

# B & D Strategic Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1780

**Annual Report**  
**2023**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Tang Wing Kwok (*Chairman*)  
Mr. Lo Wing Hang (*Vice Chairman and Chief executive officer*)

### Independent non-executive Directors

Mr. Yeung Tze Long  
Mr. Cheung Ting Kin (Resigned on 1 January 2023)  
Mr. Chan Pui Hang Ian  
Ms. Li Yuen Shan (Appointed on 1 January 2023)

## AUDIT COMMITTEE

Mr. Yeung Tze Long (*Chairman*)  
Mr. Cheung Ting Kin (Resigned on 1 January 2023)  
Mr. Chan Pui Hang Ian  
Ms. Li Yuen Shan (Appointed on 1 January 2023)

## REMUNERATION COMMITTEE

Mr. Yeung Tze Long (*Chairman*)  
Mr. Lo Wing Hang  
Mr. Chan Pui Hang Ian

## NOMINATION COMMITTEE

Mr. Tang Wing Kwok (*Chairman*)  
Mr. Cheung Ting Kin (Resigned on 1 January 2023)  
Mr. Chan Pui Hang Ian  
Ms. Li Yuen Shan (Appointed on 1 January 2023)

## COMPANY SECRETARY

Mr. Yeung Ka Chun

## AUTHORISED REPRESENTATIVES

Mr. Tang Wing Kwok  
Mr. Yeung Ka Chun

## REGISTERED OFFICE IN CAYMAN ISLANDS

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2803-2803A, Asia Trade Centre  
No. 79 Lei Muk Road  
Kwai Chung  
New Territories  
Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAW

Adrian Yeung & Cheng  
Suite 1201-2A, 12th Floor  
Golden Centre  
188 Des Voeux Road Central  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
2103B, 21st Floor  
148 Electric Road  
North Point  
Hong Kong

## AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditors*  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

# Corporate Information

## PRINCIPAL BANKER

Shanghai Commercial Bank Limited  
Shop G1-2, Ground Floor, Metro City Plaza III  
The Metropolis  
8 Mau Yip Road, Tseung Kwan O  
New Territories  
Hong Kong

## COMPANY WEBSITE

[www.bnd-strategic.com.hk](http://www.bnd-strategic.com.hk)

## STOCK CODE

1780

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of B & D Strategic Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 March 2023.

The Group is an established contractor engaging in alteration and addition works and civil engineering works in Hong Kong for over 20 years. The Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 April 2019 (the "**Listing Date**"). The Listing marked a new milestone for the Company. It has not only enhanced our corporate profile, but also reinforced our Group's image as a well-established company as well as broadening our client base and providing sufficient capital for our expansion.

For the year ended 31 March 2023, the Group's total revenue amounted to approximately HK\$220.9 million, representing a decrease of approximately 19.7% as compared to that of the year ended 31 March 2022. Profit attributable to owners of the Company was approximately HK\$5.2 million. The year ended 31 March 2023 remained an extremely tough year due to the COVID-19 pandemic (the "**Pandemic**"). Under the after-effects of the Pandemic, the global economy is uncertain and all businesses have experienced unprecedented challenges. The Group's business has been affected with the intensified competition in the civil engineering works and alteration and addition works in Hong Kong, the labour shortage and the decrease in the number of contracts available for tenders for alteration and addition works for shopping malls.

Looking forward, with the gradual removal of the Pandemic-related restrictions in Hong Kong during the year ended 31 March 2023, the construction market in Hong Kong is expected to recover progressively. We believe the uncertainties for business can be gradually declined in the year of 2023. The Group will make effort in expanding its business network and customer base by closely monitoring the market conditions. Hence, the Directors are cautiously optimistic about the construction industry in Hong Kong and believe that the Group will have more opportunities to seek for undertaking sizeable projects with our effective costs control measures. We believe that we shall remain competitive in the market despite the industry's prospect because of (i) our long-standing relationship with some of our major customers, suppliers and subcontractors; (ii) our capability to provide diverse types of services; (iii) our well-established presence in the construction industry in Hong Kong; and (iv) our experienced and dedicated management team.

Lastly, I would like to take this opportunity to express my appreciation to my fellow Board members, management team and staff members for their continued effort to the Group's development in the demanding year of 2022 to 2023. I also express my sincere gratitude to our customers and shareholders (the "**Shareholders**") for their persistent support to the Group.

**Tang Wing Kwok**  
*Chairman*

Hong Kong, 21 June 2023

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

We are a contractor specialising in alteration and addition works and civil engineering works in Hong Kong. In order to emphasise the specification on different fields of construction works, among our principal operating subsidiaries, Ka Shun Contractors Limited ("**Ka Shun Contractors**") mainly focuses on the provision of alteration and addition works, while Ka Shun Civil Engineering Company Limited ("**Ka Shun Civil Engineering**") and Ka Construction Company Limited ("**Ka Construction**") mainly focus on the provision of civil engineering works which generally include site formation works and foundation works.

We have obtained all material licenses, permits and registration required for carrying on our business activities, including the Registered General Building Contractors and Specialist Contractors–Site Formation Works granted by Buildings Department; the Approved Contractors for Public Works (Roads and Drainage) and the Approved Contractors for Public Works (Site Formation) both under Group B (probationary) granted by Works Branch of the Development Bureau of the Government of Hong Kong; and Subcontractor Registration Scheme of the Construction Industry Council under the group of general civil works.

The shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on the Listing Date, when 155,000,000 ordinary shares (comprising a public offer of 31,000,000 shares and placing of 124,000,000 shares) had been offered for subscription. The proceeds are intended to apply on the Group's future plans as set out in the section headed "Future Plans and Use of Proceeds" to the Prospectus of the Company dated 13 April 2019 (the "**Prospectus**").

As at 31 March 2023, the Group had 10 contracts on hand (including contracts in progress and contracts which are yet to commence) with a total original contract value of approximately HK\$517.0 million. As at 31 March 2022, we had 7 contracts on hand with a total original contract value of approximately HK\$343.9 million.

In general, our customers primarily include property asset management companies, property developers and contractors in Hong Kong. We engage in projects in both public and private sectors. Public sector projects refer to projects of which the customer is a Government department, a statutory body or a Government controlled entity. During the year ended 31 March 2023, we focused undertaking projects in the private sector.

With the gradual removal of COVID-19 related restrictions in Hong Kong during the year ended 31 March 2023, the construction market in Hong Kong is expected to recover progressively. However, amid the uncertainty of the global economy and the after-effects of the Pandemic, the current construction market in Hong Kong is still uncertain. Looking forward, the Group will continue to make effort in expanding its business network and customer base by closely monitoring the market conditions, actively participating in tendering sizable and profitable projects, and strengthening our cost control measures. Hence, the Directors of the Company remain cautiously optimistic to the construction industry in Hong Kong and believe that, with the efforts of the Group, the Group can maintain a healthy financial position and its competitiveness in the market.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

Our revenue decreased from approximately HK\$275.1 million for the year ended 31 March 2022 to approximately HK\$220.9 million for the year ended 31 March 2023, representing a decrease of approximately 19.7%.

The decrease was primarily because a project of civil engineering works segment with relatively higher contract sums had been substantially completed during the year ended 31 March 2022, but the new project of civil engineering works segment undertaken during the year ended 31 March 2023 was with relatively lower contract sums than that for the year ended 31 March 2022.

### Direct Costs

Our direct costs decreased from approximately HK\$252.3 million for the year ended 31 March 2022 to approximately HK\$207.0 million for the year ended 31 March 2023, representing a decrease of approximately 17.9%. The direct costs were generally decreased in line with the decrease in revenue for the year ended 31 March 2023.

### Gross Profit and Gross Profit Margin of Operating Segments

Our gross profit amounted to approximately HK\$22.9 million for the year ended 31 March 2022 and gross profit amounted to approximately HK\$13.8 million for the year ended 31 March 2023, representing a decrease of approximately 39.5%. The decrease in our gross profit was primarily due to a decrease in revenue of civil engineering works segment as explained above thereby affecting the gross profit of the civil engineering works notwithstanding there was an increase in gross profit from the alteration and addition works segment.

The gross profit margin of alteration and addition works segment increased from approximately 4.1% for the year ended 31 March 2022 to approximately 5.8% for the year ended 31 March 2023. The increase was mainly because the revenue, gross profit and gross profit margin generated from certain projects of alteration and addition works during the year ended 31 March 2023 were higher than those for the year ended 31 March 2022 as works for those projects were at the initial stages as at 31 March 2022.

The gross profit margin of civil engineering works segment decreased from approximately 13.6% for the year ended 31 March 2022 to approximately 7.8% for the year ended 31 March 2023. The decrease was mainly because the new project of civil engineering works segment undertaken during the year ended 31 March 2023 generated a lower revenue, gross profit and gross profit margin than the year ended 31 March 2022.

### Other Income and Other Gains and Losses, net

Our other income increased from approximately HK\$121,000 for the year ended 31 March 2022 to approximately HK\$3.0 million for the year ended 31 March 2023. Such increase was mainly due to (i) the government grants under Anti-Epidemic Fund and Employment Support Scheme of approximately HK\$1.1 million was recognised for the year ended 31 March 2023 while no such grant was recognised for the year ended 31 March 2022; and (ii) the increase of bank interest income from approximately HK\$104,000 for the year ended 31 March 2022 to HK\$1.7 million for the year ended 31 March 2023.

Our other gains and losses, net, decreased from a net gain of approximately HK\$59,000 for the year ended 31 March 2022 to a net loss of approximately HK\$25,000 for the year ended 31 March 2023. Such decrease was mainly due to the increase in exchange loss arising from our foreign currency deposits.

# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### Administrative Expenses

Our administrative expenses amounted to approximately HK\$12.4 million for the year ended 31 March 2023 which are comparable to that of approximately HK\$12.2 million for the year ended 31 March 2022.

### Profit before tax

Our profit before tax decreased from approximately HK\$10.1 million for the year ended 31 March 2022 to approximately HK\$5.2 million for the year ended 31 March 2023, which was mainly attributable to the decrease in gross profit as discussed above.

Our income tax expenses remained nil for the years ended 31 March 2022 and 2023 because the assessable profits of the Group for the years ended 31 March 2022 and 2023 are wholly absorbed by tax losses brought forward.

### Profit and Total Comprehensive Income for the year

Our profit and total comprehensive income for the year decreased from approximately HK\$10.1 million for the year ended 31 March 2022 to approximately HK\$5.2 million for the year ended 31 March 2023, which was mainly due to the decrease in gross profit as discussed above.

### Key Financial Ratio

	Notes	As at 31 March 2023	As at 31 March 2022
Current ratio	(1)	<b>3.4 times</b>	4.1 times
Return on total assets	(2)	<b>1.9%</b>	4.1%
Return on equity	(3)	<b>2.7%</b>	5.3%
Net profit margin	(4)	<b>2.4%</b>	3.7%

Notes:

1. Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.
2. Return on total assets is calculated as profit for the year divided by the total assets as of the respective reporting dates.
3. Return on equity is calculated as profit and total comprehensive income for the year divided by the total equity attributable to owners of the Company as of the respective reporting dates.
4. Net profit margin is calculated as profit and total comprehensive income for the year divided by the revenue for the respective reporting years.

# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### Current Ratio

Our current ratio was approximately 4.1 times and 3.4 times as at 31 March 2022 and as at 31 March 2023. The decrease was mainly due to the increase in contract liabilities and hence the current liabilities increased.

### Return on Total Assets

Our return on total assets decreased from approximately 4.1% for the year ended 31 March 2022 to approximately 1.9% for the year ended 31 March 2023. The decrease was mainly due to the decrease of profit and total comprehensive income for the year ended 31 March 2023 as discussed above.

### Return on Equity

Our return on equity decreased from approximately 5.3% for the year ended 31 March 2022 to approximately 2.7% for the year ended 31 March 2023. The decrease was mainly due to the decrease of profit and total comprehensive income for the year ended 31 March 2023 as discussed above.

### Net Profit Margin

Our Group's net profit margin decreased from approximately 3.7% for the year ended 31 March 2022 to approximately 2.4% for the year ended 31 March 2023. The decrease was primarily due to the decrease of profit and total comprehensive income for the year ended 31 March 2023 as discussed above.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2023, the Company's issued capital was HK\$6.2 million and the number of its issued ordinary shares was 620,000,000 shares of HK\$0.01 each.

As at 31 March 2023, the Group had total cash and cash equivalents, bank deposits with original maturity more than three months and restricted bank deposits of approximately HK\$142.9 million, approximately HK\$22.2 million and approximately HK\$24.2 million respectively (2022: approximately HK\$125.8 million, HK\$0.9 million and HK\$24.2 million respectively).

The Group has funded the liquidity and capital requirements primarily through capital contributions and cash inflow generated from operating activities for the year ended 31 March 2023.

## FOREIGN EXCHANGE EXPOSURES

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollars, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange exposure for the year ended 31 March 2023 as well as for the year ended 31 March 2022.

## TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

# Management Discussion and Analysis

## GEARING RATIO

Gearing ratio is calculated as total borrowing divided by total equity as at the year ended date and expressed as a percentage. The gearing ratio of the Group as at 31 March 2023 remained Nil (2022: Nil).

## DEBTS AND CHARGES ON ASSETS

As at 31 March 2023, the Group had a performance bond of approximately HK\$24.2 million (2022: HK\$24.2 million) given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers.

As at 31 March 2022 and 2023, the performance bond given by the bank are granted under the bank facilities of the Group which were secured by the restricted bank deposits and personal guarantee given by Mr. Lo Wing Hang, an executive Director, vice chairman and chief executive officer of the Company, in favour of the bank.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2022 and 2023, the Group had no material capital commitments and contingent liabilities.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2023, the Group did not have any significant investment held, any material acquisitions or disposals of subsidiaries and associated companies.

## FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, there was no plans for material investments or capital assets as at 31 March 2023.

# Management Discussion and Analysis

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The Shares were listed on the Listing Date. The net proceeds from the initial public offering amounted to approximately HK\$96.7 million, which has been utilised by the Group in accordance with the disclosure as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The net proceeds have been fully utilised during the year ended 31 March 2023. Details of the use of the proceeds are listed as below:

	Planned use of proceed HK\$'000	Unutilised net proceeds as at 31 March 2022 HK\$'000	Amount utilised during the year ended 31 March 2023 HK\$'000	Actual usage from the Listing Date to 31 March 2023 HK\$'000	Unused amount up to 31 March 2023 HK\$'000
Strengthening our financial position	77,428	–	–	77,428	–
Expanding our workforce	10,840	3,338	3,338	10,840	–
Enhancing our machinery fleet					
– Replacing NRMM exempted machinery	4,162	–	–	4,162	–
General working capital	4,355	–	–	4,355	–
	96,785	3,338	3,338	96,785	–

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, we employed a total of 49 full-time employees (including two executive Directors but excluding three independent non-executive Directors), as compared to a total of 54 full-time employees as at 31 March 2022. The remuneration packages that the Group offers to employees include salary, discretionary bonuses, staff benefits, contributions and retirement schemes as well as other cash subsidies. In general, the Group determines employee's salaries based on each employee's qualifications, position, experience and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions. The total staff cost incurred by the Group for the year ended 31 March 2023 was approximately HK\$24.5 million compared to approximately HK\$28.2 million in the corresponding year ended 31 March 2022.

## FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

## EVENTS AFTER THE YEAR ENDED 31 MARCH 2023

Save as disclosed in this annual report, the Board is not aware of any significant event requiring disclosure that has been occurred after the year ended 31 March 2023 and up to the date of this annual report.

# Biographical Details of Directors and Senior Management

## Executive Directors

**Mr. Tang Wing Kwok (鄧永國)**, aged 54, is our Chairman and an executive Director. He was appointed as a Director on 24 April 2018 and was re-designated as an executive Director on 31 May 2018. Mr. Tang is one of our controlling shareholders (“**Controlling Shareholders**”) and the chairman of the nomination committee. Mr. Tang is responsible for giving strategic advice and guidance on the business and operations of our Group, project planning, budgeting, execution of daily management and administration of our business and operations.

Mr. Tang has accumulated over 29 years of experience in the civil engineering industry in Hong Kong. Mr. Tang is a co-founder of our Group. He has been an authorised signatory of Ka Shun Civil Engineering since Ka Shun Civil Engineering has been registered in the register of the general building contractors maintained by the Buildings Department. Save and except Mr. Tang resigned as director of Ka Shun Contractors and was appointed on 13 March 2017, Mr. Tang has been a director of Ka Shun Civil Engineering, Ka Shun Contractors and Ka Construction since August 1995, July 2003 and October 2012 respectively. He is also a director of Sky Winner Holdings Limited (“**Sky Winner**”) (one of our Controlling Shareholders), Joy Goal Limited (“**Joy Goal**”), Best Century International Holding Ltd. (“**Best Century International**”) and Profit Gather Investment Limited (“**Profit Gather Investment**”).

