert to assist us to assess the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses by the management.

We also assessed the adequacy of the Group's disclosures about the expected credit loss allowance regarding trade receivables and contract assets in the consolidated financial statements.

### Other Information

The directors of the Company 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 auditors' report thereon.

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

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





# Independent Auditors' Report

## Responsibilities of Directors for the Consolidated Financial Statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditors' 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 auditors' 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# Independent Auditors' Report

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, 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 auditors' 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 auditors' report is Lo Kin Kei.

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*

**Lo Kin Kei**  
Practising Certificate Number: P06413

Hong Kong, 30 December 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 September 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5	223,076	303,912
Cost of sales		(202,198)	(267,884)
Gross profit		20,878	36,028
Other income, gains and losses	5	2,582	5,233
Administrative and other operating expenses		(43,162)	(29,900)
Net impairment losses on financial assets and contract assets	3.1	(4,805)	(130)
Operating (loss)/profit		(24,507)	11,231
Finance costs	6	(346)	(306)
(Loss)/profit before tax	7	(24,853)	10,925
Income tax credit/(expense)	10	1,000	(732)
(Loss)/profit for the year		(23,853)	10,193
Other comprehensive expense			
<i>Item that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(104)	(69)
Total comprehensive (expense)/income for the year		(23,957)	10,124
(Loss)/profit for the year attributable to:			
Owners of the Company		(21,274)	10,299
Non-controlling interests		(2,579)	(106)
		(23,853)	10,193
Total comprehensive (expense)/income attributable to:			
Owner of the Company		(21,354)	10,259
Non-controlling interests		(2,603)	(135)
		(23,957)	10,124
Basic and diluted (loss)/earnings per share (HK cents)	11	(2.66)	1.29

Details of dividends are disclosed in Note 13 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 30 September 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	6,484	3,788
Right-of-use assets	15	6,205	8,940
		<u>12,689</u>	<u>12,728</u>
<b>Current assets</b>			
Inventory	17	722	–
Trade and other receivables	18	127,800	43,295
Contract assets	19	97,234	51,288
Financial assets at fair value through profit or loss	20	4,766	15,164
Amount due from a director	27	1	1,655
Amounts due from related parties	28	1,452	–
Tax recoverable		–	33
Bank deposits, balances and cash	21	105,911	132,076
		<u>337,886</u>	<u>243,511</u>
<b>Total assets</b>		<u>350,575</u>	<u>256,239</u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	22	8,000	8,000
Share premium and reserves		174,206	195,560
Equity attributable to owners of the Company		182,206	203,560
Non-controlling interests		(2,738)	(135)
<b>Total equity</b>		<u>179,468</u>	<u>203,425</u>

# Consolidated Statement of Financial Position

As at 30 September 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	24	–	396
Lease liabilities	15	<u>193</u>	<u>3,280</u>
		<u>193</u>	<u>3,676</u>
<b>Current liabilities</b>			
Trade and other payables	25	<b>159,173</b>	40,438
Contract liabilities	19	<b>6,559</b>	3,090
Lease liabilities	15	<b>3,838</b>	4,334
Amount due to a non-controlling interest of a subsidiary	29	<b>1,281</b>	850
Income tax payable		<u>63</u>	<u>426</u>
		<u>170,914</u>	<u>49,138</u>
<b>Total liabilities</b>		<u><b>171,107</b></u>	<u>52,814</u>
<b>Total equity and liabilities</b>		<u><b>350,575</b></u>	<u>256,239</u>
<b>Net current assets</b>		<u><b>166,972</b></u>	<u>194,373</u>
<b>Total assets less current liabilities</b>		<u><b>179,661</b></u>	<u>207,101</u>

The consolidated financial statements were approved and authorised for issue by the board (the “**Board**”) of directors of the Company (the “**Directors**”) on 30 December 2021 and signed on its behalf by:

**Lau Chi Wang**  
*Director*

**Lau Chi Keung**  
*Director*

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 September 2021

## Attributable to owners of the Company

	Share capital	Share premium	Other reserve	Statutory reserve	Exchange reserve	Retained earnings	Subtotal	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 22)		(Note (a))	(Note (b))					
At 1 October 2019	8,000	100,538	10,850	–	(2)	73,915	193,301	–*	193,301
Profit for the year	–	–	–	–	–	10,299	10,299	(106)	10,193
Other comprehensive expense for the year	–	–	–	–	(40)	–	(40)	(29)	(69)
Total comprehensive income for the year	–	–	–	–	(40)	10,299	10,259	(135)	10,124
Transfer to statutory reserve	–	–	–	110	–	(110)	–	–	–
At 30 September 2020	8,000	100,538	10,850	110	(42)	84,104	203,560	(135)	203,425
At 1 October 2020	8,000	100,538	10,850	110	(42)	84,104	203,560	(135)	203,425
Loss for the year	–	–	–	–	–	(21,274)	(21,274)	(2,579)	(23,853)
Other comprehensive expense for the year	–	–	–	–	(80)	–	(80)	(24)	(104)
Total comprehensive expense for the year	–	–	–	–	(80)	(21,274)	(21,354)	(2,603)	(23,957)
Transfer from statutory reserve	–	–	–	(81)	–	81	–	–	–
<b>At 30 September 2021</b>	<b>8,000</b>	<b>100,538</b>	<b>10,850</b>	<b>29</b>	<b>(122)</b>	<b>62,911</b>	<b>182,206</b>	<b>(2,738)</b>	<b>179,468</b>

\* Less than HK\$1,000

Notes:

- (a) The other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the aggregate amount of the nominal value of the share capital of its subsidiaries held by the controlling shareholders arising from the corporate reorganisation pursuant to which the Company became the holding company of the Group on 17 September 2018 (the “**Reorganisation**”).
- (b) According to the People’s Republic of China (the “**PRC**”) Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their respective after-tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 September 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash used in operations	26	(25,722)	(27,386)
Tax paid		(2,781)	(3,609)
Tax refunded		3,086	–
Dividend received		186	10
<b>Net cash used in operating activities</b>		<b>(25,231)</b>	<b>(30,985)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(2,506)	(307)
Proceeds from disposal of property, plant and equipment		52	–
Purchase of financial assets at fair value through profit or loss		(4,992)	(15,000)
Proceeds from redemption of financial assets at fair value through profit or loss		15,000	–
Decrease in fixed deposits with maturity over three months		–	54,000
Interest received		178	2,887
<b>Net cash generated from investing activities</b>		<b>7,732</b>	<b>41,580</b>
<b>Cash flows from financing activities</b>			
Repayment on lease liabilities		(7,680)	(4,034)
Interest paid on lease liabilities		(346)	(306)
<b>Net cash used in financing activities</b>		<b>(8,026)</b>	<b>(4,340)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(25,525)</b>	<b>6,255</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>132,076</b>	<b>125,970</b>
Effect of foreign exchange rate changes		(640)	(149)
<b>Cash and cash equivalents at end of year</b>		<b>105,911</b>	<b>132,076</b>
<b>Analysis of cash and cash equivalents</b>			
Cash at banks	21	103,851	132,036
Fixed deposits maturing within three months	21	2,060	40
		<b>105,911</b>	<b>132,076</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 1 GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in provision of foundation works and site formation works, general building works and associated services, other construction works, construction related consultancy services and health management and consultancy business.