Mr. Tang obtained a bachelor degree of Science in Quantity Surveying from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1991. Mr. Tang has been a Professional Associate of The Royal Institution of Chartered Surveyors since January 1995, an Associate of The Hong Kong Institute of Surveyors since June 1998, a member of the Association for Project Management since March 1999 and a Registered Professional Surveyor in the Quantity Surveying Division of the Surveyors Registration Board since October 2001.

Prior to his setting up Ka Shun Civil Engineering in July 1995, Mr. Tang had been an assistant quantity surveyor of Ove Arup & Partners Hong Kong Limited from April 1993 to February 1995.

**Mr. Lo Wing Hang (勞永亨)**, aged 67, is our Vice-chairman of our Board, the chief executive officer and an executive Director. He was appointed as a Director on 24 April 2018 and was re-designated as an executive Director on 31 May 2018. Mr. Lo is one of our Controlling Shareholders and a member of the remuneration committee. Mr. Lo is responsible for overall business development, project planning, budgeting, contract administration, overseeing execution of projects and managing quality management system.

Mr. Lo has accumulated over 44 years of experience in the construction industry in Hong Kong. Mr. Lo is a founder of Ka Shun Contractors and was a director since July 2003. He has been an authorised signatory of Ka Shun Contractors since Ka Shun Contractors has been registered in the register of the general building contractors maintained by the Buildings Department in July 2011. Mr. Lo has been a director of Ka Shun Civil Engineering and Ka Construction since December 2010 and October 2012 respectively. He is also a director of Sky Winner, Joy Goal and Profit Gather Investment.

# Biographical Details of Directors and Senior Management

## Executive Directors (continued)

Mr. Lo obtained a Certificate in Civil Engineering from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1982, an Advanced Diploma in Construction Management from the School of Professional and Continuing Education of The University of Hong Kong in March 2003, a Professional Diploma in Construction Project Management from the School of Professional and Continuing Education of The University of Hong Kong in July 2004, a degree of Bachelor of Science in Work Based Learning Studies (Construction Project Management) (a distance learning programme with some face-to-face contact) from Middlesex University, the United Kingdom in February 2009, a Bachelor of Applied Science (Construction management and economics) from the Curtin University of Technology, Australia in February 2010, in which Mr. Lo was classed as an overseas student where he studied at the said University's default location –HKU SPACE Island East.

Mr. Lo was admitted a member of the Hong Kong Institute of Construction Managers in May 2012, a Registered Construction Manager of the Hong Kong Institute of Construction Managers in September 2014, a Chartered Building Engineer and a member of the Chartered Association of Building Engineers in December 2014 and became a fellow member in March 2018, and a member of the National Council of The Australian Institute of Building in March 2015.

Prior to joining our Group, Mr. Lo was a foreman of Hing Lee Construction Co., Ltd. from June 1978 to 1981, a project manager of South Star Construction Company Limited from January 1983 to March 1987, a sub-agent of Sung Foo Kee Limited from March 1987 to June 1990 and his last position was a site agent, and a site agent of International Tak Cheung Construction & Engineering Co. Ltd. from March 1991 to April 1992 where his last position was a project manager. Mr. Lo was a shareholder of Program Contractors Limited, a private limited company operating engineering business in Hong Kong from February 1992 to November 2003 and a director from December 1991 to April 2004.

Mr. Lo is the father of Mr. Lo Wai Man, a member of our senior management.

## Independent non-executive Directors

**Mr. Yeung Tze Long (楊子朗)**, aged 48, is an independent non-executive Director appointed by our Company on 4 April 2019. Mr. Yeung is also the chairman of the audit committee and the remuneration committee.

Mr. Yeung obtained a degree of Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology in November 1997. He was registered as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2001. He has also obtained a Master of Finance (Corporate Finance) in the Hong Kong Polytechnic University in June 2023.

Mr. Yeung currently serves as a manager for his own clan of indigenous residents. Prior to that, he was the general manager in group finance department for a private PRC logistic and industrial property developer and operator from February 2019 to January 2020. He was an authorised representative, chief financial officer and company secretary of China Ruifeng Renewable Energy Holdings Limited (stock code: 527), a company listed on the Main Board of the Stock Exchange, from June 2017 to December 2018. He was an audit principal of Zhonghui Anda CPA Limited from April 2014 to May 2017, and a director of internal audit & finance integration of Greenheart Group Limited (stock code: 94), a company listed on the Main Board of the Stock Exchange, from January 2010 to November 2013. Before that, Mr. Yeung had stayed with Ernst and Young from 1997 to 2008 with his last position as a senior manager.

# Biographical Details of Directors and Senior Management

## Independent non-executive Directors (continued)

**Mr. Chan Pui Hang Ian (陳沛恒)**, aged 49, is an independent non-executive Director appointed by our Company on 31 January 2020. Mr. Chan is also a member of the audit committee, the remuneration committee and the nomination committee of the Company.

Mr. Chan has accumulated over 23 years of experience in credit, finance and tax areas. He is currently a partner of JC Global Capital Partners LLP which was co-founded by him since about January 2020 and is a private investments company based in Singapore specialising in delivering capital solutions to global entrepreneurs.

Prior to his co-founding JC Global Capital Partners LLP, he was a director of EXE Credit Private Limited (a private investment company based in Singapore) which was co-founded by him from April 2018 to December 2021, Mr. Chan held senior positions in various global finance and accountants' firms during the past 18 years, including, holding the position as an executive director of the corporate section of JPMorgan Chase Bank, N. A. from July 2011 to April 2018, the regional tax leader for General Electric International Inc. from February 2008 to July 2011, a manager in tax practice of Ernst & Young Global Limited from March 2004 to January 2008 and a senior of Ernst & Young, United States from January 2000 to March 2004.

Mr. Chan obtained his Bachelor degree of Arts from The University of British Columbia, Vancouver, Canada in May 1997 and his degree of Master of Science in Taxation from Golden Gate University, Seattle, the United States of America in May 2008. He has been a Certified Public Accountant in the United States of America since October 2003 and has been a member of the Institute of Singapore Chartered Accountants (formerly known as Institute of Certified Public Accountants of Singapore) since August 2010 and was designated a Chartered Accountant of Singapore since January 2016.

**Ms. Li Yuen Shan (李婉珊)**, aged 42, is an independent non-executive Director appointed by our Company on 1 January 2023. Ms. Li is also a member of the audit committee and the nomination committee. Ms. Li obtained her degree of Bachelor of Business Administration in Accountancy from the City University of Hong Kong in November 2003. She was admitted an associate member of The Association of Chartered Certified Accountants in December 2013 and has been a fellow member of The Association of Chartered Certified Accountants since December 2018. She has also been admitted an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) since December 2017 and is a holder of Practitioner's Endorsement Certificate issued by The Hong Kong Chartered Governance Institute.

Ms. Li has accumulated over 10 years of experience as company secretary of listed companies and in the financial operation of subsidiaries of listed companies. She has been the financial controller and the company secretary of Sanai Health Industry Group Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1889) since January 2020 and April 2020, respectively. She was the company secretary of China Clean Energy Technology Group Limited (a company listed on the Main Board of the Stock Exchange with Stock Code: 02379) from December 2022 to March 2023. She was a company secretary of China Art Financial Holdings Limited (a company limited on the Main Board of the Stock Exchange with stock code: 1572) for the period from April 2021 to April 2022, and the financial controller and the company secretary of the Company from May 2018 to June 2019 and from April 2019 to February 2020, respectively.

# Biographical Details of Directors and Senior Management

## Independent non-executive Directors (continued)

Further, she was the financial controller of JC Group Management Limited (a subsidiary of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited), a company listed on the GEM of the Stock Exchange with stock code: 8326, from April 2018 to May 2018 and was a financial controller of H-View F & B Group (another subsidiary of Tonking New Energy Group Limited) from September 2014 to March 2018. She was also an assistant financial manager of Ferson Limited (a subsidiary of China Ruifeng Renewable Energy Holdings Limited, a company listed on the Main Board of the Stock Exchange with stock code: 0527), from July 2010 to May 2014. She was also experienced in audit and accountancy areas by her works in various CPA firms from 2003 to 2010.

## Senior Management

**Mr. Leung Kin Fung Stephen (梁建豐)** (formerly known as Leung Kin San Stephen (梁建新)), aged 62, is a technical director and authorised signatory of our Group. Mr. Leung joined our Group in February 2000 and is responsible for overseeing technical engineering-related matters of our Group. Mr. Leung has been the technical director of Ka Shun Civil Engineering in the register of the general building contractors maintained with the Buildings Department, since June 2000. He has also been the authorised signatory and the technical director of Ka Shun Civil Engineering in the register of specialist contractor in site formation category maintained with the Buildings Department since May 2000. Mr. Leung has accumulated over 22 years of experience in practicing as an engineer with our Group. Prior to joining our Group, Mr. Leung worked as a site engineering for Kirin Civil Engineering Contractors Limited from June 1991 to October 1994, an Assistant Engineer with Blyth & Blyth Service Company Limited from August 1990 to April 1991 and a structural engineer with Birkett Stevens Colman Partnership from October 1986 to July 1990.

Mr. Leung obtained a bachelor degree of Engineering from the Middlesex Polytechnic, the United Kingdom, in July 1986 and a degree of Master of Business Administration from American City University in June 2012. He was admitted as a member of The Institution of Structural Engineers in March 1992, a Chartered Engineer of The Institution of Structural Engineers in August 1993 and a member of the Hong Kong Institution of Engineers in April 1999. He has been registered as a Registered Professional Engineer (Structural) of the Engineers Registration Board since December 1999. Mr. Leung has been a Regional Commander (Des)/KE of the Auxiliary Medical Service since July 2015.

**Mr. Lau Kwun Ho (劉冠豪)**, aged 42, is a project manager of our Group. Mr. Lau joined our Group from November 2004 to February 2012 and re-joined our Group in September 2012. He is responsible for overall project and site supervision and monitoring. Mr. Lau has been the authorised signatory of Ka Construction in the register of general building contractors maintained with the Building Department since September 2017.

Mr. Lau obtained a higher diploma in Building Studies from the Hong Kong Institute of Vocational Education in June 2006 and a bachelor degree of Science in Construction Project Management from the University of Central Lancashire in December 2013. Prior to his re-joining our Group in September 2012, he worked with Sanfield (Management) Ltd. from March 2012 to August 2012 and his last position was a coordinator.

# Biographical Details of Directors and Senior Management

## Senior Management (continued)

**Mr. Lo Wai Man (勞瑋文)**, aged 37, is a project manager of our Group. Mr. Lo Wai Man joined our Group as an assistant project engineer in June 2010 and was promoted to the present position in February 2012. He is responsible for overall project supervision and management. He has accumulated over 11 years of experience in supervising and managing our projects. Mr. Lo Wai Man is the son of Mr. Lo Wing Hang. He has been appointed as a director of Joy Goal, Ka Shun Civil Engineering and Ka Shun Contractor since January 2018, January 2018 and April 2015, respectively.

**Mr. Yeung Ka Chun (楊嘉俊)**, aged 34, is the financial controller and company secretary of our Group. Mr. Yeung joined our Group in October 2017 as an assistant accounting manager and was promoted to the position as our financial controller in June 2020. He was appointed as the company secretary in January 2021. He is mainly responsible for overseeing daily accounting and financial-related matters, corporate governance and overall secretarial matters of our Group.

Mr. Yeung obtained a Higher Diploma in Accountancy from the Vocational Training Council, Hong Kong in July 2010 and a degree of Bachelor of Business Administration in Accounting from The Open University of Hong Kong in November 2013. He was admitted as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in May 2020 and a member of the Association of Chartered Certified Accountants since March 2023.

Mr. Yeung has accumulated over 11 years in accounting and audit fields in Hong Kong. Prior to joining our Group, he has been working in the account and audit departments of various CPA firms from August 2010 to October 2017 when he attained the position of a senior auditor.

## Company Secretary

**Mr. Yeung Ka Chun (楊嘉俊)** was appointed as the company secretary of our Company on 1 January 2021. He is mainly responsible for overseeing daily accounting and financial-related matters, corporate governance and overall corporate secretarial matters of our Group. Details of his qualifications and experience are set out in the paragraph headed "Senior management" above.

# Directors' Report

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2023 (the **"Financial Statements"**).

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands with limited liability on 24 April 2018. The Company completed the corporate reorganisation (the **"Reorganisation"**) on 19 June 2018 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation–Reorganisation" in the Prospectus. The Shares were listed on the Stock Exchange on 30 April 2019 by way of share offer.

The Company is domiciled in Hong Kong and has a principal place of business at Units 2803–2803A, Asia Trade Centre, No. 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the year ended 31 March 2023 are set out in Note 25 to the Financial Statements.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 25 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2023.

## SEGMENT INFORMATION

Details of segment reporting are set out in Note 6 to the Financial Statement.

## BUSINESS REVIEW

The business review and outlook of the Group for the year ended 31 March 2023 are set out in the section headed "Management Discussion and Analysis" on pages 5 to 10 of this annual report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 69 of this annual report.

## FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 March 2023 (2022: Nil).

## ANNUAL GENERAL MEETING

The annual general meeting will be held on Tuesday, 8 August 2023. A notice convening the meeting will be published in the Company's website of [www.bnd-strategic.com.hk](http://www.bnd-strategic.com.hk) and despatched to the Shareholders in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the **"Listing Rules"**) in due course.

# Directors' Report

## CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on Tuesday, 8 August 2023, the register of members of the Company will be closed from Thursday, 3 August 2023 to Tuesday, 8 August 2023, both days inclusive, during which period no transfer of shares will be registered. All completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 August 2023.

## KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. The followings are the key risk and uncertainties identified by the Group relating to our business:

### We had a concentration of customers

During the years ended 31 March 2023 and 2022, a significant portion of the Group's revenue was derived from a limited number of customers. For each of the years ended 31 March 2023 and 2022, our largest customer accounted for approximately 45.5% and 40.7% of the Group's revenue, respectively, while our five largest customers in aggregate accounted to approximately 96.2% and 95.1% of the Group's revenue, respectively.

There is no assurance that we will be able to maintain or improve the relationship with our major customers. There is also no assurance that we will be able to diversify the composition of our customer base. If any of our major customers materially reduces, delays or terminates its projects with us, we may not be able to secure projects on similar terms in a timely manner from other customers. As a result, there may be a material and adverse effect on our business, financial condition, results of operations as well as prospect.

### Our revenue was mostly derived from contracts which are non-recurring in nature and there is no guarantee that our customers will award new contracts to us in the future

For the years ended 31 March 2023 and 2022, we generally derived our revenue from contracts which are non-recurring in nature and we did not enter into long-term agreement with our customers. As the contracts awarded are on a project-by-project basis, our customers are under no obligation to award contracts to us. As such, there is no assurance that our existing customers will continue to engage us in their upcoming projects after the completion of the current contracts. The number and scale of projects and the amount of revenue we are able to derive therefrom may therefore vary significantly from period to period. If we cannot continue to maintain the amounts of contracts at a similar level or obtain new projects of similar or even larger contract sum, our business, financial conditions, results of operation as well as business prospects may be materially and adversely affected.

### We may not be able to maintain or increase our tender success rate

During the years ended 31 March 2023 and 2022, our projects were generally obtained through tendering process. For each of the years ended 31 March 2023 and 2022, our tender success rate was approximately 9.3% and 11.6% respectively. There is no guarantee that we will receive tender invitation from our customers or our tenders will be selected by our customers. As such, there is no assurance that we will be able to maintain or increase our tender success rate in the future. In that case, we may have to adjust our pricing strategy or offer more favourable terms to our customers to increase the competitiveness of our tenders. Failure to maintain our success rate on project tendering and to adjust our costs accordingly may materially or adversely affect our profitability and results of operations.

# Directors' Report

## KEY RISKS AND UNCERTAINTIES (continued)

### **We determine the tender price based on our estimated construction time and costs which may deviate from the actual time and costs and any inaccurate costs estimation and cost overrun may adversely affect our financial results**

When preparing our tenders, we determine our tender price on a case-by-case basis by adopting a costs-plus pricing model. To estimate our costs of undertaking a project, we consider factors including (i) the nature, scope and complexity of the work involved; (ii) the project schedule; (iii) the availability of our manpower and resources; and (iv) the estimated material and subcontracting costs. There is no assurance that the actual time and costs would not exceed our estimation during the performance of our projects. The actual time and costs to complete our construction projects may vary substantially from our original estimates due to factors such as (i) shortage or costs escalation of materials or labour during the project period; (ii) unexpected technical problems or adverse weather condition; and (iii) failure of performance by our subcontractors that in turn forces us to incur additional costs in replacing the defaulting subcontractor or carrying out rectification works.

During the years ended 31 March 2023 and 2022, our revenue was generally derived from certified value of works under the contracts which were determined on a fixed-price basis upon the signing of the contract. If we cannot maintain our costs within our original estimations throughout the course of carrying out the contract, or pass on our customers any increases in costs, our business, financial condition and result of operation may be materially and adversely affected.

## FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years, as set out on page 118 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2023 are set out in Note 14 to the Financial Statements.

## SHARE CAPITAL

The Company's total issued share capital as at 31 March 2023 was 620,000,000 ordinary Shares of HK\$0.01 per share. As at the date of this annual report, the share capital of the Company was 620,000,000 ordinary Shares of HK\$0.01 per share.

Details of movements during the year ended 31 March 2023 in the share capital of the Company are set out in Note 20 to the Financial Statements.

## DEBENTURES

The Company did not issue any debenture during the year ended 31 March 2023.

## RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2023 are set out in the consolidated statement of changes in equity on page 71 of this annual report.

As at 31 March 2023, the Company has reserves amounted to approximately HK\$110.1 million available for distribution (2022: approximately HK\$110.1 million).

# Directors' Report

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2023, the Company's reserves available for distribution to the Shareholders are approximately HK\$110.1 million (2022: approximately HK\$110.1 million) as calculated in accordance with statutory provisions applicable in the Cayman Islands.

## DONATION

The Group's charitable and other donations during the year ended 31 March 2023 amounted to HK\$28,000 (2022: Nil).

No donation was made to political parties during the year ended 31 March 2023.

## DIRECTORS

The Directors who held office for the year ended 31 March 2023 and up to the date of this annual report are:

### Executive Directors

Mr. Tang Wing Kwok (*Chairman*)

Mr. Lo Wing Hang (*Vice Chairman and Chief Executive Officer*)

### Independent non-executive Directors

Mr. Yeung Tze Long

Mr. Cheung Ting Kin (Resigned on 1 January 2023)

Mr. Chan Pui Hang Ian

Ms. Li Yuen Shan (Appointed on 1 January 2023)

## DIRECTORS' SERVICE CONTRACT

Save for Mr. Chan Pui Hang Ian and Ms. Li Yuen Shan, each of the existing Directors has entered into a contract for appointment with the Company for an initial term of two years commencing from the Listing Date of the Company, unless terminated by not less than one month's notice in writing served by either party on the other. As for Mr. Chan Pui Hang Ian, he has entered into a contract for appointment with the Company for an initial term of one year from the date of his appointment on 31 January 2020, which may also be terminated by either party by written notice of one month. The contracts of appointment with the respective executive Directors and the independent non-executive Directors (Mr. Yeung Tze Long and Mr. Chan Pui Hang Ian) have been extended to the date of the annual general meeting of 2023, which will be continued unless terminated by either party giving at least one month's notice in writing to the other. As for Ms. Li Yuen Shan, she has entered into a contract of appointment with the Company for an initial term of two years from the date of her appointment on 1 January 2023, which may also be terminated by either party by written notice of one month.

Hence, none of the Directors, including those to be re-elected at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## CONFIRMATION OF INDEPENDENCE

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

# Directors' Report

## MANAGEMENT CONTRACTS

No contracts, other than the appointment contracts and employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2023.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31 March 2023, the interest and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), notified to the Company and the Stock Exchange were as follow:

### (i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/interested in	Percentage of shareholding
Mr. Tang Wing Kwok (Note 1)	Interest in controlled corporation	465,000,000	75%
Mr. Lo Wing Hang (Note 2)	Interest in controlled corporation	465,000,000	75%

Notes:

1. These 465,000,000 Shares are held by Sky Winner. Mr. Tang Wing Kwok beneficially owns 69.48% of the entire issued share capital of Sky Winner, which in turn beneficially owns 52.11% shareholding in the Company. Therefore, Mr. Tang Wing Kwok is deemed, or taken to be, interested in all our Shares held by Sky Winner for the purpose of the SFO. Mr. Tang Wing Kwok is the chairman, an executive Director and the chairman of the nomination committee of the Company. Mr. Tang Wing Kwok is also a director of Sky Winner.
2. These 465,000,000 Shares are held by Sky Winner. Mr. Lo Wing Hang beneficially owns 30.52% of the entire issued share capital of Sky Winner, which in turn beneficially owns 22.89% shareholding in the Company. Therefore, Mr. Lo Wing Hang is deemed, or taken to be, interested in all our Shares held by Sky Winner for the purpose of the SFO. Mr. Lo Wing Hang is the vice-chairman, the chief executive officer, an executive Director and a member of the remuneration committee of the Company. Mr. Lo Wing Hang is also a director of Sky Winner.

### (ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held	Percentage of shareholding
Mr. Tang Wing Kwok	Sky Winner Holdings Limited	Beneficial owner	6,948	69.48%
Mr. Lo Wing Hang	Sky Winner Holdings Limited	Beneficial owner	3,052	30.52%

# Directors' Report

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES (continued)** **Substantial shareholders' interests and short positions in Shares and underlying Shares**

As at 31 March 2023, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to the Section 336 of the SFO, or which would be directly or indirectly interested in 5% 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.

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/interested in	Percentage of shareholding
Sky Winner Holdings Limited	Beneficial interest	465,000,000	75%
Ms. Lam Ah Yee (Note 1)	Spouse interest	465,000,000	75%
Ms. Chan Wai Ching Rebecca (Note 2)	Spouse interest	465,000,000	75%

Notes:

1. Ms. Lam Ah Yee is the spouse of Mr. Tang Wing Kwok. Accordingly, Ms. Lam Ah Yee is deemed, or taken to be interested in all 465,000,000 Shares in which Mr. Tang Wing Kwok is interested for the purpose of the SFO.
2. Ms. Chan Wai Ching Rebecca is the spouse of Mr. Lo Wing Hang. Accordingly, Ms. Chan Wai Ching Rebecca is deemed, or taken to be interested in all 465,000,000 Shares in which Mr. Lo Wing Hang is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any person or corporation (other than the Directors and the chief executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

## **ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the paragraph headed "Directors' and chief executive's interest in securities" above and the paragraph headed "Share Option Scheme" below, at no time during the year ended to 31 March 2023 were rights to acquire benefits by means of the acquisition of Shares in or debentures of 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, its holdings company, or/and any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights by means of the acquisition of Shares in or debentures of the Company of any other body corporate.

# Directors' Report

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business by the Group are set out in Note 24 to the Financial Statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended 31 March 2023, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Save as disclosed under the "Related Party Transactions" in Note 24 to the Financial Statements, there were no transaction, arrangement or contract of significance, to which the company any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director of any entity connected with a Director had a material interest, whether directly and indirectly, subsisted as at 31 March 2023 or any time during the year ended 31 March 2023, nor was there any other transaction, arrangement or contract of significance in relation to the Group's business between the Company or any of the Company's subsidiaries and a Controlling Shareholder or any of its subsidiaries.

## FINANCIAL ASSISTANCE FROM A CONTROLLING SHAREHOLDER

During the year ended 31 March 2023, the Group had the following financial assistance from a Controlling Shareholder which was fully exempted from independent Shareholders' approval, annual review and all disclosure requirements of Chapter 14A of the Listing Rules.

As disclosed in Note 23 to the Financial Statements, as at 31 March 2023, the Group had performance bond of approximately HK\$24.2 million given by a bank in favour of a Group's customer as security for the due performance and observance of the Group's obligations under a contract entered into between the Group and its customers. The performance bond issued by the bank was granted under the bank facilities of the Group which was secured by the restricted bank deposits of approximately HK\$24.2 million and a personal guarantee given by Mr. Lo Wing Hang, a Controlling Shareholder, an executive Director, Vice Chairman and chief executive officer of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the bank is a bank as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), an independent third party (as defined under the Listing Rules) and not connected with the Company and its connected persons (as defined under the Listing Rules) as at the date of this report. Save for Mr. Lo Wing Hang, none of the connected persons have any interest, whether directly or indirectly, in the performance bond.

Mr. Lo Wing Hang has not and will not receive any form of consideration from the Group for the provision of the personal guarantee.

As Mr. Lo Wing Hang is an executive Director and a Controlling Shareholder, the provision of the personal guarantee constituted a connected transaction in the form of financial assistance in favour of the Group. However, as the personal guarantee is not secured by any assets of the Group, and as the Directors consider that the personal guarantee is on normal commercial terms or better, the personal guarantee is fully-exempt from the shareholders' approval, annual review and all disclosure requirements pursuant to Chapter 14A of the Listing Rules.

# Directors' Report

## **FINANCIAL ASSISTANCE FROM A CONTROLLING SHAREHOLDER (continued)**

The independent non-executive Directors have reviewed the above financial assistance received by the Group and confirmed that the transaction has been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

## **PERMITTED INDEMNITY PROVISIONS**

Pursuant to the second amended and restated articles of association of the Company adopted on 9 August 2022, every Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has maintained appropriate directors' and officers' liability insurance in respect of legal actions against them arising out of corporate activities and such permitted indemnity provision for the benefit of the Directors currently in force.

## **MAJOR SUPPLIERS AND CUSTOMERS**

For the year ended 31 March 2023, the aggregate purchase attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 13.3% and 46.1% (2022: approximately 17.0% and 55.2%) respectively of the Group's total purchases for the year ended 31 March 2023. Revenue attributable to the Group's largest customers and the five largest customers in aggregate accounted for approximately 45.5% and 96.2% (2022: approximately 40.7% and 95.1%) respectively of the Group's total revenue for the year ended 31 March 2023.

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the number of issued shares capital of the Company) had an interest in the Group's five largest suppliers or customers.

## **KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS**

### **Employees**

The Group considers its employees the key to sustainable business growth and also recognises its employees as its valuable assets. Further, in light of the shortage of skilled labour in the local construction industry, it is crucial to maintain a competitive remuneration package and fringe benefits for our potential and existing employees. In this regard, the Group provides comprehensive remuneration package includes salary, discretionary bonuses and other cash subsidies to attract, motivate and retain appropriate and suitable employees to serve the Group. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. The Group also provides on-the-job training and development opportunities to enhance its employees' career development and learning.

# Directors' Report

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS (continued)

### Customers

The Group are aware of the risk of customer concentration, and sought to reduce the reliance on major customer by undertaking more sizable projects for other customers. A summary of the customer concentration of the Group and the list of the Group's major customers were set out in the section headed "Business – Customer concentration" and "Business – Our major customers" of the Prospectus, respectively.

The Group believes that, we have maintained a close relationship with our major customers and It is also our priority to work with reputable customers, which in turn tend to undertake sizeable projects. Working with these customers can allow us to secure future business opportunities with them and bolster our job reference.

Besides that, the Group has no intention to limit ourselves to serve our major customers and, with our presence in the industry, the Group believes that we are able to extend our services to other customers.

As such, the Group is of the view that, despite the customer concentration, our business model is sustainable.

### Suppliers and subcontractors

The Group has developed stable and strong working relationships with suppliers and subcontractors to meet the Group's customers' needs in an effective and efficient manner. The Group works closely with the suppliers and subcontractors to make sure the tendering, procurement and subcontracting are conducted in an open, fair and just manner. The Group's requirements and standards are also well communicated to them before the commencement of projects.

## ENVIRONMENTAL POLICIES

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws of Hong Kong. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Waste Disposal (Charges for Disposal of Construction Waste) Regulation.

In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015 since November 2003 (for Ka Shun Civil Engineering) and since September 2012 (for Ka Shun Contractors), respectively. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal. During the year ended 31 March 2023, we did not incur any material costs on environmental compliance.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2023, as far as the Board and the management are aware, there was no material breach of the applicable laws and regulations by the Group that has material impact on the business and operation of the Group.

# Directors' Report

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available and with the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed minimum public float under the Listing Rules for the year ended 31 March 2023 and up to the date of this annual report.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries for the year ended 31 March 2023 and up to the date of this annual report.

## NON-COMPETITION UNDERTAKING

In order to avoid any possible competition between our Group and our Controlling Shareholders, each of Mr. Tang Wing Kwok, Mr. Lo Wing Hang and Sky Winner as Controlling Shareholders entered into a deed of non-competition with our Company (for itself and as trustee for subsidiaries of our Group) on 4 April 2019. Pursuant to the deed of non-competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, as long as the deed on non-competition remains effective, he/it shall not, and shall procure his or its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether on its own account or with each other or in conjunction with or on behalf of any person or company or otherwise, the development, participation, management and operation of any existing business which in competition with or likely to be in competition, whether directly or indirectly, with the existing business activity of any member of our Group or such other business activity our Group may engage from time to time in future.

The Controlling Shareholders have confirmed to the Company of their compliance with the deed of non-competition dated 4 April 2019 for disclosure in this annual report for the year ended 31 March 2023 and up to the date of this annual report.

All the independent non-executive Directors are delegated with the authority to review the deed of non-competition given by the Controlling Shareholders. The independent non-executive Directors were not aware of any non-compliance of the deed of non-competition for the year ended 31 March 2023 and up to the date of this annual report.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors confirm that neither the Controlling Shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business for the year ended 31 March 2023 and up to the date of this annual report, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2023, the Group did not have any significant investment held, any material acquisitions or disposals of subsidiaries and associated companies.

# Directors' Report

## SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 4 April 2019, the Company adopted a share option scheme (the "**Share Option Scheme**") with effect from 4 April 2019. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in the Prospectus. The main purpose of the Share Option Scheme is to motivate employees to optimise their performance efficiency for the benefit of the Company, to attract and retain best available personnel, to provide additional incentive to employees (full time or part time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote success of the business of the Group.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which option granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders.

Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

The Share Option Scheme will remain in force for a period of ten years commencing on the date of the adoption (i.e. 4 April 2019) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless otherwise terminated earlier by the Shareholders in general meeting.

No share options had been granted under the Share Option Scheme since the adoption of the Scheme. During the period between the adoption date of the Share Option Scheme and the date of this annual report, no share option has been granted, exercised, cancelled or lapsed. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 62,000,000, representing 10% of the entire issued share capital of the Company.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements were entered into for the year ended 31 March 2023.

## BORROWINGS

There are no borrowings of the Group as at 31 March 2023 and 31 March 2022.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the second amended and restated memorandum and articles of association of the Company and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new Share on a pro-rata basis to the existing shareholders of the Company.

# Directors' Report

## RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 22 to the Financial Statements.

## REMUNERATIONS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in the Notes 11 and 12, respectively, to the Financial Statements.

The emoluments of the Directors and senior management of the Group are determined by the remuneration committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments for the year ended 31 March 2023 and up to the date of this annual report.

## EMOLUMENT POLICY

Remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted Share Option Scheme as incentive to eligible employees, details of the schemes are set out in the section headed "Share Option Scheme".

Details of the emoluments of the Directors and five highest paid individuals are set out in Notes 11 and 12, respectively, to the Financial Statements respectively. Details of the remuneration of senior management by band are set out in Note 12 to the Financial Statements. Details of the retirement benefit scheme are set out in Note 22 to the Financial Statements.

## CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 29 to 41 of this annual report.

## DISCLOSURES UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

As at 31 March 2023, the Group had no circumstances which would give rise to a disclosure obligation under Rule 13.20 to 13.22 of the Listing Rules.

## CHANGE IN DIRECTORS

Mr. Cheung Ting Kin resigned as an independent non-executive Director as well as a member of the audit committee and a member of the nomination committee of the Company with effect from 1 January 2023. In view of the resignation of Mr. Cheung Ting Kin, Ms. Li Yuen Shan was appointed as an independent non-executive Director as well as a member of the audit committee and a member of the nomination committee of the Company with effect from the same date of 1 January 2023. For details of the change in the director, please refer to the announcement of the Company dated 30 December 2022. Save as aforesaid mentioned, there was no change in Directors during the year ended 31 March 2023.

# Directors' Report

## AUDIT COMMITTEE

The Company established the audit committee on 4 April 2019 in accordance with Rule 3.21 of the Listing Rules with the written terms of reference in compliance with the Corporate Governance Code (the "CG code") as set out in Appendix 14 of the Listing Rules. The audit committee consists of three independent non-executive Directors, namely, Mr. Yeung Tze Long, Ms. Li Yuen Shan and Mr. Chan Pui Hang Ian. Mr. Yeung Tze Long currently serves as the chairman of the audit committee.