The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2018.

The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is 6/F, Kai Tak Commercial Building, Nos. 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong.

Its parent and ultimate holding company is Elite Bright Developments Limited, a company incorporated in the British Virgin Islands (“**BVI**”) and wholly-owned by Dr. Lau Chi Wang (“**Dr. CW Lau**”), Mr. Lau Chi Ming (“**Mr. CM Lau**”) and Dr. Lau Chi Keung (“**Dr. CK Lau**”), the controlling shareholders of the Company.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 30 December 2021.



# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for the financial instruments that are measured at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

#### 2.1.1 Changes in accounting policies

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

In the current year, the Group applied the “Amendments to References to the Conceptual Framework in HKFRSs” and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 October 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

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

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (Continued)

#### 2.1.1 Changes in accounting policies (Continued)

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

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>5</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>

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

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

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

4 Effective for annual periods beginning on or after 1 January 2021

5 Effective for annual periods beginning on or after 1 April 2021

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchase of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

### 2.4 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income.

#### (c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;
- (ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate assets is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

– Furniture and fixtures	20%
– Office equipment	20%
– Leasehold improvements	Shorter of lease term or 20%
– Motor vehicles	20%
– Machinery	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

### 2.6 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### 2.8 Financial assets

#### *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual items of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.



# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial assets (Continued)

#### *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial assets (Continued)

#### *Measurement (Continued)*

##### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### *Impairment*

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 2.9 Inventories

Finished goods are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.10 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

### 2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2.15 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Retirement benefits obligations*

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

#### (iii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

#### (iv) *Bonus plans*

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

### 2.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### 2.20 Revenue recognition

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Revenue recognition (Continued)

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

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

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

##### *Output method*

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

##### ***Variable consideration***

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Revenue recognition (Continued)

#### *Refund liabilities*

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

#### *Costs to fulfil a contract*

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

### 2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as other income in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### 2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's consolidated financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.



# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

or;

- (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;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); 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 the parent of the Group.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### *Market risk*

##### *(i) Foreign exchange risk*

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising mainly from transactions in Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in the PRC. The appreciation or devaluation of the RMB against the HK\$ may also have an impact on the operating results of the Group.

In addition, the Group's foreign exchange position is monitored on an ongoing basis in order to minimise the impact from the fluctuation of foreign currency rate. The Group currently does not maintain a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

##### *(ii) Interest rate risk*

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from lease liabilities. Lease liabilities obtained with fixed rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at fixed rates. The Group has not hedged its cash flow interest rate risks.

As at 30 September 2021 and 2020, if the interest rate on fixed-rate lease liabilities had been 100 basis points higher/lower with all other variables held constant, the Group's loss (2020: profit) after income tax for the year would have been increased/decreased (2020: decreased/increased) by approximately HK\$4,000 (2020: approximately HK\$4,000).

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### *Market risk (Continued)*

##### *(iii) Price risk*

The Group is exposed to price risk arising from certain investments held by the Group are classified in the consolidated statement of financial position as financial assets at fair value through profit or loss.

For listed fund, if the quoted price of the financial assets at fair value through profit or loss had appreciated/depreciated by 10% with all other variables held constant, the Group's loss (2020: profit) before income tax for the year would have been approximately HK\$477,000 (2020: approximately HK\$29,000) lower/higher (2020: higher/lower) as a result of gains/losses on change in fair value of the financial assets at fair value through profit or loss.

For unlisted investment, assuming that the unit price of the investment increased/decreased by 10% and all other variables held constant at 30 September 2020, the Group's profit before income tax for the year would have been approximately HK\$1,487,000 higher/lower for the year ended 30 September 2020 as a result of gains/losses on change in fair value of the financial assets at fair value through profit or loss.

#### *Credit risk and impairment assessment*

Credit risk arises mainly from trade and other receivables, contract assets, amount due from a director, amounts due from related parties and bank deposits and balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### *Credit risk and impairment assessment (Continued)*

In order to minimise the credit risk on trade receivables and contract assets, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade receivable and contract assets. In this regard, the management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced. The Group considers available reasonable and supportive forward-looking information. The Group applies simplified approach on trade receivables and contract assets to provide for ECL. To measure the ECL of trade receivables and contract assets, other than significant balances which are assessed individually, the remaining balances have been grouped based on shared credit risk characteristics. As at 30 September 2021, the impairment loss allowance for trade receivable and contract assets were determined as follows:

	<u>Within 30 days</u>	<u>Over 31 days and within 60 days</u>	<u>Over 61 days and within 90 days</u>	<u>Over 91 days and within 365 days</u>	<u>Over 365 days</u>	<u>Total</u>
Trade receivables						
As at 30 September 2021						
Average loss rate	0.6%	0.5%	2.9%	5.5%	100.0%	
Gross carrying amount (HK\$'000)	10,108	3,553	735	3,421	2,943	20,760
Loss allowance provision (HK\$'000)	56	19	21	189	2,943	3,228
						<u>Total</u>
Contract assets						
As at 30 September 2021						
Average loss rate						2.8%
Gross carrying amount (HK\$'000)						100,008
Loss allowance provision (HK\$'000)						<u>2,774</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### *Credit risk and impairment assessment (Continued)*

As at 30 September 2021, the Group has concentration of credit risk as approximately 75.0% (2020: approximately 63.5%) of the Group's trade receivables and contract assets were due from the Group's five largest trade debtors.

For deposits and other receivables, as at 30 September 2021 and 2020, the credit rating of deposits and other receivables was performing. The management considered that the credit risk of these financial assets have significantly increased since initial recognition. The Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under 12-month ECL method after taken into account the historical default experience, historical settlement records as well as the loss upon default in each case and are adjusted with forward-looking information.

For amounts due from related parties and amount due from a director, the Directors continuously monitor the credit quality and financial positions of the counterparty and the level of exposure to ensure that the follow-up action is taken to recover the debts. The Group has assessed that the expected credit loss rate for this receivable is not material under 12-month ECL. Therefore, no loss allowance for the amount due from related parties and amount due from a director were recognised.

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

<b>Internal credit rating</b>	<b>Description</b>	<b>Trade receivables/ contract assets</b>	<b>Other financial assets</b>
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Loss	There is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### *Credit risk and impairment assessment (Continued)*

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

As at 30 September 2021	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Trade receivables (note)	18	N/A	Low risk	Lifetime ECL – not credit impaired	13,570
	18	N/A	Doubtful	Lifetime ECL – not credit impaired	735
	18	N/A	Loss	Life time ECL – credit impaired	6,455
					<b>20,760</b>
Other receivables and deposits	18	N/A	Low risk Loss	12m ECL Lifetime ECL – credit impaired	50,557 5
					<b>50,562</b>
Amount due from a director	27	N/A	Low risk	12m ECL	1
Amounts due from related parties	28	N/A	Low risk	12m ECL	1,452
Bank deposits and balances	21	Baa2-Aa3	N/A	12m ECL	105,911
<b>Other item</b>					
Contract assets	19	N/A	Low risk	Life time ECL – not credit impaired	98,917
	19	N/A	Loss	Life time ECL – credit impaired	1,091
					<b>100,008</b>
<b>As at 30 September 2020</b>					
	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Trade receivables (note)	18	N/A	Low risk	Lifetime ECL – not credit impaired	11,726
	18	N/A	Doubtful	Lifetime ECL – not credit impaired	12,349
	18	N/A	Loss	Life time ECL – credit impaired	3,273
					<b>27,348</b>
Other receivables and deposits	18	N/A	Low risk	12m ECL	17,323
Amount due from a director	27	N/A	Low risk	12m ECL	1,655
Bank deposits and balances	21	Baa3-Aa3	N/A	12m ECL	132,076
<b>Other item</b>					
Contract assets	19	N/A	Low risk	Life time ECL – not credit impaired	51,794
	19	N/A	Loss	Life time ECL – credit impaired	42
					<b>51,836</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### *Credit risk and impairment assessment (Continued)*

Note:

The expected credit losses on trade receivables and contract assets are estimated by reference to past due status of the individual debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, future economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

	Lifetime ECL (not credit impaired)		Lifetime ECL (credit impaired)		Total HK\$'000
	Trade receivables HK\$'000	Contract assets HK\$'000	Trade receivables HK\$'000	Contract assets HK\$'000	
At 1 October 2019	1,032	408	3,870	790	6,100
– Transfer to credit-impaired	(17)	–	17	–	–
– Impairment recognised	273	794	1,728	42	2,837
– Impairment reversed	(983)	(247)	(687)	(790)	(2,707)
– Written off as uncollectible	(33)	(449)	(3,068)	–	(3,550)
– Exchange adjustments	2	–	–	–	2
As at 30 September 2020	274	506	1,860	42	2,682
<b>As at 30 September 2020 and 1 October 2020</b>	<b>274</b>	<b>506</b>	<b>1,860</b>	<b>42</b>	<b>2,682</b>
– Transfer to credit-impaired	(1,914)	–	1,914	–	–
– Impairment recognised	4,013	1,683	1,246	1,091	8,033
– Impairment reversed	(1,603)	(506)	(1,077)	(42)	(3,228)
– Written off as uncollectible	(40)	–	(786)	–	(826)
– Exchange adjustments	413	–	–	–	413
As at 30 September 2021	1,143	1,683	3,157	1,091	7,074

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current rates at the end of each reporting period) and the earliest date the Group may be required to pay:

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
<b>At 30 September 2021</b>				
Trade and other payables	159,173	–	–	159,173
Lease liabilities	3,933	194	–	4,127
Amount due to a non-controlling interest of a subsidiary	1,281	–	–	1,281
	<b>164,387</b>	<b>194</b>	<b>–</b>	<b>164,581</b>
	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
<b>At 30 September 2020</b>				
Trade and other payables	40,438	–	–	40,438
Lease liabilities	4,555	2,300	1,093	7,948
Amount due to a non-controlling interest of a subsidiary	850	–	–	850
	45,843	2,300	1,093	49,236



# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

The gearing ratios of the Group are as follows:

	2021 HK\$'000	2020 HK\$'000
Total borrowings	4,031	7,614
Total equity	179,468	203,425
Gearing ratio	2.25%	3.74%

### 3.3 Fair value estimation

The below analyses the Group's financial instruments carried at fair value as at 30 September 2021 and 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation (Continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
<b>As at 30 September 2021</b>			
<b>Assets</b>			
Financial assets at fair value through profit or loss			
– Listed securities and fund	<u>4,766</u>	<u>–</u>	<u>4,766</u>
As at 30 September 2020			
<b>Assets</b>			
Financial assets at fair value through profit or loss			
– Listed fund	291	–	291
– Unlisted equity-linked notes	<u>–</u>	<u>14,873</u>	<u>14,873</u>
	<u>291</u>	<u>14,873</u>	<u>15,164</u>

There were no transfers between levels during the years.

The fair value of unlisted equity-linked notes is using quoted market prices provided by bank.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 represent investments listed in Hong Kong stock market.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### **Construction contracts**

The Group recognises its contract over time by reference to the progress towards complete satisfaction of a performance obligation of the end of the reporting period, measured based on the surveys of work performed to date of the individual contract of construction works relative to total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

### **Provision of expected credit loss for trade receivables and contract assets**

The Directors estimate the amount of loss allowance for ECL on trade receivables and contract assets based on the credit risk and past due status of trade receivables and contract assets. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss. The assessment of the credit risk involves high degree of estimation and uncertainty as the Directors estimates the loss rates for debtors by using past history, existing market conditions as well as forward-looking information. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue and other income, gains and losses recognised during the years are as follows:

	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>		
Foundation and site formation works	70,441	30,020
General building works and associated services	70,578	180,268
Other construction works	56,916	65,420
Construction related consultancy services	10,750	6,345
Sales of health products	14,391	21,202
Sales of health services	–	657
	<b>223,076</b>	<b>303,912</b>
<b>Other income, gains and losses</b>		
Bank interest income	178	2,887
Loss on disposal of property, plant and equipment	(27)	–
Gain on disposal of subsidiaries	–	2
Gain on lease termination	45	–
Dividend income from financial assets at fair value through profit or loss	186	10
Fair value change on financial assets at fair value through profit or loss	(390)	(159)
Insurance claims	555	256
Agency commission income	274	937
Government grant ( <i>Note</i> )	1,036	1,176
Rental income	207	–
Others	518	124
	<b>2,582</b>	<b>5,233</b>

*Note:*

The amount mainly represents Employment Support Scheme under the Anti-epidemic Fund of The Government of the Hong Kong Special Administrative Region. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group did not have any unfulfilled conditions relating to the grant during the year.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

### Disaggregation of revenue from contracts with customers

	2021 HK\$'000	2020 HK\$'000
<b>Type of services</b>		
Foundation and site formation works	70,441	30,020
General building works and associated services	70,578	180,268
Other construction works	56,916	65,420
Construction related consultancy services	10,750	6,345
Sales of health products	14,391	21,202
Sales of health services	–	657
	<u>223,076</u>	<u>303,912</u>
<b>Timing of revenue recognition</b>		
A point in time	14,391	21,859
Over time	208,685	282,053
	<u>223,076</u>	<u>303,912</u>

### Performance obligations for contracts with customers

The Group provides foundation and site formation works, general building works and associated services, other construction works and construction related consultancy services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls. Revenue for these works is therefore recognised over time. The Group measures progress using an output method. Specifically, progress is based on surveys of the relevant services completed by the Group to the end of the current reporting period with reference to certificates issued by customers or payment applications confirmed by internal surveyor. The directors of the Company consider that this method faithfully depicts the Group's performance towards complete satisfaction of these performance obligations in these contracts.