The audit committee had reviewed, together with the management and the Company's auditors Deloitte Touche Tohmatsu, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2023.

The Group's audited consolidated financial statements for the year ended 31 March 2023 have been reviewed and approved by the audit committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

## AUDITORS

Deloitte Touche Tohmatsu has acted as the auditors of the Group for the year ended 31 March 2023. The Financial Statements have been audited by Deloitte Touche Tohmatsu, who shall retire in the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for their re-appointment as auditors for the coming year will be proposed at the forthcoming annual general meeting. There is no change in auditors since the Listing Date.

By order of the Board

**TANG Wing Kwok**

*Chairman and Executive Director*

Hong Kong, 21 June 2023

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICE

The Company is committed in achieving a high standard of corporate governance standard. Good corporate governance standards emphasise an effective Board, sound internal control, appropriate independence policy which are essential in providing a framework for the Company to safeguard the interests of the Shareholders, enhance its corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and all relevant code provisions as set out under the CG Code with amendments that generally come into force on 1 January 2022 as contained in Appendix 14 to the Listing Rules. To the best of the knowledge of the Board, the Company has complied with the CG code for the year ended 31 March 2023. The Directors will periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the code provisions from time to time.

## CORPORATE CULTURE AND STRATEGY

The Group aims to build up a long-term sustainable business where Shareholders and other stakeholders can benefit in the shared value of corporate success. The Board aligns the purpose, values and strategic direction of the Group by establishing an organizational culture to maintain and develop an effective corporate governance framework with stringent corporate governance practices, including but not limited to employee retention and training, whistleblowing and anti-corruption policies etc, across all levels of the Group's operations, policies and procedures.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code during the year ended 31 March 2023 and up to the date of this annual report.

## BOARD OF DIRECTORS

### Board Composition

As at 31 March 2023, the Board consists of five Directors including Mr. Tang Wing Kwok (Chairman) and Mr. Lo Wing Hang (Vice chairman and Chief executive officer) as the executive Directors and Mr. Yeung Tze Long, Ms. Li Yuen Shan and Mr. Chan Pui Hang Ian as the independent non-executive Directors. None of Mr. Yeung Tze Long, Ms. Li Yuen Shan and Mr. Chan Pui Hang has served the Company as an independent non-executive Director for more than nine years.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. Biographical details are set out in the section headed "Biographical details of Directors and Senior Management" on pages 11 to 15 of this annual report.

Save that Mr. Lo Wing Hang is the father of Mr. Lo Wai Man (a member of our senior management), there are no financial, business, family, or other material relationship among members of the Board.

# Corporate Governance Report

## BOARD OF DIRECTORS (continued)

### Board Composition (continued)

The Board meets regularly to discuss and formulate the overall strategy as well as operation and financial performance of the Group. The company secretary of the Company (the “**Company Secretary**”) assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

Pursuant to Code Provision C.5.1 of the CG Code, the Board should meet regularly, and regular board meetings should be held at least four times per year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications.

The attendance record of each Director at the Board and the committee meetings held and resolutions resolved for the year ended 31 March 2023 is set out in the table below:

Name of Director	Attendance/Number of Meetings				
	Board	Annual General Meeting	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Tang Wing Kwok	4/4	1/1	N/A	2/2	N/A
Mr. Lo Wing Hang	4/4	1/1	N/A	N/A	2/2
Mr. Yeung Tze Long	4/4	1/1	3/3	N/A	2/2
Mr. Chan Pui Hang Ian	4/4	1/1	3/3	2/2	2/2
Mr. Cheung Ting Kin	3/4	1/1	3/3	1/2	N/A
Ms. Li Yuen Shan (Note 1)	N/A	N/A	N/A	N/A	N/A

Note 1: Ms. Li Yuen Shan did not have record of attendance to the Board, annual general meeting and committees’ meetings during the year ended 31 March 2023 because she was appointed as an independent non-executive Director of the Company on 1 January 2023.

During the year ended 31 March 2023, the Board has at all times met the requirements of rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has three independent non-executive Directors and all of the three independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

The three independent non-executive Directors represent more than half of the Board, the proportion of which is higher than what is required by Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one third of the board.

Each of the executive and independent non-executive Directors has signed an appointment contract with the Company which is subject to termination provisions therein and provisions on retirement by rotation and re-election of Directors as set out in the second amended and restated memorandum and articles of association of the Company (the “**Restated Articles**”).

# Corporate Governance Report

## BOARD OF DIRECTORS (continued)

### Board Composition (continued)

The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent. The Board reviews annually the implementation and effectiveness of the above independent mechanism and believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

During the year ended 31 March 2023, one meeting was held between the Chairman and the independent non-executive Directors without the presence of other Directors.

### Responsibilities of the Directors

The Board takes the responsibility collectively to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") (together, the "**Board Committees**").

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge, and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations, and are invited to serve on the Audit Committee, the Nomination Committee and the Remuneration Committee.

The Board has delegated to the management, consisting of executive Directors along with other senior executives, with the responsibilities for implementing the strategy and direction adopted by the Board from time to time and conducting the day-to-day management and operations of the Group.

The Board has delegated to the Board Committees responsibilities as set out in their respective terms of references. Further details of the Board Committees are set out in the sections headed "Audit Committee", "Nomination Committee" and "Remuneration Committee" below.

# Corporate Governance Report

## BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the “**Board Diversity Policy**”) on 4 April 2019 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the talent, skill, regional and industry experience, background, gender and other qualities.

When identifying potential candidates to the Board of Directors, the Nomination Committee and the Board of Directors will, among others, (i) consider the current level of representation of women on the Board and the senior management when making recommendations for nominees as well as succession planning to the Board of Directors and senior management; (ii) consider the criteria that promotes diversity by references to the code of practices on employment published by the Equal Opportunities Commission from time to time; (iii) communicate the Board Diversity Policy to the Nomination Committee and encourage a cooperative approach to ensure diversity on the Board.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board has reviewed the Board Diversity Policy for the year ended 31 March 2023. Having reviewed the Board composition, the Board recognises the importance and benefits of gender diversity at the Board level and has appointed Ms. Li Yuen Shan as an independent non-executive Director to the Board with effect from 1 January 2023. With the appointment of Ms. Li Yuen Shan, the Board has had at least one female representation. We shall continue to identify female candidate(s) to enhance the gender diversity among the Board members.

The Company's diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for the year ended 31 March 2023. As of the date of this report, 80.0% of the Directors and approximately 76.9% of total workforce were male. The Company will promote diversity at workforce levels by timely review the gender diversity of the workforce with the business development of the Group.. The Nomination Committee review the Board Diversity Policy annually to ensure its continued effectiveness.

# Corporate Governance Report

## NOMINATION POLICY

The Board has adopted a nomination policy (the “**Nomination Policy**”) on 4 April 2019 which sets out the criteria and process in the nomination and appointment of directors of the Company, aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and to ensure the Board’s continuity and appropriate leadership. The Nomination Committee shall identify candidates who are qualified/suitable to become a member of the Board and to make recommendations to the Board on the selection of candidates nominated for directorships. The selection of candidates will be based on a range of selection criteria as set out in the Nomination Policy, including but not limited to, character and integrity, qualification, potential contributions the candidate can bring to the Board in terms of qualifications, skill, experience, independence and gender diversity, the candidate’s willingness and ability to devote adequate time to discharge duties as a member of the Board.

For the appointment of Directors, the Nomination Committee will first identify individual(s) suitably qualified to become Board members and assesses the independence of the proposed independent non-executive Director(s). Then, the Nomination Committee will make recommendation to the Board for the Board to consider, having regard to the Board Diversity Policy and the Nomination Policy. The Board will confirm the appointment of the suitable candidate or recommend the candidate to stand for election at a general meeting of the Company. The candidate(s) who is/are appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by the Shareholders at the next annual general meeting after initial appointment in accordance with the Restated Articles.

For the re-appointment of Directors, the Nomination Committee will also consider the retiring Directors based on the Board Diversity Policy and the Nomination Policy, and assess their independence before the Nomination Committee makes recommendation to the Board to consider. After the Board considers each retiring Director, the Board will recommend the suitable retiring Director(s) to stand for re-election at the annual general meeting in accordance with the Restated Articles. The Shareholders will approve the re-election of Directors at the annual general meeting.

The Nomination Committee shall review the structure, size, composition (including skills, knowledge, experience and length of service) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

# Corporate Governance Report

## DIVIDEND POLICY

The Company has set up a dividend policy (the “**Dividend Policy**”) on 4 April 2019 with an aim to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the Shareholders. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the following factors:

- (a) the Company’s operating results, actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (c) the level of the Group’s debts to equity ratio, return on equity and the relevant financial covenants;
- (d) any restrictions on payment of dividends that may be imposed by the Group’s lenders;
- (e) the Group’s expected working capital requirements, capital expenditure requirements and future expansion plans;
- (f) the Group’s liquidity position;
- (g) general economic conditions, business cycle of the Group’s business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- (h) any other factors that the Board may deem appropriate and relevant.

The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rules and regulations and the Restated Articles. The declaration and payment of future dividend under the Dividend Policy are subject to the Board’s determination that the same would be in the best interests of the Group and the Shareholders as a whole. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

# Corporate Governance Report

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Group acknowledges the importance of continuing professional development for the Directors for a sound and effective corporate governance and internal control system. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules.

During the year ended 31 March 2023, each Director had participated in continuous professional training by attending seminars/workshops or by reading materials to update and refresh his skill and knowledge necessary for the performance of his duty.

Name of Directors	Type of Training Note
Executive Directors	
Mr. Tang Wing Kwok	A&B
Mr. Lo Wing Hang	A&B
Independent non-executive Directors	
Mr. Yeung Tze Long	A&B
Mr. Cheung Ting Kin	A&B
Mr. Chan Pui Hang Ian	A&B
Ms. Li Yuen Shan	A&B

Note:

Types of Training:

A: Attending training sessions, including but not limited to, expert briefings, seminars, conferences and workshops

B: Reading relevant newspaper, journals, magazines and relevant publications

# Corporate Governance Report

## BOARD COMMITTEES

### Audit Committee

The Company established the Audit Committee on 4 April 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to, among other things, (i) make recommendations to the Board on the appointment, reappointment and removal of external auditors; (ii) review and monitor the external auditors' independence and objectivity; (iii) review the effectiveness of the Company's internal audit activities, internal controls and risk management systems; (iv) develop and implement policy on engaging external auditor to supply non-audit services, and to review and monitor the extent of the non-audit works undertaken by external auditors; and (v) monitor the integrity of the financial statements and the annual report and accounts and half-year report and to review significant financial reporting judgments contained in them.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yeung Tze Long, Mr. Chan Pui Hang Ian and Ms. Li Yuen Shan. Mr. Yeung Tze Long currently serves as the chairman of the Audit Committee.

The Audit Committee convened three meetings during the year ended 31 March 2023.

The Audit Committee performed the following works during the year ended 31 March 2023:

- (a) reviewed the Group's annual audited financial statements for the year ended 31 March 2022 and unaudited interim financial statements for the six months ended 30 September 2022;
- (b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;
- (c) reviewed the Group's risk management, internal control system and related matters; and
- (d) considered and made recommendations on the re-appointment of the external auditors of the Group, and the terms of engagement.

The Company's annual results for the year ended 31 March 2023 have been reviewed by the Audit Committee.

There had been no disagreement between the Board and the Audit Committee.

# Corporate Governance Report

## BOARD COMMITTEES (continued)

### Remuneration Committee

The Company established the Remuneration Committee on 4 April 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to, among other things, (i) make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) make recommendation to the Board on the remuneration of independent non-executive Directors; (iii) review and make recommendations to our Board on other remuneration-related matters, including benefits-in-kinds and their compensation payable to our Directors and senior management; (iv) review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration; and (v) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries.

The Remuneration Committee consists of three members, namely Mr. Lo Wing Hang, Mr. Yeung Tze Long and Mr. Chan Pui Hang Ian. Mr. Yeung Tze Long currently serves as the chairman of the Remuneration Committee.

The remuneration of the Directors and senior management is determined with reference to the responsibilities, workload, the time devoted and the performance of the Group. The Remuneration Committee also ensures that no individual will be involved in determining his/her own remuneration.

The Remuneration Committee convened two meetings during the year ended 31 March 2023 for reviewing the remuneration packages of the executive Directors and independent non-executive Directors and the performance of them.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 March 2023 are as follows:

	Number of employee(s)
Not exceeding HKD1,000,000	2
HKD1,000,001 to HKD2,000,000	1
HKD2,000,001 to HKD3,000,000	–

Further details of the remuneration of the Directors and the five highest paid employees are set out in Notes 11 and 12, respectively, to the consolidated financial statements.

# Corporate Governance Report

## **BOARD COMMITTEES (continued)**

### **Nomination Committee**

The Company established the Nomination Committee on 4 April 2019 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to, among other things, (i) review the structure, size, composition and diversity of our Board on a regular basis; (ii) identify individual suitably qualified to become Board members; (iii) assess the independence of independent non-executive Directors; (iv) make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) make recommendations to our Board regarding candidates to fill vacancies on our Board and/or senior management.

The Nomination Committee consists of three members, namely Mr. Tang Wing Kwok, Mr. Chan Pui Hang Ian and Ms. Li Yuen Shan. Mr. Tang Wing Kwok currently serves as the chairman of the Nomination Committee.

The Nomination Committee convened two meetings during the year ended 31 March 2023 for reviewing the independence of the independent non-executive Directors, considering the qualifications of the retiring directors standing for election at the forthcoming annual general meeting of the Company, reviewing the structure, size, and composition of the Board and reviewing the Board Diversity Policy and the Nomination Policy.

The Nomination Committee considered that the independent non-executive Directors are independent and the aforesaid policies have been maintained up to 31 March 2023.

## **CORPORATE GOVERNANCE FUNCTIONS**

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

As at 31 March 2023, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

## **DIRECTORS' AND AUDITORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2023 in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The statements of the independent auditor of the Group about their reporting responsibilities on the consolidated financial statements of the Group are set out in the "Independent Auditor's Report" on pages 64 to 68 of this annual report.

## **EXTERNAL AUDITOR'S REMUNERATION**

For the year ended 31 March 2023, the remunerations paid or payable to the external auditors, Deloitte Touche Tohmatsu in respect of its audit services for the Company are approximately HK\$780,000. There is no remuneration for non-audit services.

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the Group's assets and investments and the Shareholders' interest and conducts a review on an ongoing basis. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board conducted review of the effectiveness of the risk management and internal control systems of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions through the effort of the Audit Committee.

The Group currently has no internal audit function and the Board reviewed that it is more cost effective to engage an external independent consultant instead of recruiting a team of internal audit staff to perform such annual review function. During the year ended 31 March 2023, LIF Consultants Limited (the "**Consultant**") was engaged to review the effectiveness of the risk management and internal control system. The Consultant worked closely with the Group to identify risk components and risk owners in different aspects through interviews with and workshops provided to the Group's management. Also, the Consultant assisted the Group to evaluate the adequacy of the existing mitigation plans. In addition, an independent review was conducted by the Consultant under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework ("**COISO**") to identify weaknesses and enhance the effectiveness and efficiency of the internal control system of the Group. Last but not least, findings and recommendations resulting from the review were reported to and discussed with the Audit Committee and the Board, and the Consultant concluded that no significant area of concern that may affect the financial, operational, compliance control and risk management of the Group has been identified.

The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk managements and internal control systems were in place and effective.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance ("**ESG**") strategy and reporting. The Board is responsible for the Group's environmental, social and governance risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. Detailed information on the environmental, social and governance practices adopted by the Group is set out in the sections headed "Environmental, Social and Governance Report" ("**ESG Report**") of this annual report.

## COMPANY SECRETARY

The Company has appointed Mr. Yeung Ka Chun ("**Mr. Yeung**"), who is an employee of the Company, as the Company Secretary. The biographies of Mr. Yeung is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Mr. Yeung confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training. All members of the Board have access to the advice and services of the Company Secretary.

## INSIDE INFORMATION POLICY

The Group has adopted a policy on disclosure of insider information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information. Such policy provides, among others, notification of regular blackout period, securities dealing restrictions to Directors and employees, dissemination of information to specified persons on a need-to-know basis and use for identified projects.

# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and potential investors is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company has adopted the 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 (including the financial performance, strategic goals and plans, material development, governance and risk profile). The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and potential investors to make the informed investment decisions.