Sales of health products and services are recognised at a point in time when control of the goods and services is transferred to customers.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

### Transaction price allocated to the remaining performance obligations from contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each reporting period and the expected timing of recognising revenue are as follows:

#### Year ended 30 September 2021

	Foundation and site formation works HK\$'000	General building works and associated services HK\$'000	Other construction works HK\$'000
Within one year	56,357	5,463	35,946
More than one year but not more than two years	55,452	31,492	34,636
More than two years	6,723	–	19,437
	<b>118,532</b>	<b>36,955</b>	<b>90,019</b>

#### Year ended 30 September 2020

	Foundation and site formation works HK\$'000	General building works and associated services HK\$'000	Other construction works HK\$'000
Within one year	73,167	55,036	47,574
More than one year but not more than two years	71,001	26,237	16,484
More than two years	–	–	53,182
	<b>144,168</b>	<b>81,273</b>	<b>117,240</b>

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its construction related consultancy services and sales of health products and services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for construction related consultancy services and sales of health products and services that had an original expected duration of one year or less.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

### Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive directors of the Company, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- Foundation and site formation works;
- General building works and associated services;
- Other construction works;
- Construction related consultancy services; and
- Health management and consultancy business.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

	Foundation and site formation works HK\$'000	General building works and associated services HK\$'000	Other construction works HK\$'000	Construction related consultancy services HK\$'000	Health management and consultancy business HK\$'000	Total HK\$'000
<b>Year ended 30 September 2021</b>						
Segment revenue	70,441	70,578	56,916	10,750	14,391	223,076
Segment results	4,496	(1,134)	6,344	3,171	8,001	20,878
Other income, gains and losses						2,582
Administrative and other operating expenses						(43,162)
Net impairment losses on financial assets and contract assets						(4,805)
Finance costs						(346)
Loss before tax						(24,853)
<b>Year ended 30 September 2020</b>						
Segment revenue	30,020	180,268	65,420	6,345	21,859	303,912
Segment results	3,804	19,606	3,152	158	9,308	36,028
Other income, gains and losses						5,233
Administrative and other operating expenses						(29,900)
Net impairment losses on financial assets and contract assets						(130)
Finance costs						(306)
Profit before tax						10,925

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment results, mainly represented profit earned by each segment, excluding other income, gains and losses, administrative and other operating expenses, net impairment losses on financial assets and contract assets, finance costs and income tax expenses.



# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION (CONTINUED)

### Geographical information

Information about the Group's revenue from external customers is presented based on location of operation is as follows:

	2021 HK\$'000	2020 HK\$'000
The PRC	14,391	21,859
Hong Kong	208,685	282,053
	<b>223,076</b>	<b>303,912</b>

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the geographical location of the assets:

	2021 HK\$'000	2020 HK\$'000
The PRC	6,655	2,228
Hong Kong	6,034	10,500
	<b>12,689</b>	<b>12,728</b>

### Information about major customers

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

	2021 HK\$'000	2020 HK\$'000
Customer A <sup>2 and 3</sup>	48,439	N/A <sup>3</sup>
Customer B <sup>1 and 2</sup>	54,503	109,627
Customer C <sup>1 and 3</sup>	N/A <sup>3</sup>	49,688
Customer D <sup>3 and 4</sup>	27,521	N/A <sup>3</sup>

<sup>1</sup> Revenue from general building works and associated services.

<sup>2</sup> Revenue from foundation and site formation works.

<sup>3</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

<sup>4</sup> Revenue from other construction works.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 6 FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	346	306

## 7 (LOSS)/PROFIT BEFORE TAX

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	1,634	1,174
Depreciation of right-of-use assets	6,141	3,730
Short-term lease expenses	423	1,397
Auditors' remuneration	980	980
Employee benefit expenses, including Directors' emoluments ( <i>Note 8</i> )	30,136	23,610
Net impairment losses on financial assets and contact assets	4,805	130

## 8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	24,836	20,173
Discretionary bonuses	3,586	2,846
Retirement benefit scheme contributions	1,714	591
	30,136	23,610

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (CONTINUED)

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund (“MPF”) Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance. No forfeited contribution under the MPF scheme is available to reduce the contribution payable in future years.

The employees of the Group’s subsidiaries established in the PRC are required to participate in a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. No forfeited contribution under the state-managed retirement benefit scheme is available to reduce the contribution payable in future years. The contributions are charged to profit or loss as they become payable in accordance with the rules of the state-managed retirement benefit scheme.

## 9 BENEFITS AND INTERESTS OF DIRECTORS

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

The remuneration of each director and the chief executive for the years ended 30 September 2021 and 2020 is set out below:

	Fee HK\$'000	Salaries and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 30 September 2021</b>					
<i>Executive Directors</i>					
Dr. CW Lau (Note)	-	1,721	693	-	2,414
Mr. CM Lau (Note)	-	1,721	693	-	2,414
Dr. CK Lau ( <i>Chief Executive Officer</i> ) (Note)	-	1,721	693	-	2,414
Mr. Sun Wei (Note)	-	120	-	6	126
<i>Independent non-executive Directors</i>					
Mr. Leung Bing Kwong Edward (“Mr. Leung”)	-	143	-	-	143
Mr. Pang Ka Hang (“Mr. Pang”)	-	143	-	-	143
Mr. Wong Chun Nam (“Mr. Duffy Wong”)	-	143	-	-	143
	-	5,712	2,079	6	7,797

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

	Fee HK\$'000	Salaries and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 30 September 2020					
<i>Executive Directors</i>					
Dr. CW Lau (Note)	-	1,613	504	-	2,117
Mr. CM Lau (Note)	-	1,613	504	-	2,117
Dr. CK Lau ( <i>Chief Executive Officer</i> ) (Note)	-	1,613	504	9	2,126
Mr. Sun Wei (Note)	-	120	-	6	126
<i>Independent non-executive Directors</i>					
Mr. Leung	-	134	-	-	134
Mr. Pang	-	134	-	-	134
Mr. Duffy Wong	-	134	-	-	134
	-	5,361	1,512	15	6,888

During the years ended 30 September 2021 and 2020, 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. No Directors waived or agreed to waive any emoluments during the years ended 30 September 2021 and 2020.