To promote effective communication, the Company maintains the website of [www.bnd-strategic.com.hk](http://www.bnd-strategic.com.hk); where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information of the Group including annual and interim reports, announcements and other corporate communications which will be sent to Shareholders and/or published are updated on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website in a timely fashion. The Company has reviewed the shareholder communication policy for the year ended 31 March 2023 and will review it annually to ensure its continued effectiveness. By reasons as set out in the paragraphs of "Shareholders' Rights" and "Enquiries to the Board" below, the Company considers that the Shareholders' communication policy is implemented effectively during the year ended 31 March 2023.

The forthcoming annual general meeting of the Company will be held on Tuesday, 8 August 2023. The notice of the annual general meeting, setting out details of each proposed resolutions, voting procedures and other relevant information, will be sent to Shareholders at least 21 days before the annual general meeting.

## SHAREHOLDERS' RIGHTS

Pursuant to article 64 of the Restated Articles, an extraordinary general meeting shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions in the Restated Articles or the Cayman Islands Company Law for Shareholders to move new resolution at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, please refer to the "Procedure for Shareholders to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

# Corporate Governance Report

## ENQUIRIES TO THE BOARD

Shareholders may send their enquiries or requests to the Board through the Company's principal place of business in Hong Kong at Units 2803–2803A, Asia Trade Centre, No. 79 Lei Muk Road, Kwai Chung, New Territories (email: info@bnd-strategic.com.hk).

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2023, the Company has amended its constitutional documents. Details of the amendments are set out in the circular of the Company dated 15 July 2022. An up-to-date version of the second amended and restated Memorandum and articles of association of the Company is available on the websites of the Stock Exchange and the Company.

# Environmental, Social and Governance Report

## INTRODUCTION

B & D Strategic Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is a construction contractor principally engaged in providing (i) alteration and addition works; and (ii) civil engineering works, solely in Hong Kong.

The Group strives to operate and develop its business in a sustainable manner with the aims to reduce impact to the environment resulted from its construction works and create values to the community, its people and other stakeholders. With the above objective in mind, the Group established policies in various aspects including, but not limited to, environment, human resources, occupational health and safety and quality control, to govern the required operational standards and to ensure compliance with all relevant laws and regulations. The policies will be reviewed and updated annually to cope with any changes in technology, law and regulation and politics.

This is the fourth Environmental, Social and Governance Report (the “**ESG Report**”) of the Group, which demonstrates to both internal and external stakeholders its efforts on sustainability developments. The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange. The ESG Report discloses the Group’s performance and initiatives implemented regarding environmental, social and governance (“**ESG**”) issues and relevant key performance indicators (“**KPIs**”) for the period from 1 April 2022 to 31 March 2023 (the “**Reporting Period**”). The reporting scope covers its business operation in Ka Construction Company Limited, Ka Shun Civil Engineering Company Limited and Ka Shun Contractors Limited which are located in Hong Kong.

## Governance Structure

The board of directors (The “**Board**”) has overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG related risks and ensuring that appropriate and effective ESG risk management are in place. The Board is also responsible for formulating ESG management policies, strategies, goals, annual reporting and promoting related implementation. They also identify, evaluate, review, and manage major ESG issues, risks and opportunities while other departments are responsible for organizing, promoting, and implementing various ESG related tasks under the Group’s ESG management policies and strategies. All tasks will be reported to the Board regularly in order to review and reformulate the policies and plans for achievement of goals and targets.

# Environmental, Social and Governance Report

## Reporting Principles

The ESG Report has been prepared based on four reporting principles which as set out in the HKEX ESG Reporting Guide to define the report content and to ensure the quality of information presented in this report, including:

- Materiality** The Group has identified its material issues through materiality assessment. For more information, please refer to the section headed “Materiality Assessment” of this report.
- Quantitative** KPIs are recorded and disclosed in quantitative terms whenever possible. Information on the standards, methodologies, assumptions and source of conversion factors used for the calculation of environmental data are also disclosed in this report.
- Balance** The ESG Report is prepared in an unbiased manner, with clear explanations of positive and negative impacts, enabling stakeholders to make a reasonable assessment of the Group’s overall performance.
- Consistency** The ESG report presents information on a consistent basis. If there are any changes to the methodologies, calculations, or any other factors that affect meaningful comparison, the Group will be disclosed where applicable.

## Stakeholder Engagement

The Group communicates to stakeholders continuously to understand stakeholders’ expectations, interest and information needs, in assessing the materiality on each aspect of the ESG issues as listed out in the Guide. Below sets forth the channels used for communication with respective stakeholders.

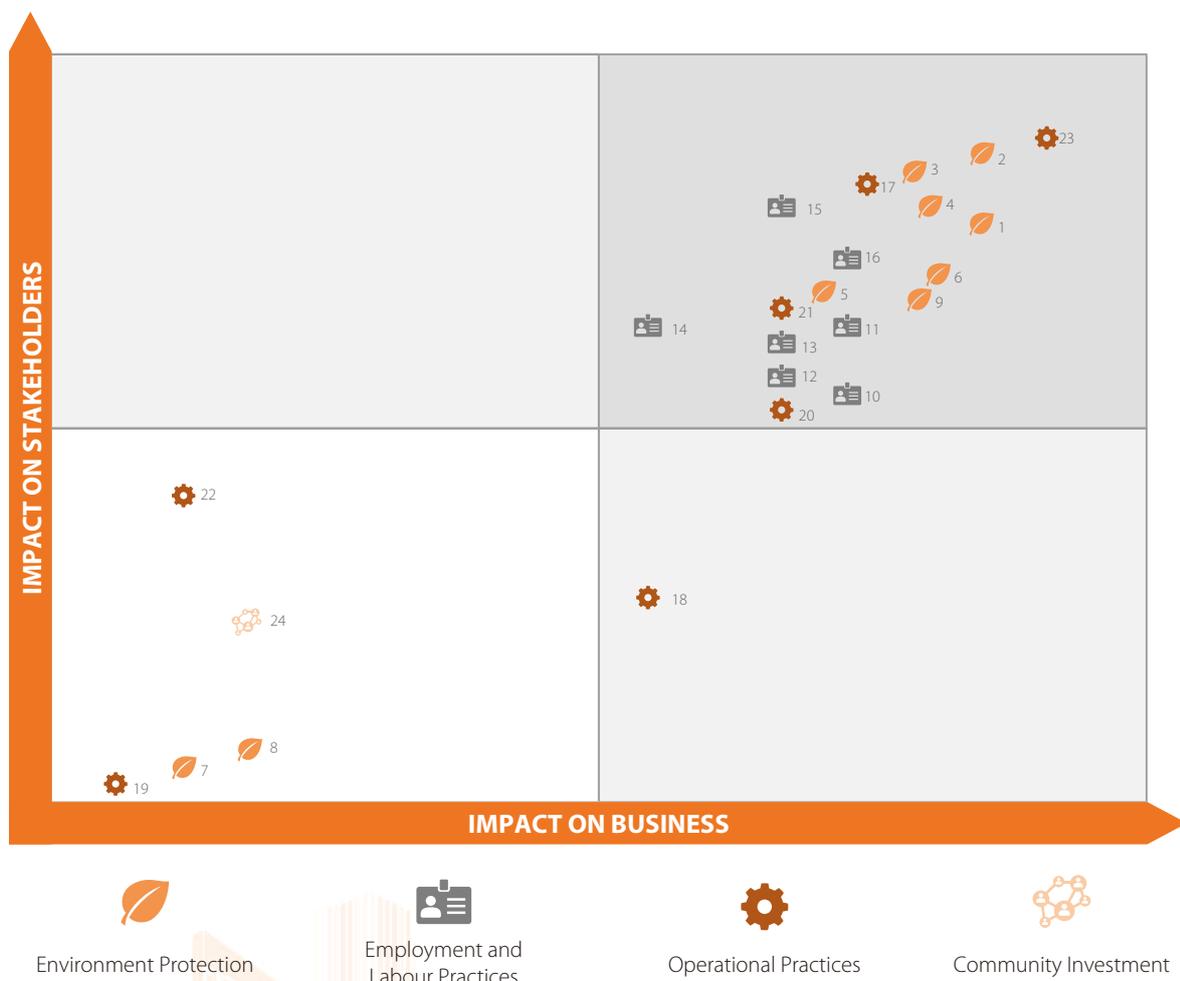
Group	Key Stakeholders	Engagement Channels
Funding and capital	<ul style="list-style-type: none"> <li>Investors</li> <li>Shareholders</li> <li>Lenders</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meetings</li> <li>Annual and interim reports</li> <li>Announcements and circulars</li> <li>Corporate website</li> </ul>
License for operation	<ul style="list-style-type: none"> <li>Government departments</li> <li>Regulators</li> </ul>	<ul style="list-style-type: none"> <li>Application procedures</li> <li>Working meetings</li> <li>Written responses</li> </ul>
Our services	<ul style="list-style-type: none"> <li>Employers</li> <li>Main contractors</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Project meetings and engagements</li> </ul>
Building materials, services, equipment	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Subcontractors</li> </ul>	<ul style="list-style-type: none"> <li>Project meetings and engagements</li> <li>Supplier performance evaluations</li> <li>Site inspection</li> </ul>
Operate our business	<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Annual appraisal</li> <li>Employee feedback channels</li> <li>Management meetings</li> </ul>

# Environmental, Social and Governance Report

## Materiality Assessment

The Group has maintained close communication with its stakeholders to identify and understand its stakeholders' main concerns and material interests for the ESG Report. Stakeholders with high level of influence and dependence on the Group were selected and invited to express their views and concerns on a list of sustainability issues. Through multiple discussions and direct communications, the Group understands the core issues that matter most to its stakeholders. By understanding the critical issues from both internal and external perspectives through stakeholders, the Group developed its corporate strategies, goals, targets and programs to advance business sustainability. The assessment started from identifying corporate social responsibility issues from four different aspects, including environmental protection, employment and labour practices, operation practices and community investment. Based on the 24 issues identified, interviews and questionnaires were conducted to collect opinions from internal and external stakeholders.

A materiality matrix was developed based on the replies from stakeholders, which 18 critical issues were identified. Among the critical issues, approximately 39% are related to employment and labour practices, and environment protection respectively, follow by operational practices at approximately 22%.



# Environmental, Social and Governance Report

Details of the 24 issues identified for materiality assessment are listed below:

1	<b>Environment protection</b> Air emission	
2	<b>Environment protection</b> Noise pollution	
3	<b>Environment protection</b> Wastes management	
4	<b>Environment protection</b> Dust pollution	
5	<b>Environment protection</b> Water use and efficiency	
6	<b>Environment protection</b> Energy use and efficiency	
7	<b>Environment protection</b> Packaging materials	
8	<b>Environment protection</b> Natural resource management	
9	<b>Environment protection</b> Climate change	
10	<b>Employment and labor practices</b> Employment management	
11	<b>Employment and labor practices</b> Discrimination and equal opportunity	
12	<b>Employment and labor practices</b> Promotion and compensation system	
13	<b>Employment and labor practices</b> Other benefits and welfare	
14	<b>Employment and labor practices</b> Prevention of child labour and forced labour	
15	<b>Employment and labor practices</b> Safety working environment and occupational hazards	
16	<b>Employment and labor practices</b> Development and training	
17	<b>Operational practices</b> Quality assurance	
18	<b>Operational practices</b> Protection of intellectual property rights	
19	<b>Operational practices</b> Consumer data protection	

# Environmental, Social and Governance Report

20	<b>Operational practices</b> Anti-corruption	
21	<b>Operational practices</b> Whistle-blowing policy	
22	<b>Operational practices</b> Supply chain management	
23	<b>Operational practices</b> Sub-contractor management	
24	<b>Community investment</b> Community investment	

## Feedback

The Group values your opinion and feedback on our ESG report, and we would like to hear from you on how we could further improve our performance. Readers are welcome to share valuable views and opinions with the Group at [info@bnd-strategic.com.hk](mailto:info@bnd-strategic.com.hk).

## ENVIRONMENTAL PROTECTION

The Group is committed to continually improve its environmental performance and, ultimately, to minimise and prevent any environmental impacts from its operations, activities, products, and services. The Group identifies materials, processes, products and wastes that cause or may cause pollution, and implements measures to avoid, reduce or control pollution where technically and economically viable. To achieve this objective, the Group has established an integrated management system which includes measures and work procedures governing the standard of works of its employees and subcontractors in environmental aspect. The environmental management system in two of its subsidiaries have been certified in accordance with the requirements of the ISO 14001 standards since 2003 and 2012 respectively.

Our construction works are subject to certain environment requirements pursuant to the laws in Hong Kong. Certain laws and regulations that have a significant impact on the Group includes Air Pollution Control Ordinance (Chapter 311R of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong). During the Reporting Period, the Group did not record any non-compliance that resulted in prosecution, conviction or penalty being brought against us in relation to environment aspects. The potential impacts to the Group and measures to ensure compliance with such laws and regulations will be discussed in turn below.

# Environmental, Social and Governance Report

## Emissions

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants. The Air Pollution Control Ordinance provides that the owner of any premises, which includes a contractor who has possession of a site for the purpose of construction work shall use best practicable means for preventing the emission of noxious or offensive emissions from such premises.

Private cars, lorry cranes and non-road mobile machineries (including hydraulic excavators and breakers) are the major combustion sources which generate air pollutants resulted from our daily transportation, waste disposal cycles and construction works. The Group believes that maintaining good conditions of vehicles and machineries are important to the efficient performance of works, workplace safety and environment protection. As such, the Group regularly hires third party companies to carry out inspection, repair and maintenance works to maintain its vehicles and machineries in good condition.

Starting from 1 June 2015, a subsidiary regulation, Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation ("**NRMM Regulation**"), came into effect to introduce regulatory control on the emission of non-road mobile machinery ("**NRMMs**"). The NRMMs are required to comply with the prescribed emission standards. Furthermore, starting from 1 December 2015, all regulated machines to be used in specified activities and locations in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department ("**EPD**"). These regulations certainly have significant impacts to the Group as it possesses its own machinery to perform different types of civil engineering works. As at 31 March 2023, 10 of the Group's owned regulated machines are all either exempted or approved with label in EPD's prescribed format.

Emission of the Group is mainly sourced from the exhaust gas due to the fuel combustion of mobile machineries and vehicles in contract works. With the inevitable use of machineries and vehicles for the execution of contract works and transportation, the Group is committed to adopt practical solutions to reduce the dark smoke and exhaust gas emission and keep it at a reasonable level. For instance, our project teams strive to opt for cleaner and superior fuels for all fuel-driven machineries and vehicles, select the equipment and machineries (e.g. excavators and generators) with low emission engines and regularly carry out routine maintenance and repairment of powered mechanical equipment to ensure fuel consumption efficiency and emission level is compliant with the local emission standard. In addition, when new vehicles need to be purchased, the Group prioritises electric vehicle and environment-friendly vehicles alternatives to diesel vehicles where practicable.

Save as the above, the Group also generates indirect emissions from the consumption of resources, including energy, water and paper. The spirit to mitigate such emissions is to optimize the usage of resources which will be discussed under the section headed "Use of Resources" in this ESG Report.

# Environmental, Social and Governance Report

The Group does not consume any gaseous fuel in its business operation. Below sets out the KPIs for air emission and Greenhouse Gas (“GHG”) emissions in CO<sub>2</sub>e.

Air Emission Data	Notes	Unit	2023	2022
<b>Vehicle Emissions</b>				
NOx Emissions		g	<b>145,003.87</b>	158,517.58
SOx Emissions		g	<b>389.52</b>	365.98
PM Emissions		g	<b>10,334.90</b>	11,903.51

GHG Emission Data	Notes	Unit	2023	2022
<b>Scope 1 – Direct Emissions</b>				
Mobile combustion sources		tonnes	<b>69.30</b>	64.44
<b>Scope 2 – “Energy Indirect” Emissions</b>				
Electricity purchased	1	tonnes	<b>44.96</b>	60.54
<b>Scope 3 – Other Indirect Emissions</b>				
Paper waste disposed at landfills		tonnes	<b>5.84</b>	8.76
Electricity used for processing fresh water and sewage by government department	2	tonnes	<b>8.99</b>	3.33

Notes:

1. For electricity purchased from China Light Power (“CLP”), the emission factor (0.3900 kg/kWh) is available from CLP’s Sustainability Report 2022.
2. For water supplied from Water Supplies Department, the unit electricity consumption (0.428 kg/m<sup>3</sup>) is available from Water Supplies Department’s Annual Report 2020/21.