Note: Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Mr. Sun Wei were also directors of certain subsidiaries of the Company and/or employees of the Group during the years ended 30 September 2021 and 2020 and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2020: three) of them are directors of the Company for the year ended 30 September 2021 whose emoluments are disclosed above. The emoluments in respect of the remaining two (2020: two) individuals during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and allowances	1,825	1,759
Discretionary bonuses	296	214
Retirement benefit scheme contributions	36	36
	<u>2,157</u>	<u>2,009</u>

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands (in HK\$)		
Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	1	1

During the years ended 30 September 2021 and 2020, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

## 10 INCOME TAX (CREDIT)/EXPENSE

	2021 HK\$'000	2020 HK\$'000
Hong Kong profits tax:		
– Current income tax	–	713
– Overprovision in prior years	(604)	(465)
PRC Enterprise Income Tax:		
– Current income tax	–	58
Deferred income tax (Note 24)	(396)	426
Income tax (credit)/expense	<u>(1,000)</u>	<u>732</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 10 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to one entity within the Group for the years ended 30 September 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to the provisions of Caishui [2019] No.13 and Guoshui 2019 No.2, certain PRC subsidiaries of the Group, enjoy preferential income tax policies for the small and low profit enterprises during the years ended 30 September 2021 and 2020.

The taxation on the Group’s (loss)/profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2021 HK\$’000	2020 HK\$’000
(Loss)/profit before tax	<u>(24,853)</u>	<u>10,925</u>
Calculated at a tax rate of 16.5%	(4,101)	1,803
Expenses not deductible for tax purposes	178	38
Temporary differences not recognised	190	725
Income not subject to tax	(566)	(656)
Overprovision in prior years	(604)	(465)
Tax loss not recognised	4,726	348
Utilisation of tax losses previously not recognised	(35)	(762)
Effect of different tax rates of subsidiaries operating in other jurisdiction	(729)	98
Effect of tax exemption and preferential rates granted to certain PRC subsidiaries	(59)	(232)
Others	—	(165)
Income tax (credit)/expense	<u>(1,000)</u>	<u>732</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 11 (LOSS)/EARNINGS PER SHARE

	2021	2020
(Loss)/profit attributable to owners of the Company (HK\$'000)	<u>(21,274)</u>	<u>10,299</u>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	<u>800,000</u>	<u>800,000</u>
Basic (loss)/earnings per share (HK cents)	<u>(2.66)</u>	<u>1.29</u>

For the years ended 30 September 2021 and 2020, the calculation of the basic (loss)/earnings per share attributable to owners of the Company was based on (i) the (loss)/profit for the year attributable to owners of the Company; and (ii) the weighted average number of ordinary shares in issue during the year.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary share in issue during the years ended 30 September 2021 and 2020.

## 12 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 30 September 2021:

<u>Name</u>	<u>Place of incorporation/operation</u>	<u>Principal activities</u>	<u>Particulars of issued share capital/registered capital</u>	<u>Percentage of interest held</u>
Fong On Construction Limited	Hong Kong	Provision of construction and consultancy services	Ordinary share HK\$24,300,000	100% (indirect)
Fong On Geotechnics Limited	Hong Kong	Provision of construction and consultancy services	Ordinary share HK\$100,020	100% (indirect)
Po Shing Construction Limited	Hong Kong	Provision of construction and consultancy services	Ordinary share HK\$5,200,002	100% (indirect)
James Lau & Associates Limited	Hong Kong	Provision of construction and consultancy services	Ordinary share HK\$18,500	100% (indirect)

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 12 PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/operation	Principal activities	Particulars of issued share capital/registered capital	Percentage of interest held
Shanghai Cai Kang Le Health Management Limited*(上海財康樂健康管理有限公司)	Company with limited liability in the PRC (solely funded by Hong Kong, Macao or Taiwan corporate body)	Health management and consultancy	Registered capital RMB50,000,000	100% (indirect)
Shanghai Yiqianjin Technology Development Co., Ltd.*(上海易芊錦科技發展有限公司)	Other company with limited liability in the PRC	Health management and consultancy	Registered capital RMB1,000,000	51% (indirect)
Tangshan Yun Hua Sheng Yi Supply Chain Co., Ltd.*(唐山雲華聖翼供應鏈有限公司)	Company with limited liability in the PRC (invested or controlled by natural person)	Health management and consultancy	Registered capital RMB50,000,000	51% (indirect)
Jilin Cai Shen Tang Ginseng Industry Co., Ltd.*(吉林財參堂人參產業有限公司)	Other company with limited liability in the PRC	Health management and consultancy	Registered capital RMB10,000,000	60% (indirect)

\* The English translation is for identification purpose only

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interest:

Name	Place of incorporation/operation	Principal activities	Particulars of issued share capital/registered capital	Percentage of interest held
Tangshan Yun Hua Sheng Yi Supply Chain Co., Ltd.*(唐山雲華聖翼供應鏈有限公司)	Company with limited liability in the PRC (invested or controlled by natural person)	Health management and consultancy	Registered capital RMB50,000,000	51% (indirect)

The non-controlling interests in respect of the others are not material.

### Summarised financial information on subsidiary with material non-controlling interests

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.



# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 12 PRINCIPAL SUBSIDIARIES (CONTINUED)

### Summarized statement of financial position

	2021 HK\$'000
Current assets	86,680
Non-current assets	–
Current liabilities	(87,368)
Non-current liabilities	–
Net liabilities	(688)

### Summarized statement of profit or loss and other comprehensive income

	2021 HK\$'000
Revenue	–
Loss for the period	(668)
Other comprehensive expense for the year	(20)
Total comprehensive expense for the year	(688)
Total comprehensive expense allocated to non-controlling interest	(337)

### Summarized statement of cash flows

	2021 HK\$'000
Net cash inflow from operating activities	108
Net cash inflow from investing activities	–*
Net cash inflow from financing activities	–
Net cash inflow	108

\* Less than HK\$1,000

The information above is the amount before inter-company eliminations.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year. The Group had no subsidiaries which have material non-controlling interests for the years ended 30 September 2020.

## 13 DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 30 September 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 14 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1 October 2019	–	2,615	2,546	176	1,845	1,323	8,505
Additions	–	7	300	–	–	–	307
Exchange adjustments	–	–	1	–	–	–	1
<b>At 30 September 2020</b>	<b>–</b>	<b>2,622</b>	<b>2,847</b>	<b>176</b>	<b>1,845</b>	<b>1,323</b>	<b>8,813</b>
<b>Accumulated depreciation</b>							
At 1 October 2019	–	754	1,305	111	1,555	126	3,851
<i>Charge for the year</i>	–	414	409	16	71	264	1,174
Exchange adjustments	–	–	–*	–	–	–	–*
<b>At 30 September 2020</b>	<b>–</b>	<b>1,168</b>	<b>1,714</b>	<b>127</b>	<b>1,626</b>	<b>390</b>	<b>5,025</b>
<b>Net book value</b>							
<b>At 30 September 2020</b>	<b>–</b>	<b>1,454</b>	<b>1,133</b>	<b>49</b>	<b>219</b>	<b>933</b>	<b>3,788</b>
<b>Cost</b>							
At 1 October 2020	–	2,622	2,847	176	1,845	1,323	8,813
Additions	971	33	283	1,219	–	–	2,506
Transfer from right-of- use assets	–	–	–	–	1,271	3,288	4,559
Disposals	–	–	(55)	–	–	–	(55)
Exchange adjustments	–	1	3	40	–	–	44
<b>At 30 September 2021</b>	<b>971</b>	<b>2,656</b>	<b>3,078</b>	<b>1,435</b>	<b>3,116</b>	<b>4,611</b>	<b>15,867</b>
<b>Accumulated depreciation</b>							
At 1 October 2020	–	1,168	1,714	127	1,626	390	5,025
Charge for the year	–	407	406	157	71	593	1,634
Transfer from right-of- use assets	–	–	–	–	720	2,028	2,748
Eliminated on disposals	–	–	(30)	–	–	–	(30)
Exchange adjustments	–	–*	1	5	–	–	6
<b>At 30 September 2021</b>	<b>–</b>	<b>1,575</b>	<b>2,091</b>	<b>289</b>	<b>2,417</b>	<b>3,011</b>	<b>9,383</b>
<b>Net book value</b>							
<b>At 30 September 2021</b>	<b>971</b>	<b>1,081</b>	<b>987</b>	<b>1,146</b>	<b>699</b>	<b>1,600</b>	<b>6,484</b>

\* Less than HK\$1,000

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 HK\$'000	2020 HK\$'000
<b>Right-of-use assets</b>		
Premises	5,788	5,956
Motor vehicles	357	1,315
Machinery	–	1,589
Office equipment	60	80
	<u>6,205</u>	<u>8,940</u>
<b>Lease liabilities</b>		
Non-current	193	3,280
Current	3,838	4,334
	<u>4,031</u>	<u>7,614</u>

During the year ended 30 September 2021, additions to the right-of-use assets were approximately HK\$6,858,000 (2020: approximately HK\$2,284,000).

The Group leases various motor vehicles, office equipment and premises. Rental contracts are typically made for fixed periods of 1 to 2 years, but may have extension option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

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

	2021 HK\$'000	2020 HK\$'000
Depreciation of right-of-use assets		
– Premises	5,385	2,633
– Motor vehicles	407	419
– Machinery	329	658
– Office equipment	20	20
Interest on lease liabilities	346	306
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 30 September 2021 and 2020	423	1,397
	<u>6,910</u>	<u>5,433</u>

During the year ended 30 September 2021, the total cash outflow for leases was approximately HK\$8,449,000 (2020: approximately HK\$5,737,000).

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

### (c) Termination options

Termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The Group assesses at lease commencement date whether it is reasonably certain to be not exercised the termination options. Periods after termination options are only included in the lease term if the lease is reasonably certain to be not terminated.

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
<i>At amortised costs</i>		
Trade and other receivables excluding non-financial assets	67,022	42,537
Amount due from a director	1	1,655
Amounts due from related parties	1,452	–
Bank deposits, balances and cash	105,911	132,076
	174,386	176,268
<i>Financial assets at fair value through profit or loss</i>		
Financial assets at fair value through profit or loss	4,766	15,164
<b>Total</b>	179,152	191,432
<b>Financial liabilities</b>		
<i>At amortised cost</i>		
Trade and other payables excluding non-financial liabilities	159,173	40,438
Lease liabilities	4,031	7,614
Amount due to a non-controlling interest of a subsidiary	1,281	850
<b>Total</b>	164,485	48,902

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 17 INVENTORY

	2021 HK\$'000	2020 HK\$'000
Finished goods	722	–

## 18 TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	20,760	27,348
Less: provision for impairment losses	(3,228)	(2,134)
	<b>17,532</b>	25,214
Other receivables, deposits and prepayments (Note (d))	111,340	18,081
Less: provision for impairment losses	(1,072)	–
	<b>110,268</b>	18,081
	<b>127,800</b>	43,295

Notes:

- (a) The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the contract, as appropriate.
- (b) The ageing analysis of the trade receivables (net of impairment losses) based on payment certificate date or invoice date is as follows:

	2021 HK\$'000	2020 HK\$'000
0–30 days	10,052	9,072
31–60 days	3,534	1,255
61–90 days	714	12,551
Over 90 days	3,232	2,336
	<b>17,532</b>	25,214

As at 30 September 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$10,651,000 (2020: approximately HK\$18,276,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$2,283,000 (2020: approximately HK\$2,291,000) has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.
- (d) The prepayments were mainly the payments to the suppliers for the procurement of goods in relation to the agency commission income.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 19 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
<b>Contract assets</b>		
Provision for construction services (Note (a))	100,008	51,836
Less: provision for impairment losses	(2,774)	(548)
	<u>97,234</u>	<u>51,288</u>
<b>Contract liabilities</b>		
Sales of health product and services (Note (b))	<u>6,559</u>	<u>3,090</u>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

Included in contract assets comprises retention receivables of approximately HK\$34,024,000 as at 30 September 2021 (2020: approximately HK\$32,460,000), after recognition of impairment loss of approximately HK\$1,109,000 (2020: approximately HK\$294,000), the carrying amount of retention receivables as at 30 September 2021 was approximately HK\$32,915,000 (2020: approximately HK\$32,166,000).

Retention receivables represented the monies withheld by customers of contract works fully recoverable within 1 to 2 years from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Generally, upon satisfactory completion of contract work as set out in the contract, partial of the retention money of such contract work will be released to the Group, while the remaining will be released to the Group upon the expiration of the defects liability period.

The retention receivables, before recognition of impairment loss, would be settled, based on the expiry of the defect liability period, at the end of the reporting period as follow:

	2021 HK\$'000	2020 HK\$'000
Within one year	9,877	10,047
After one year	<u>24,147</u>	<u>22,413</u>
	<u>34,024</u>	<u>32,460</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 19 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liability		
balance at the beginning of the year:		
– Provision for construction services	–	12,233
– Sales of health product and services	1,637	1,633

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

### Provision for construction services

When the Group receives deposits before services is rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

### Sales of health products and services

The Group receives deposits from customers when they sign the sale and purchase agreement, this will give rise to contract liabilities at the start of a contract.