The fluctuations in “energy indirect” emissions and other indirect emissions of the Group were mainly affected by projects where the Group acts as the main contractor, which the Group is generally responsible to manage the supply of electricity and water in construction sites. The consumption of electricity and water are primarily used for machines and equipment, lighting and cleaning that are necessary to carry out the alteration and addition works and civil engineering works by us and our sub-contractors. Please see section headed “Use of Resources” for details of the consumption level of electricity and water.

# Environmental, Social and Governance Report

## Waste

The Waste Disposal Ordinance is the principal legislation in Hong Kong which controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. A person shall not use any land or premises for the disposal of waste unless he has a licence from the Director of the EPD. The Group understands that disposing waste in random location is an offence and may cause inconvenience and danger to the community. The Group is committed to ensure that wastes are legally disposed to proper reception facilities or landfill. As such, the Group, when acts as a main contractor, will always obtain waste disposal permit from EPD upon contract awarded.

Concrete, mud, rebar and wood are the major type of waste resulting from its site formation, demolition, foundation and superstructure works ("**Construction Works**"). Although these wastes are unavoidable during the Construction Works, the Group is committed to minimise waste and maintain it at a reasonable level through maximised recycling and use of recycled and reused materials on all new projects where applicable. In order to reduce the waste generated, the Group tries to recycle wastes generated from its Construction Works where viable. For example, sea mud obtained will be reused for back filling. Any excess will be utilised across construction sites or transported to public fill reception facilities. To facilitate a proper disposal management, wastes sorting is carried out on site to separate re-usable and recyclable materials, hazardous waste and non-hazardous wastes. External disposal team will then collect the wastes from time to time and deliver them to relevant reception facilities or landfill. During the Reporting Period, approximately 2,300.60 (2022: 2,380.50) tonnes of non-hazardous wastes were generated from its Construction Works. The Group does not generate hazardous wastes from Construction Works.

Non-Hazardous Waste		Unit	2023	2022
<b>Facility</b>				
Landfill	tonnes		<b>1,017.90</b>	1,034.90
Public fill reception facilities	tonnes		<b>745.40</b>	1,182.90
Sorting facilities	tonnes		<b>537.30</b>	162.70
<b>Segment</b>				
Alteration and addition works	tonnes		<b>1,742.10</b>	1,826.90
Civil Engineering works	tonnes		<b>558.50</b>	553.60
<b>Intensity</b>				
Alteration and addition works	tonnes/project		<b>435.53</b>	202.99
Civil Engineering works	tonnes/project		<b>139.63</b>	553.60

# Environmental, Social and Governance Report

## Use of Resources

The Group is aware of the challenge that Hong Kong faces against climate change and understands that saving resources is one critical mean to reduce carbon footprint. The major direct energy consumption sources from the Construction Works include use of electric equipment and lighting. The Group targets to minimise the energy consumption and keep it at a reasonable level through on-site monitoring of energy consumption and remind employees and/or subcontractors to switch off unnecessary electrical appliances when not in use. In addition, the Group makes great effort to improve and develop the way to build in a resource efficient manner. The design and development team carefully reviews the specified requirements from its clients, and accurately measures and estimates the inputs and design, and continuously redesigns the working process to seek resource saving and synergy wherever viable.

The Group acknowledges that our operations require substantial usage of water and inevitable usage to comply with relevant laws and regulations, which is a scarce limited resource on the earth. We recognise that business plays an important role in ensuring the sustainability of water resources and have made it our priority to minimise water consumption and manage water quality. For instance, wastewater at construction sites, after sedimentation, will also be reused for water spraying or wheel washing when practicable. Moreover, we target exploring more possible measures to improve water consumption. For instance, the Group will employ high pressure and low volume sprayer for cleaning sites and machines and regularly investigates water leakage to avoid unnecessary water consumption efficiency.

During the Reporting Period, the Group has no issue in sourcing water that is fit for purpose. Moreover, in connection to effluent discharge, the Group has obtained licences from EPD to discharge industrial trade effluent from construction sites as required under the Water Pollution Control Ordinance.

In additions, the Group advocates several resource saving initiatives in its daily operation and construction sites as below:

- Employ energy-efficient electric appliance and equipment.
- Encourage double-sided printing.
- Encourage electronic documentation and communication.
- Maintain air-conditioning at an average temperature of 25 degrees Celsius.
- Switch off lights, air-conditioners and computers when they are not in use.

# Environmental, Social and Governance Report

Use of packaging materials is not relevant to the Group's businesses. Below sets out the KPIs for energy and water consumption.

Energy Consumption	Unit	2023	2022
Office and warehouse	kWh	<b>17,926.00</b>	20,418.00
Projects	kWh	<b>97,348.40</b>	134,800.00
<b>Intensity</b>	kWh/project	<b>97,348.40</b>	67,400.00

Water Consumption	Unit	2023	2022
Office and warehouse	m <sup>3</sup>	<b>19.00</b>	18.00
Projects	m <sup>3</sup>	<b>10,487.00</b>	3,008.00
<b>Intensity</b>	m <sup>3</sup> /project	<b>5,243.50</b>	1,987.00

The decrease in electricity consumption was mainly due to a project of civil engineering works segment has been substantially completed during the year ended 31 March 2022. While the increase in water consumption was mainly due to a new larger scale project of civil engineering works segment awarded during the year ended 31 March 2023.

## The Environment and Natural Resources

Save as the above sections, the Group's business activities, including dredging, breaking and piling, will also create significant impact to the environment regarding dust pollution and noise pollution. In relation to these pollutions, the Group adopts numerous measures to minimise such impact including but not limited to the following:

- Enclose dust screens or sheeting to the structure being demolished.
- Install hoarding with acceptable height.
- Install extra acoustic enclosures for high noise intensity construction processes.
- Spray water on working surface.
- Spray water to dusty materials prior to any loading, unloading or transfer operation and covered entirely by impervious sheeting.
- Wash to remove any dusty materials from vehicles before leaving a construction site.

In addition, to comply with relevant regulations, the Group has given notices to the public officer about Construction Works proposed to be carried out under Air Pollution Control (Construction Dust) Regulation. The Group has obtained construction noise permits in advance for construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, from the EPD.

# Environmental, Social and Governance Report

## Climate Change

The Group attaches great importance to operational risks arising from climate change and stringently examines the climate and environmental impact caused by our own business. We proactively undertake our responsibilities on environment and empower transformation into low-carbon enterprise through initiatives including green office, green operation and green publication. According to recommendations of Taskforce on Climate-related Financial Disclosures (“TCFD”), we evaluated the degree of impact from various types of risks and responses, providing us guidance for transforming into green and low-carbon business model in the future.

Risks	Description	Response strategies
<b>Physical risks</b>		
Acute	Increased severity of extreme weather events such as typhoon, flood, drought, extremely hot and cold Weather	<ul style="list-style-type: none"> <li>Devise contingency plans in response to impact of acute weather events</li> </ul>
Chronic	Change in temperature and rainfall, sea level rise and others	<ul style="list-style-type: none"> <li>Identify and evaluate forward-looking risks arising from chronic climate risks and include these considerations in Construction Works</li> <li>Closely monitor weather forecast to ensure timely and adequate preparation, and safeguard staff</li> </ul>
<b>Transition risks</b>		
Policy and legal	Introduction of energy saving and emission reduction related policies, and more stringent reporting on emission volume and compliance requirements	<ul style="list-style-type: none"> <li>Keep abreast of the updates of relevant rules and regulations and updates on management system and documents timely</li> </ul>
Technology	Transformation of low emission service	<ul style="list-style-type: none"> <li>Keep abreast of opportunities arising technological advances and relevant supporting policies of government</li> </ul>
Market	Tendency of green services of customers	<ul style="list-style-type: none"> <li>Progressively increase investments in research and development of green services</li> </ul>
Reputation	Customers’ emphasis on corporate responsibilities	<ul style="list-style-type: none"> <li>Gradually carry out transformation of green services to meet customers’ demand</li> </ul>

# Environmental, Social and Governance Report

## SOCIAL – EMPLOYMENT AND LABOUR PRACTICES

### Employment

The Group believes its employees are valuable assets to its business and is crucial to maintain a good relationship with them. With this regard, the Group continuously reviews its Human Resources (“HR”) management system to ensure a fair and safe working environment is provided to its employees.

When establishing the HR management system, the Group pay care attention to ensure that it complies with relevant labour laws. They include but not limited to Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) and Immigration Ordinance (Chapter 583 of the Laws of Hong Kong).

To ensure employees aware of the employment terms and HR policies of the Group, it enters into separate labour contract with individual employees in accordance with applicable labour law in Hong Kong, which stipulates, among others, working hours, leaves entitlement, salary and other benefits and welfare. In addition, its employee handbook stipulates the house rules to be followed by employees. It also includes a list of misconduct that may lead to dismissal.

The Group upholds the beliefs in equality and anti-discrimination in its recruitment, appraisal and remuneration system. Standard interview and evaluation criteria are established to ensure that promotion opportunities and salary adjustments are only determined based on employee’s qualification, experience and performance, and will not be affected by any grounds that are irrelevant, such as age, gender, marital status, family status, race, skin colour, nationality, religion, political affiliation and other factors.

As at 31 March 2023, the Group has employed 52 (2022: 57) full-time employees, and the turnover rate is 26% (2022: 19%). During the Reporting Period, a total of 14 (2022: 11) employees had leave the Group, of which 79% (2022: 73%) of them are entry level staff.

# Environmental, Social and Governance Report

The following table set out breakdowns of the Group's employees by gender and employment category.

	2023		2022	
	Turnover rate	Number of employees	Turnover rate	Number of employees
<b>Number of employees by gender</b>				
Male	5%	40	17%	41
Female	86%	12	24%	16
<b>Number of employees by employment type</b>				
Directors and senior management	0%	10	0%	10
Middle management	15%	19	14%	22
Entry level	46%	23	30%	25
<b>Number of employees by age group</b>				
30 or below	125%	3	31%	5
31 to 50	27%	25	7%	27
51 or above	8%	24	30%	25
<b>Number of employees by geographical region</b>				
Hong Kong	26%	52	19%	57

Note: The employee turnover rates are calculated using number of employees leaving employment divided by average number of employees for the year.

## Health and Safety

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) is the principal legislation in Hong Kong which provides for the safety and health protection to employees in workplace. In addition, the Group is subject to regulation under Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong). The subsidiary regulations include, among others, the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), Factories and Industrial Undertakings (Lifting Appliance and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) and Factories and Industrial Undertakings (Protection of Eyes) Regulations (Chapter 59S of the Laws of Hong Kong).

The Group emphasises on occupational health and work safety and provides safety trainings to our staffs covering various topics. Due to the nature of business of the Group, risks of accidents or injuries are inherent. As such, the Group has established a safety management system, which has been certified to be in accordance with the requirements of the OHSAS 18001:2007 standards, to provide its employees and subcontractors' employees with a safe and healthy working environment.

# Environmental, Social and Governance Report

In practice, the Group prepares a safety plan for each project, which is conveyed to its employees and subcontractors before commencement of works. The purpose of the safety plan is to assess and identify risks associated with the works and environments of each project; and formulate appropriate measures and works procedures for implementation. In addition, the Group engages registered safety auditors for the purpose of conducting safety audits on our safety management system on a semi-annual basis in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations.

During the Reporting Period, the Group is pleased that no work-related fatalities have been reported in each of the past three years. No incidents of work injuries were occurred during the year end 31 March 2023 (2022: five), and the total loss days due to work injuries in the year were 799 (2022: 1,633) days (including employees of subcontractors). The Group will continue to evaluate the potential cases leading to past work injures and identify corresponding measures to improve work safety environment.

## Development and Training

To improve its employees' technical competence and work efficiency, the Group provides various training to our employees. Training policy is developed to govern the contents of training to be provided. The Group provides various training to different working levels, including internal trainings organised by the HR department and external trainings arranged by external professional parties. Besides, to avoid accident caused by unprofessional practice or improper behaviour of subcontractor, safety trainings are also provided to sub-contractor. To assess the effectiveness of the training programme, the Group regularly review it and apply necessary modification to the programme to meet the Group's development goal. Seasonal training plan is also maintained to ensure that trainings are deployed regularly and effectively.

During the Reporting Period, the Group provided various training sessions to its employees and employees of the subcontractors in different aspects, including personal and site safety, emergency procedure and accidents reporting, tools, machine and equipment operation and technical works safety. Below table sets out the average training hours and percentage of employees trained by gender and employment types.

	2023		2022	
	Percentage of employees trained	Average training hours per employee	Percentage of employees trained	Average training hours per employee
<b>Gender</b>				
Male	10%	1.13	18%	2.23
Female	-	-	6%	1.08
<b>Employment types</b>				
Middle management	11%	0.75	9%	2.14
Entry level	9%	1.5	24%	2.08

Note:

1. The percentage of employees trained is calculated using number of trained employees divided by number of employees at the end of the Reporting Period.
2. Average training hours per employee are calculated using total training hours divided by number of trained employees for the year.

# Environmental, Social and Governance Report

## Labour Standards

Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) and Employment of Young Persons (Industry) Regulations (Chapter 57C of the Laws of Hong Kong) are the major legislation which stipulates the prohibition of employment of children and young persons. It is the Group's policy to restrict hiring of any person under 18 years of age, and any kind of forced labour. With this regard, the Group requires HR personnel to perform adequate background check on job applicants, including verification of identity and age, to ensure candidates are physically and conditionally to be legally hired. Employees are also welcomed to report any doubts and difficulties encountered to the direct supervisor or management. If any forms of forced or child labour are identified, the Group will take corrective actions immediately, such as discharge the child labour, report to local labour bureau and investigate the causes improper events.

## SOCIAL – OPERATING PRACTICES

### Supply Chain Management

The Group realises the importance of supply chain management as it is a common practice to join hands with suppliers and sub-contractors in construction industry. The Group endeavor to operate with suppliers and subcontractors who share similar values and uphold high standards of business ethics, quality-safety-environment management and labor management. Therefore, the Group attaches great importance to the suppliers and subcontractors' engagement process.

In general, the Group evaluates its suppliers and subcontractors based on their job reference, technical submission, skills and technique, prevailing market price and reputation. With respect to proper managing the environmental and social risks along our supply chain, the Group gives priority to the prospective and existing suppliers and subcontractors who have establish comprehensive certified environmental, health and safety, labour management and quality management system (e.g. ISO 9001 and 14001) and/or can provide the environmental-friendly materials where applicable, in order to lower the adverse impact on the environment and the society. The selected new suppliers and subcontractors will be recorded in an internal approved list with details of materials or services provided which will be reviewed and updated continuously.

The Group also performs periodic evaluation of the suppliers and subcontractors' performance regarding prices performance, timeliness of delivery, order fulfilment and materials quality. Poor performance identified will be requested for corrective actions. If no improvements have been made in the future of 12 months, the suppliers and subcontractors will be delisted. An approved supplier and subcontractor are valid for a maximum of 3 years before having to re-compete, if the suppliers and subcontractors remain in good standing.

As at 31 March 2023, the Group had over 800 (2021: 760) suppliers and subcontractors located in Hong Kong, which provided it with flexibility to engage alternative suppliers and subcontractors of different materials and service.

# Environmental, Social and Governance Report

## Product Responsibility

The Group believes a robust quality control system is the key to success. To ensure compliance with our customers' specifications and requirements, quality management system was set up with clear procedures of management system planning, support operation and performance evaluation. The quality management system was accredited to be in conformity with the requirements of the ISO 9001 standards.

During project execution, the Group's project team will carry out inspection and supervision, and examine the quality according to a planned audit schedule, which includes the following:

- Matters arising from the previous audit, including discharge of non-conformities.
- Quality system documentation.
- Communications, filing and document control.
- Design control (including input, output, change and verification procedures).
- Construction and installation control (including inspection, testing and material inventory control procedures).
- Feedback, complaints and corrective action.
- Support services including software, purchasing, deliverables, and information systems.
- Staff training including understanding of the project quality plan.
- The use of statistical analysis.

For projects in which the Group act as main contractor, the works will also be examined and certified by a third-party consulting company nominated by its customers. In order to proper address the customers feedback during the construction stage and defect liability period, the project teams have established a set of management procedures in handling the customer enquiries, feedback and complaints. Upon receipt of the customer feedback, we will review and investigate the issues, coordinate rectification work of defects with the subcontractors where necessary and verify the completion of the work with the customers. The project team will also identify the root causes, evaluate the needs for actions that prevent recurrence and improve the current procedures for continuous improvement. During the Reporting Period, the Group have no products or services subjects to recalls for safety and health reasons, and received no customer complaint regarding the provision of products and services.

Recognising the importance of intellectual property rights, the Group make effort to protect our intellectual property, trademark and copyrights. We strictly comply with the Intellectual Property Law of Hong Kong and other applicable laws and regulations relevant to advertising, labelling, and intellectual property rights, so as to protect our trademark from infringement. The Group has also installed proper IT security software such as firewall and anti-virus solutions to prevent accidental leakage of confidential information. No illegal or unauthorized IT software are allowed to be installed by the employees in their computers in order to safeguard the infringement of intellectual rights.

# Environmental, Social and Governance Report

Upholding the highest standards in protecting customer data privacy, the Group's operations were strictly abided by the Personal Data (Privacy) Ordinance of Hong Kong. The Group keeps customers' information confidential and has formulated a series of internal policies to set out the privacy and confidentiality requirements. A hierarchical authorisation management system has been established to grant different personnel with different permissions, thus ensuring the access to customers' confidential information are limited to relevant personnel. In addition, the Group has formulated internal policies to regulate the approaches adopted to collect and store customer data and information. All employees are required to stringently comply with all internal guidelines relating to the collection, handling, transferring, storage, and disposal of customers' personal information.

## Anti-corruptions

The Group requires all staff to maintain a high-level ethical practice. Any form of corruption, bribes and fraud is strictly prohibited by the Group.

To ensure that all employees work in an ethical manner, the Group has developed the employee handbook and the Code of Ethics that sets out guidelines in areas such as anti-corruption and anti-bribery. Code of conducts are also stated clearly in employee handbook of the Group which prompt employee's awareness when one comes across with sensitive information and situations in the course of business. The Group requires its employee to think ethically before accepting any benefits from outsiders and declares any incidents that may constitute conflict of interest.

Whistleblowing policy has also been established to allow its employee to report any misconduct or malpractice events observed. The employee or those who deal with the Group are welcomed to raise concerns, in confidence, to the Audit Committee about possible improprieties in any matter related to the Group.

To enhance the awareness of integrity within the Group, anti-corruption trainings and leaflets are provided to the Board and all employees from time to time. During the Reporting Period, no legal case regarding corrupt practices brought against the Group or its employees, and the Group was not aware of any case of non-compliance with the laws and regulations that has a significant impact on the Group in relation to corruption, bribes or fraud.

## SOCIAL – COMMUNITY

### Community Investment

Due to our business nature, our contract works may occasionally cause the community disturbances. The Group will take the communities' interests into consideration when conducting business and had dedicated its focus in contributing the environment, labour needs and health. It is of our great desire to minimize the negative impact of our operational activities to the community.

The Group is always aware of the needs of the community and will try its best to contribute to the community by participating and sponsoring community activities. During the year, the Group had made charity donation and sponsorship amounting to HK\$28,000. Going forward, the Group will continue to foster the culture of active participation in community services, encourage and support employees to participate in volunteer services at leisure times to make contributions to the society.

# Environmental, Social and Governance Report

## ESG INDEX

ENVIRONMENTAL		Section Reference
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	• Environmental Protection
KPI A1.1	The types of emissions and respective emissions data.	• Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Waste
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	• Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	• Waste
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	• Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	• Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	• Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	• Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	• Not relevant to the Group

# Environmental, Social and Governance Report

## ENVIRONMENTAL

## Section Reference

### Aspect A3: The Environment and Natural Resources

General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	• The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	• Environmental Protection

### Aspect A4: Climate Change

General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	• Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	• Climate Change

## SOCIAL

## Section Reference

### Aspect B1: Employment

General Disclosure	Information on: <ol style="list-style-type: none"> <li>a) the policies; and</li> <li>b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</li> </ol>	• Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	• Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	• Employment

# Environmental, Social and Governance Report

SOCIAL		Section Reference
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>a) the policies; and</li> <li>b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</li> </ul>	<ul style="list-style-type: none"> <li>• Health and Safety</li> </ul>
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	<ul style="list-style-type: none"> <li>• Health and Safety</li> </ul>
KPI B2.2	Lost days due to work injury.	<ul style="list-style-type: none"> <li>• Health and Safety</li> </ul>
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	<ul style="list-style-type: none"> <li>• Health and Safety</li> </ul>
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	<ul style="list-style-type: none"> <li>• Development and Training</li> </ul>
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<ul style="list-style-type: none"> <li>• Development and Training</li> </ul>
KPI B3.2	The average training hours completed per employee by gender and employee category.	<ul style="list-style-type: none"> <li>• Development and Training</li> </ul>
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>a) the policies; and</li> <li>b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</li> </ul>	<ul style="list-style-type: none"> <li>• Labour Standards</li> </ul>
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<ul style="list-style-type: none"> <li>• Labour Standards</li> </ul>
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<ul style="list-style-type: none"> <li>• Labour Standards</li> </ul>

# Environmental, Social and Governance Report

SOCIAL		Section Reference
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	• Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	• Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	• Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	• Supply Chain Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>a) the policies; and</li> <li>b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising labelling and privacy matters relating to products and services provided and methods of redress.</li> </ul>	• Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	• Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	• Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	• Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	• Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	• Product Responsibility

# Environmental, Social and Governance Report

SOCIAL		Section Reference
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>a) the policies; and</li> <li>b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</li> </ul>	• Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	• Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	• Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	• Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	• Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	• Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	• Community Investment

# Independent Auditor's Report

# Deloitte.

# 德勤

TO THE MEMBERS OF

**B & D STRATEGIC HOLDINGS LIMITED**

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

## OPINION

We have audited the consolidated financial statements of B & D Strategic Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 69 to 117, which comprise the consolidated statement of financial position of the Group as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to 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 statement of financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

# Independent Auditor's Report

## KEY AUDIT MATTER (continued)

Key audit matter	How our audit addressed the key audit matter
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### ***Impairment assessment of trade receivables and contract assets***

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

As set out in notes 15 and 16 for the consolidated financial statements, the carrying amounts of the Group's trade receivables and contract assets amounting to approximately HK\$69,009,000, in aggregate, which represented approximately 25.7% of total assets of the Group, as at 31 March 2023.

As disclosed in notes 4 and 27 to the consolidated financial statements, the management of the Group performs impairment assessment on individual debtors basis to estimate the amount of lifetime ECL of trade receivables and contract assets based on internal credit ratings, ageing, repayment history and/or past due status of respective debtors. Estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information.

As disclosed in note 27 to the consolidated financial statements, an impairment of approximately HK\$413,000 and approximately HK\$1,016,000 in respect of trade receivables and contract assets respectively were recognised as at 31 March 2023.

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

- Understanding key controls on how the management estimates the loss allowance for trade receivables and contract assets;
- Testing the integrity of information used by the management of the Group for impairment assessment, including the ageing analysis of trade receivables and contract assets as at 31 March 2023, on a sample basis, by comparing individual items in the analysis with the relevant construction agreements, certificates issued by architects, surveyors or other representatives appointed by the customers and other supporting documents; and
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 March 2023 and the basis of estimated loss rates applied in each debtor in the impairment assessment with reference to historical default rates and forward-looking information.

# Independent Auditor's Report

## 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 auditor's report thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

# Independent Auditor's Report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

# Independent Auditor's Report

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

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

The engagement partner on the audit resulting in the independent auditor's report is K. W. Yim.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

21 June 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	5, 6	<b>220,854</b>	275,111
Direct costs		<b>(207,032)</b>	(252,250)
Gross profit		<b>13,822</b>	22,861
Other income	7	<b>2,988</b>	121
Other gains and losses, net	7	<b>(25)</b>	59
Reversal of (allowance for) impairment losses under expected credit loss model	27	<b>829</b>	(705)
Administrative expenses		<b>(12,406)</b>	(12,200)
Profit before tax	9	<b>5,208</b>	10,136
Income tax expense	8	<b>–</b>	–
Profit and total comprehensive income for the year		<b>5,208</b>	10,136
Earnings per share			
– Basic (HK cents)	13	<b>0.84</b>	1.63

# Consolidated Statement of Financial Position

At 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	1,791	1,100
Restricted bank deposits	17	24,199	24,199
		<b>25,990</b>	25,299
<b>Current assets</b>			
Trade and other receivables, deposits and prepayments	15	26,433	30,408
Contract assets	16	50,595	62,706
Bank deposits with original maturity more than three months	17	22,175	932
Cash and cash equivalents	17	142,945	125,752
		<b>242,148</b>	219,798
<b>Current liabilities</b>			
Trade, retention and other payables	18	62,770	53,855
Contract liabilities	16	8,876	30
Deferred income		72	–
		<b>71,718</b>	53,885
<b>Net current assets</b>		<b>170,430</b>	165,913
<b>Net assets</b>		<b>196,420</b>	191,212
<b>Capital and reserves</b>			
Share capital	20	6,200	6,200
Reserves		190,220	185,012
<b>Total equity</b>		<b>196,420</b>	191,212

The consolidated financial statements on pages 69 to 117 were approved and authorised for issue by the Board of Directors on 21 June 2023 and are signed on its behalf by:

**Tang Wing Kwok**  
DIRECTOR

**Lo Wing Hang**  
DIRECTOR

# Consolidated Statement of Changes In Equity

For the year ended 31 March 2023

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2021	6,200	109,572	14,939	90,355	221,066
Profit and total comprehensive income for the year	-	-	-	10,136	10,136
Dividend paid	-	-	-	(39,990)	(39,990)
Balance at 31 March 2022	6,200	109,572	14,939	60,501	191,212
Profit and total comprehensive income for the year	-	-	-	5,208	5,208
Balance at 31 March 2023	<b>6,200</b>	<b>109,572</b>	<b>14,939</b>	<b>65,709</b>	<b>196,420</b>

Note: Other reserve mainly represents (i) the excess of the assets acquired and liabilities recognised over the cash consideration arising from acquisitions of 100% of shareholding of Ka Shun Civil Engineering Company Limited ("**Ka Shun Civil Engineering**") and 60% of shareholding of Ka Shun Contractors Limited ("**Ka Shun Contractors**") on 27 October 2015; (ii) the differences between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid arising from acquisitions of a total of additional 49% of shareholding of Ka Construction Company Limited ("**Ka Construction**") and additional 40% of shareholding of Ka Shun Contractors during the years ended 31 March 2016 and 2017; and (iii) the difference between the share capital and share premium of the Company issued, and the share capital of Joy Goal Limited ("**Joy Goal**") exchanged pursuant to the reorganisation, upon completion of which Ka Shun Civil Engineering, Ka Shun Contractors, Ka Construction and Joy Goal became wholly-owned subsidiaries of the Company.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	<b>5,208</b>	10,136
Adjustments for:		
Depreciation of property, plant and equipment	<b>781</b>	815
(Gains) losses on disposal of property, plant and equipment, net	<b>(40)</b>	8
Interest income	<b>(1,738)</b>	(104)
(Reversal of) allowance for impairment losses under expected credit loss model	<b>(829)</b>	705
Operating cash flows before movements in working capital	<b>3,382</b>	11,560
Decrease (increase) in trade and other receivables, deposits, prepayments	<b>1,150</b>	(16,166)
Decrease in contract assets	<b>15,765</b>	18,879
Increase (decrease) in trade, retention and other payables	<b>8,915</b>	(5,213)
Increase in contract liabilities	<b>8,846</b>	30
Increase in deferred income	<b>72</b>	-
Decrease in provision	<b>-</b>	(4,115)
Cash generated from operations	<b>38,130</b>	4,975
Hong Kong Profits Tax refunded	<b>-</b>	2,669
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>38,130</b>	7,644
<b>INVESTING ACTIVITIES</b>		
Placement of restricted bank deposits	<b>-</b>	(24,199)
Placement of bank deposits	<b>(46,374)</b>	(932)
Withdrawal of bank deposits	<b>25,131</b>	-
Proceeds from disposal of property, plant and equipment	<b>40</b>	1
Purchases of property, plant and equipment	<b>(1,472)</b>	(365)
Interest received	<b>1,738</b>	104
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(20,937)</b>	(25,391)
<b>CASH USED IN FINANCING ACTIVITY</b>		
Dividends paid	<b>-</b>	(39,990)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,193</b>	(57,737)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>125,752</b>	183,489
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>142,945</b>	125,752
Represented by bank deposits, bank balances and cash		

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 1. GENERAL INFORMATION

B & D Strategic Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 24 April 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 30 April 2019. Its registered office is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Room 2803-2803A, Asia Trade Centre, 79 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The businesses of the Company and its subsidiaries (collectively referred to as the “**Group**”) are mainly conducted through three major operating subsidiaries, namely, (i) Ka Shun Civil Engineering, (ii) Ka Shun Contractors; and (iii) Ka Construction; and are principally involved in provision of services on alteration and addition works (including alteration and addition of building layout and structural works that comprising design of new structural works, fitting-out works changes in facilities configuration, construction of a new extensive to existing buildings, conversion of an existing buildings, conversion of an existing building to different type, etc.) and civil engineering works in Hong Kong.

The ultimate controlling party of the Group is Mr. TANG Wing Kwok (“**Mr. Tang**”). In the opinion of the directors of the Company, the immediate and ultimate holding company of the Group is Sky Winner Holdings Limited, a company incorporated in the British Virgin Islands (“**BVI**”).

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</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>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

### 3.2 Significant accounting policies

#### ***Basis of consolidation***

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### ***Basis of consolidation (continued)***

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

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

#### ***Revenue from contracts with customers***

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

A performance obligation represents 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:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- (c) 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.

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

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

*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.

Input method

For projects that are under dissimilar circumstances (as detailed in note 5(ii)), the progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

#### **Leases**

*Definition of a lease*

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

*The Group as a lessee*

Short-term leases

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### **Employee benefits**

##### *Retirement benefits costs*

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

##### *Short-term employee benefits*

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

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

#### **Government grants**

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to subsidy income from government for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

#### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### **Taxation (continued)**

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

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

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

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

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

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

Current and deferred tax is recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### ***Property, plant and equipment***

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

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

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

#### ***Impairment on property, plant and equipment***

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### ***Impairment on property, plant and equipment (continued)***

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

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

#### ***Cash and cash equivalents***

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### ***Provisions***

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### **Provisions (continued)**

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

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

#### **Financial instruments**

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

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

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

#### *Financial assets*

Classification and subsequent measurement of financial assets

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### **Financial instruments (continued)**

##### *Financial assets (continued)*

Amortised cost and interest income

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

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“**ECL**”) on financial assets (including trade and other receivables, restricted bank deposits, bank deposits with original maturity more than three months, bank deposits and bank balances) and other item (i.e. contract assets) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### **Financial instruments (continued)**

##### *Financial assets (continued)*

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

##### (i) Significant increase in credit risk

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

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### **Financial instruments (continued)**

##### *Financial assets (continued)*

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

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

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

##### (ii) Definition of default

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

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

##### (iii) Credit-impaired financial assets and contract assets

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

- (a) significant financial difficulty of the issuer or the counterparty;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### **Financial instruments (continued)**

##### *Financial assets (continued)*

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 (continued)

##### (iv) Write-off policy

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

##### (v) Measurement and recognition of ECL

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

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

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

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

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### **Financial instruments (continued)**

##### *Financial assets (continued)*

##### *Derecognition of financial assets (continued)*

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

##### *Financial liabilities and equity*

##### *Classification as debt or equity*

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

##### *Equity instruments*

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

##### *Financial liabilities*

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

##### *Derecognition of financial liabilities*

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

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

### Estimated impairment of trade receivables and contract assets

The management of the Group performs impairment assessment on individual debtor basis to estimate the amount of lifetime ECL of trade receivables and contract assets based on internal credit ratings, ageing, repayment history and/or past due status of respective debtors. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information which includes market predications of certain key Hong Kong economy indicators available, e.g. gross domestic products, unemployment rate, non-performing loans ratio, etc. The directors of the Company adjusted the estimated loss rates by considering the likely impact of these forward-looking information on the estimated loss rates. At every reporting date, the internal credit ratings and historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL is disclosed in note 27.

As at 31 March 2023, the carrying amounts of the Group's trade receivables and contract assets were approximately HK\$18,414,000 (2022: HK\$23,721,000) and approximately HK\$50,595,000 (2022: HK\$62,706,000), respectively, including allowance of credit losses for the Group's trade receivables of approximately HK\$413,000 (2022: HK\$459,000) and the Group's contract assets of approximately HK\$1,016,000 (2022: HK\$1,793,000).

### Revenue recognition of construction works

The management of the Group reviews and revises the estimate of contract revenue, variations in contract works and claims yet certified by architects, surveyors or other representatives appointed by the customers for each construction contract as the contract progresses based on the historical payments from similar revenue/claims and the recent discussion with the customers and their representatives.