Notes:

- (a) The significant increase of contract assets is the result of the increase in completion of certain projects with significant contract sum for foundation and site formation works, general building works and associated services, other construction works and the respective retention money withheld by the customers of contract works under the defect liability period.
- (b) The significant increase in contract liabilities in the current year was mainly due to deposit received from customers.

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

	2021 HK\$'000	2020 HK\$'000
Financial assets mandatorily measured at FVTPL:		
Unlisted equity-linked notes (Note)	–	14,873
Listed securities and fund, at quoted price in Hong Kong	4,766	291
	4,766	15,164

Note:

The unlisted equity-linked notes were subject to knock-out and a maximum tenor of 3 months and linked to a basket of Hong Kong stocks. The unlisted equity-linked notes carry interests at rates range from 11% to 13% per annum and could only be redeemed by the issuers at the specific observation dates. The equity-linked notes contain terms enabling the issuers either to deliver the underlying equity securities on maturity if the market prices of the worst performing underlying security were lower than its respective pre-determined reference stock prices or cash settlement of the principal and interest if the market prices of the underlying securities were higher than their respective pre-determined reference stock prices on each observation date. The exercise price was set at discount of about 10% to 20% to the initial spot price of the underlying stocks in the basket. All the unlisted equity-linked notes are early redeemed by the issuers in October 2020 at the redemption amounts approximated to their carry amounts as at 30 September 2020.

Fair value of unlisted equity-linked notes are determined by reference to the prices quoted by bank that is classified as Level 2 in the fair value hierarchy.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 21 BANK DEPOSITS, BALANCES AND CASH

	2021 HK\$'000	2020 HK\$'000
Cash at banks	105,911	132,076
Bank balances	103,851	132,036
Deposits at banks		
– fixed deposits (maturing within three months)	2,060	40
	105,911	132,076

Notes:

- (a) The carrying amount of cash and bank balances were denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	104,294	129,859
US\$	26	7
RMB	1,591	2,210
Cash at banks	105,911	132,076

- (b) As at 30 September 2021, the bank balances and deposits bore interest at a rate of 0.01% per annum (2020: rates of 0.01% per annum).
- (c) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for the other currencies through banks authorised to conduct foreign exchange business.



# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 22 SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 October 2019, 30 September 2020, 1 October 2020 and 30 September 2021	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 October 2019, 30 September 2020, 1 October 2020 and 30 September 2021	<u>800,000</u>	<u>8,000</u>

## 23 SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 17 September 2018 as to attract and retain the best available personnel and to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for shares of the Company. The basis of eligibility of any participant to the grant of any option shall be determined by the board of directors from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 23 SHARE OPTION SCHEME (CONTINUED)

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options in excess of such limit, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK\$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

An offer for the grant of options must be accepted in writing within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of directors of the Company may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the offer date of grant of the option.

The Scheme will remain in force for a period of ten years commencing on 17 September 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders at a general meeting of the Company.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 30 September 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 24 DEFERRED TAX ASSETS/(LIABILITIES)

The following is the deferred tax assets and liabilities recognised and movements thereon during the years ended 30 September 2021 and 2020:

	Depreciation allowance HK\$'000	Tax losses HK\$'000	ECL provision HK\$'000	Total HK\$'000
At 1 October 2019	(829)	–	859	30
Credited/(charged) to profit or loss (Note 10)	203	–	(629)	(426)
At 30 September 2020 and 1 October 2020	(626)	–	230	(396)
Credited/(charged) to profit or loss (Note 10)	198	428	(230)	396
<b>At 30 September 2021</b>	<b>(428)</b>	<b>428</b>	<b>–</b>	<b>–</b>

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2021 HK\$'000	2020 HK\$'000
Deferred tax assets	428	–
Deferred tax liabilities	(428)	(396)
	–	(396)

At the end of the reporting period, the Group has unused tax losses of approximately HK\$31.7 million (2020: approximately HK\$16.5 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$13.7 million (2020: HK\$0.3 million) that will expire within 5 years. Other losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 25 TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	9,578	10,021
Retention payables	28,975	18,275
Accruals and other payables (Note (c))	120,620	12,142
	<b>159,173</b>	<b>40,438</b>

Notes:

(a) The ageing analysis of trade payables based on the invoice date is as follows:

	2021 HK\$'000	2020 HK\$'000
0 – 30 days	7,999	9,122
31 – 60 days	409	–
61 – 90 days	73	–
Over 90 days	1,097	899
	<b>9,578</b>	<b>10,021</b>

Except for retention payables of approximately HK\$14,678,000 as at 30 September 2021 (2020: approximately HK\$5,169,000), which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

(b) As at 30 September 2021, included in trade payable was amount due to a related party, 上海蜂妮醫藥科技有限公司 (「上海蜂妮」) of approximately HK\$6,000. 上海蜂妮 is controlled by a family member of Mr. Sun Wei.

(c) The other payables were mainly the receipts from the customers in relation to the agency commission income.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 26 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Reconciliation of (loss)/profit before tax to net cash used in operations

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit before tax	(24,853)	10,925
Adjustments for:		
Depreciation of property, plant and equipment	1,634	1,174
Depreciation of right-of-use assets	6,141	3,730
Interest expense	346	306
Interest income	(178)	(2,887)
Dividend income	(186)	(10)
Net impairment losses on financial assets and contract assets	4,805	130
Loss on disposal of property, plant and equipment	27	–
Gain on disposal of subsidiaries	–	(2)
Gain on lease termination	(45)	–
Net loss on change in fair value of financial assets at fair value through profit or loss	390	127
Operating (loss)/profit before working capital changes	(11,919)	13,493
(Increase)/decrease in inventory	(699)	276
Increase in trade and other receivables	(84,122)	(6,463)
(Increase)/decrease in contract assets	(48,172)	9,370
Decrease in financial assets at fair value through profit or loss	–	32
Decrease/(increase) in amount due from a director	1,601	(1,615)
Increase in amounts due from related parties	(1,406)	–
Increase/(decrease) in trade and other payables	115,220	(32,118)
Increase/(decrease) in contract liabilities	3,358	(11,191)
Increase in amount due to a non-controlling interest of a subsidiary	417	830
Net cash used in operations	(25,722)	(27,386)

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 26 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

### (b) Reconciliation of liabilities arising from financing activities

	As at 1 October 2020 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	Exchange adjustments HK\$'000	As at 30 September 2021 HK\$'000
Lease liabilities (Note)	7,614	(8,026)	5,023	(580)	4,031
Total liabilities from financing activities	7,614	(8,026)	5,023	(580)	4,031

  

	As at 1 October 2019 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	Exchange adjustments HK\$'000	As at 30 September 2020 HK\$'000
Lease liabilities (Note)	9,324	(4,340)	2,590	40	7,614
Total liabilities from financing activities	9,324	(4,340)	2,590	40	7,614

Note:

Non-cash changes represent additions to lease liabilities, interest arising from lease liabilities and gain on lease termination.

## 27 AMOUNT DUE FROM A DIRECTOR

Name	Maximum outstanding balances during the years ended 30 September		As at 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Mr. Sun Wei	1,655	2,921	1	1,655

The amount due was non-trade in nature, unsecured, non-interest bearing and has no fixed term of repayment.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 28 AMOUNTS DUE FROM RELATED PARTIES

Name	Maximum outstanding balances during the years ended 30 September 2021 HK\$'000	As at 30 September 2021 HK\$'000
日贏投資控股集團有限公司	465	465
上海日贏股權投資基金有限公司	755	755
上海蒸冉投資管理有限公司	232	232
	<u>1,452</u>	<u>1,452</u>

The amounts due were non-trade in nature, unsecured, non-interest bearing and have no fixed term of repayment.

## 29 AMOUNT DUE TO A NON-CONTROLLING INTEREST OF A SUBSIDIARY

The amount due was non-trade in nature, unsecured, non-interest bearing and has no fixed term of repayment.

## 30 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties at terms mutually agreed by both parties.

### (a) Transactions

	2021 HK\$'000	2020 HK\$'000
Purchases from 上海蜂妮	13	–
Revenue from Maxwell Contract Services Company Limited ("Maxwell Contract Services")	–	37

Maxwell Contract Services is a company owned by Dr. CW Lau.

### (b) Key management compensation

Key management comprises the directors of the Company. The compensation paid or payable to directors of the Company is disclosed in Note 9.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 31 SURETY BONDS AND CONTINGENT LIABILITIES

As at 30 September 2021, certain customers of construction contracts undertaken by the Group require the Group to issue guarantee for the performance of contract works in the form of surety bonds of approximately HK\$16,018,000 (2020: approximately HK\$21,898,000). Dr. CW Lau, Mr. CM Lau and Dr. CK Lau have provided guarantee to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

As at 30 September 2021, the Group paid a cash collateral of approximately HK\$4,203,000 (2020: approximately HK\$6,425,000) to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments.

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

## 32 ACQUISITION OF A SUBSIDIARY

During the year ended 30 September 2020, a non-wholly owned subsidiary of the Group acquired 100% equity interest in Nanjing Huajia from a non-controlling interest of a subsidiary of the Group at nil consideration. The principal asset of Nanjing Huajia is right-of-use assets located in the PRC. As at the date of acquisition, the acquired subsidiary did not carry out any significant business transactions.

The assets and liabilities of Nanjing Huajia as at the date of acquisition were as follows:

	HK\$'000
Right-of-use assets	2,219
Other receivables	807
Amount due to shareholder	(792)
Lease liabilities	(2,234)

## 33 DISPOSAL OF SUBSIDIARIES

During the year ended 30 September 2020, the Group disposed of its 51% equity interests of 上海郎姿健康科技有限公司, a partially owned subsidiary of the Group, at nil consideration to an independent third party.

During the year ended 30 September 2020, the Group disposed of its 90% equity interests of 滕州愛啤士生物科技有限公司, a partially owned subsidiary of the Group, at nil consideration to 青島愛啤士餐飲管理有限公司, a non-controlling interest of 滕州愛啤士生物科技有限公司.

The aggregated net liabilities of the subsidiaries as at the dates of the above disposal represented other payables of approximately HK\$2,000.



# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position

	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries		<u>95,614</u>	<u>95,614</u>
<b>Current assets</b>			
Trade and other receivables		50	57
Amounts due from subsidiaries		93,820	96,238
Bank deposits, balances and cash		<u>726</u>	<u>3,167</u>
		<u>94,596</u>	<u>99,462</u>
<b>Total assets</b>		<u>190,210</u>	<u>195,076</u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		8,000	8,000
Reserves	34(b)	<u>180,926</u>	<u>185,799</u>
<b>Total equity</b>		<u>188,926</u>	<u>193,799</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,206	1,199
Amounts due to subsidiaries		<u>78</u>	<u>78</u>
		<u>1,284</u>	<u>1,277</u>
<b>Total equity and liabilities</b>		<u>190,210</u>	<u>195,076</u>
<b>Net current assets</b>		<u>93,312</u>	<u>98,185</u>
<b>Total assets less current liabilities</b>		<u>188,926</u>	<u>193,799</u>

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 30 December 2021 and signed on its behalf by:

**Lau Chi Wang**  
*Director*

**Lau Chi Keung**  
*Director*

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

## 34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### (b) Reserve movement

	Share premium HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
On 1 October 2019	100,538	95,536	(10,173)	185,901
Loss and total comprehensive expense for the year	—	—	(102)	(102)
At 30 September 2020	100,538	95,536	(10,275)	185,799
At 1 October 2020	100,538	95,536	(10,275)	185,799
Loss and total comprehensive expense for the year	—	—	(4,873)	(4,873)
<b>At 30 September 2021</b>	<b>100,538</b>	<b>95,536</b>	<b>(15,148)</b>	<b>180,926</b>

### Special reserve

Special reserve represents the difference between the total equity of its subsidiaries acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

# Financial Summary

## RESULTS

	For the year ended 30 September				
	2021	2020	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>223,076</b>	303,912	325,204	379,575	359,311
Cost of sales	<b>(202,198)</b>	(267,884)	(302,384)	(339,441)	(318,351)
Gross profit	<b>20,878</b>	36,028	22,820	40,134	40,960
(Loss)/profit before tax	<b>(24,853)</b>	10,925	(10,485)	15,241	28,910
Income tax credit/(expense)	<b>1,000</b>	(732)	(585)	(5,139)	(4,901)
(Loss)/profit for the year	<b>(23,853)</b>	10,193	(11,070)	10,102	24,009
Other comprehensive expense	<b>(104)</b>	(69)	(2)	–	–
<b>Total comprehensive (expense)/income</b>	<b>(23,957)</b>	10,124	(11,072)	10,102	24,009

## ASSETS AND LIABILITIES

	As at 30 September				
	2021	2020	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<b>350,575</b>	256,239	287,361	247,643	211,229
Total liabilities	<b>(171,107)</b>	(52,814)	(94,060)	(155,714)	(114,269)
	<b>179,468</b>	203,425	193,301	91,929	96,960
<b>Total equity</b>	<b>179,468</b>	203,425	193,301	91,929	96,960