Recognised amounts of contract revenue/claims and related contract assets reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates including the works performed and amount of contract sum. The actual outcomes in terms of the revenue/claims and contract assets may be higher or lower than the amounts estimated at the end of the reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Revenue recognition of construction works (continued)

For projects that are under dissimilar circumstances (as detailed in note 5(ii)), the Group reviews and revises the estimated total costs to complete the satisfaction of these services and the profit margin of each construction contract as the contract progresses. Budgeted contract costs and profit margin are prepared by the management of the Group on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the revenue and profit recognised in each period.

Recognised amounts of contract revenue and related contract assets reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

During the year, the Group recognised contract revenue amounting to approximately HK\$220,854,000 (2022: HK\$275,111,000) for the year ended 31 March 2023 (see note 5) and had carrying amount of the relevant contract assets of approximately HK\$50,595,000 (2022: HK\$62,706,000) as at that date (see note 16).

## 5. REVENUE

### (i) Disaggregation of revenue from contracts with customers

Revenue of the Group represents the fair value of amounts received and receivable from the provision of services on alteration and addition works and civil engineering works in Hong Kong (all recognised over time under construction contracts in Hong Kong) during the year.

	2023 HK\$'000	2022 HK\$'000
Contract revenue from provision of services on alteration and addition works	129,260	161,381
Contract revenue from provision of services on civil engineering works	91,594	113,730
	<b>220,854</b>	275,111

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 5. REVENUE (continued)

### (i) Disaggregation of revenue from contracts with customers (continued)

Included in the Group's revenue during the year is contract revenue of approximately HK\$16,229,000 (2022: HK\$23,246,000) derived from provision of services on alteration and addition works to customers in public sector. Other revenue is derived from provision of services on alteration and addition works and civil engineering works to customers in private sector.

### (ii) Performance obligations for contracts with customers

Revenue from provision of services on alteration and addition works and civil engineering works under long-term contracts with customers is mainly derived from fixed-price contracts with customers, such as landlords, construction companies and contractors in Hong Kong. Such contracts are entered into before the services begin. Under the terms of contracts, the Group is contractually required to perform alteration and addition works and civil engineering works at the customers' specified sites that the Group's performance creates or enhances an asset that the customers control as the Group performs.

Revenue from provision of services on alteration and addition works and civil engineering works is therefore recognised over time using output method, i.e. based on surveys of alteration and addition works and civil engineering works completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customers or estimated with reference to the progress payment application submitted by the Group to the customers in relation to the works completed by the Group that best depicts the Group's performance in transferring control of services. For projects where there are no certificates from architects or surveyors available or the progress payment agreed with customer cannot depict the Group's performance in transferring control of services, revenue is recognised over time using input method, i.e. based on actual costs incurred by the Group to date compared with total budgeted costs for the relevant project to estimate the revenue recognised during the year.

These construction contracts normally require payments be measured and made on monthly basis and certain construction contracts require customers to make upfront payments before construction commence, and it gives rise to the contract liabilities until revenue recognised on the specific contract exceeds the amount of such upfront payments. According to the relevant construction contracts with the customers, the Group is required to provide repairs to fix up quality problems, if any, during the defect liability period as specified in the construction contracts.

A contract asset is recognised over the period in which the services on alteration and addition works and civil engineering works are performed and are transferred to trade receivables when the rights become unconditional, being the contracts for unconditional payments except for passage of time are reached.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 5. REVENUE (continued)

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

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	2023 HK\$'000	2022 HK\$'000
Provision of services on alternation and addition works	137,183	196,346
Provision of services on civil engineering works	59,411	4,879
	<b>196,594</b>	201,225

And, the above are expected to be recognised as revenue in the following years:

	2023 HK\$'000	2022 HK\$'000
Within one year	170,400	123,525
More than one year but not more than two years	26,194	77,700
	<b>196,594</b>	201,225

## 6. 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"), the executive directors of the Company, in order for CODM to allocate resources and assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group's reporting and operating segments under HKFRS 8 "Operating Segments" are as follows:

- Alteration and addition works; and
- Civil engineering works.

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities 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 31 March 2023

## 6. SEGMENT INFORMATION (continued)

### Segment revenue and results

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

#### For the year ended 31 March 2023

	Alteration and addition works HK\$'000	Civil engineering works HK\$'000	Total HK\$'000
Segment revenue – external	129,260	91,594	220,854
Segment results	7,506	7,145	14,651
Other income and other gains and losses, net			2,963
Administrative expenses			(12,406)
Profit before tax			5,208

#### For the year ended 31 March 2022

	Alteration and addition works HK\$'000	Civil engineering works HK\$'000	Total HK\$'000
Segment revenue – external	161,381	113,730	275,111
Segment results	6,675	15,481	22,156
Other income and other gains and losses, net			180
Administrative expenses			(12,200)
Profit before tax			10,136

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before tax earned by each segment without allocation of other income, other gains and losses, net and administrative expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 6. SEGMENT INFORMATION (continued)

### Other segment information

**Amounts included in the measures of segment results:**

	2023 HK\$'000	2022 HK\$'000
Depreciation:		
– Provision of services on alteration and addition works	138	300
– Provision of services on civil engineering works	643	515
	<b>781</b>	815
(Reversal of) allowance for impairment losses under expected credit loss model:		
– Alteration and addition works	(927)	1,757
– Civil engineering works	98	(1,052)
	<b>(829)</b>	705

### Entity-wide information

#### Geographical information

The Group's operations are located in Hong Kong. The geographical location of the Group's non-current assets is situated in Hong Kong.

All of the Group's revenue from external customers is attributable to the group entities' place of domicile (i.e. Hong Kong).

#### Information about major customers

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

	2023 HK\$'000	2022 HK\$'000
Provision of services on alteration and addition works:		
– Customer A	100,592	84,324
– Customer B	*N/A	35,337
Provision of services on civil engineering works:		
– Customer C	*N/A	112,060
– Customer D	83,796	*N/A

\* The revenue from these customers was less than 10% of the Group's revenue in the relevant year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Other income:		
Interest income	1,738	104
Government grants	1,127	17
Others	123	–
	<b>2,988</b>	121
Other gains and losses, net:		
Gains (losses) on disposal of property, plant and equipment, net	40	(8)
Others	(65)	67
	<b>(25)</b>	59

During the year, the Group recognised government grants of approximately HK\$1,127,000 (2022: approximately HK\$17,000) in respect of COVID-19-related subsidies provided by the Hong Kong government, of which HK\$1,127,000 (2022: Nil) are related to Employment Support Scheme.

## 8. INCOME TAX EXPENSE

No Hong Kong Profits Tax are provided on profits arising in Hong Kong since the assessable profits the Group are wholly absorbed by tax losses brought forward for both years.

The income tax expense for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
Profit before tax	5,208	10,136
Tax at applicable statutory tax rate of 16.5% (2022: 16.5%)	(859)	(1,672)
Tax effect of income not taxable for tax purpose	610	955
Tax effect of expenses not deductible for tax purpose	(91)	(655)
Tax losses not recognised	(4)	–
Utilisation of tax losses not recognised	344	1,372
Income tax expense for the year	–	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 9. PROFIT BEFORE TAX

	2023 HK\$'000	2022 HK\$'000
Profit before tax has been arrived at after charging: Staff costs (including directors' emoluments as disclosed in note 11):		
– Salaries and other benefits	21,630	22,598
– Discretionary bonus*	2,085	4,829
– Retirement benefit scheme contributions	739	816
	<b>24,454</b>	28,243
Auditor's remuneration:		
– the Company	780	850
– subsidiaries of the Company	232	339
	<b>1,012</b>	1,189
Depreciation of property, plant and equipment	781	815
Short-term leases expense	1,150	862

\* The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

## 10. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
– 2022 Interim: HK6.45 cents per share	–	39,990

The directors of the Company do not recommend the payment of a final dividend for ordinary shares in respect of the year ended 31 March 2023 (2022: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid to the directors of the Company are as follows:

### Year ended 31 March 2023

	Other emoluments			Total HK\$'000
	Fee HK\$'000	Salaries and other allowance HK\$'000	Retirement benefit scheme contributions HK\$'000	
Executive directors:				
Mr. Tang	–	1,200	18	1,218
Mr. Lo Wing Hang (“Mr. Lo”)	–	1,200	18	1,218
Independent non-executive directors:				
Mr. Yeung Tze Long	144	–	–	144
Mr. Chan Pui Hang Ian	144	–	–	144
Mr. Cheung Ting Kin (Note)	108	–	–	108
Ms. Li Yuen Shan (Note)	36	–	–	36
	<b>432</b>	<b>2,400</b>	<b>36</b>	<b>2,868</b>

Note: Mr. Cheung Ting Kin was resigned as an independent non-executive director of the Company on 1 January 2023 and Ms. Li Yuen Shan was appointed as an independent non-executive director of the Company on the same date.

### Year ended 31 March 2022

	Other emoluments			Total HK\$'000
	Fee HK\$'000	Salaries and other allowance HK\$'000	Retirement benefit scheme contributions HK\$'000	
Executive directors:				
Mr. Tang	–	1,200	18	1,218
Mr. Lo	–	1,200	18	1,218
Independent non-executive directors:				
Mr. Yeung Tze Long	144	–	–	144
Mr. Chan Pui Hang Ian	144	–	–	144
Mr. Cheung Ting Kin	144	–	–	144
	<b>432</b>	<b>2,400</b>	<b>36</b>	<b>2,868</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group whereas the emoluments of the above independent non-executive directors were for the services as directors of the Company. The executive directors of the Company are entitled to bonus payments which are determined with reference to individual performance of the relevant directors.

Mr. Tang is the chairman and also assumes the role of chief executive (the "Chief Executive") of the Company and his emolument disclosed above include those services rendered by him as the Chief Executive.

There was no arrangement under which the directors of the Company or the Chief Executive waived or agreed to waive any emoluments during both years.

## 12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group for the year ended 31 March 2023 include 2 (2022: 2) directors, details of whose emoluments are set out in note 11. Details of the remaining 3 (2022: 3) highest paid individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other allowances	2,580	2,601
Discretionary bonus	415	3,353
Retirement benefit scheme contributions	54	60
	<b>3,049</b>	6,014

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

The emoluments of the highest paid employees were within the following bands:

	2023 HK\$'000	2022 HK\$'000
Nil to HK\$1,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	–	2
	<b>3</b>	3

During both years, no emoluments were paid by the Group to any of the directors of the Company, Chief Executive nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 13. EARNINGS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
Earnings for the purpose of calculating basic earnings per share (Profit for the year attributable to the owners of the Company)	<b>5,208</b>	10,136

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>620,000</b>	620,000

No diluted earnings per share is presented for both years as there was no potential ordinary share in issue.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 14. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1 April 2021	4,679	1,085	8,517	14,281
Addition	–	55	310	365
Disposals	–	–	(20)	(20)
At 31 March 2022	4,679	1,140	8,807	14,626
Addition	608	33	831	1,472
Disposals	–	–	(470)	(470)
At 31 March 2023	<b>5,287</b>	<b>1,173</b>	<b>9,168</b>	<b>15,628</b>
DEPRECIATION				
At 1 April 2021	4,498	901	7,323	12,722
Provided for the year	65	74	676	815
Disposals	–	–	(11)	(11)
At 31 March 2022	4,563	975	7,988	13,526
Provided for the year	127	81	573	781
Disposals	–	–	(470)	(470)
At 31 March 2023	<b>4,690</b>	<b>1,056</b>	<b>8,091</b>	<b>13,837</b>
CARRYING VALUES				
At 31 March 2023	<b>597</b>	<b>117</b>	<b>1,077</b>	<b>1,791</b>
At 31 March 2022	116	165	819	1,100

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following useful life:

Machinery and equipment	3 – 5 years
Furniture and office equipment	5 years
Motor vehicles	3 – 4 years

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

	2023 HK\$'000	2022 HK\$'000
Trade receivables (Note (a))	18,827	24,180
Less: Allowance of credit losses for trade receivables	(413)	(459)
	18,414	23,721
Other receivables (Note (b))	1,490	373
Less: Allowance of credit losses for other receivables	(7)	(13)
	1,483	360
Advances to sub-contractors and suppliers	2,899	2,844
Prepayments and deposits	3,637	3,483
	26,433	30,408

Notes:

- (a) As at 1 April 2021, the carrying amount of the Group's trade receivables was approximately HK\$135,000 and no allowance of credit losses was made.
- (b) The other receivables mainly represent interest income receivables and compensations paid to injured workers that could be reimbursed from insurance.

### Trade receivables

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the directors of the Company regularly.

The Group allows generally a credit period ranging from 30 to 90 days (2022: from 30 to 90 days) to its customers.

The following is an aged analysis of trade receivables presented based on dates of work certified at the end of the reporting period, net of allowance for credit losses.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

### Trade receivables (continued)

	2023 HK\$'000	2022 HK\$'000
1 – 30 days	14,495	14,874
31 – 60 days	–	8,335
61 – 90 days	3,919	40
Over 90 days	–	472
	<b>18,414</b>	23,721

At 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$3,919,000 (2022: HK\$8,847,000) which are past due at the reporting date. Out of the past due balances, approximately HK\$3,919,000 (2022: HK\$8,375,000) has been past due 1 – 90 days and as the Group has good understanding on the financial position of the counterparty and with satisfactory settlement history, therefore, the directors of the Company consider the respective credit risk is significantly reduced. The remaining balance of approximately HK\$472,000 at 31 March 2022 had been past due over 90 days, the directors of the Company did not consider these receivables as in default nor credit-impaired as these customers have good business relationships with the Group and recurring overdue records of these customers were supported by satisfactory settlement history. The Group does not hold any collateral over these balances.

Details of the impairment assessment of the Group's trade and other receivables are set out in note 27.

## 16. CONTRACT ASSETS AND LIABILITIES

The carrying amounts of the Group's contract assets as at 1 April 2021, 31 March 2022 and 31 March 2023 amounted to approximately HK\$81,831,000, HK\$62,706,000 and HK\$47,718,000 (included allowance of credit losses of HK\$1,547,000, HK\$1,793,000 and HK\$1,016,000), respectively, represent the Group's rights to considerations from customers for the provision of services on alteration and addition works and civil engineering works, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months after completion of the relevant works.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 16. CONTRACT ASSETS AND LIABILITIES (continued)

The Group's contract assets are analysed as follows:

	2023 HK\$'000	2022 HK\$'000
Provision of services on alteration and addition works		
– Retention receivables	16,628	12,415
– Others	13,873	33,862
Provision of services on civil engineering works		
– Retention receivables	15,174	12,325
– Others	5,936	5,897
	<b>51,611</b>	64,499
Less: Allowance of credit losses	<b>(1,016)</b>	(1,793)
	<b>50,595</b>	62,706

Changes of contract assets were mainly due to: (1) changes in retention receivables as a result of changes in number of ongoing and completed contracts under the defect liability period; and (2) changes in the size and number of contract works that the relevant services were completed but yet been certified at the end of the reporting period.

The Group's contract assets included retention receivables to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	10,049	6,618
After one year	21,753	18,122
	<b>31,802</b>	24,740
Less: Allowance of credit losses	<b>(681)</b>	(458)
	<b>31,121</b>	24,282

Details of the impairment assessment of the Group's contract assets are set out in note 27.

Contract liabilities of Nil, approximately HK\$30,000 and approximately HK\$8,876,000 as at 1 April 2021, 31 March 2022 and 31 March 2023, respectively, represent the Group's obligation to transfer alteration and addition works services to customers for which the Group has received advance payments from the customers.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 16. CONTRACT ASSETS AND LIABILITIES (continued)

The Group's contract liabilities are analysed as follows:

	2023 HK\$'000	2022 HK\$'000
Provision of services on alternation and addition works	<b>8,876</b>	30

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

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

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group receives 25% deposit before alternation and addition works commences.

The significant increase in contract liabilities during the year ended 31 March 2023 was mainly due to the advances received from a customer for a project at initial stage at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 17. RESTRICTED BANK DEPOSITS/BANK DEPOSITS WITH ORIGINAL MATURITY MORE THAN THREE MONTHS/CASH AND CASH EQUIVALENTS

As at 31 March 2023, the Group's restricted bank deposits and bank deposits with original maturity more than three months amounting to approximately HK\$46,374,000 (2022: HK\$25,131,000) are bank deposits bore interest rate at ranging from 1.0% – 5.3% per annum (2022: 0.2% per annum), of which an amount of HK\$24,199,000 (2022: HK\$24,199,000) as at 31 March 2023 is required by a bank as a charge against its bank facilities granted to the Group, amongst others, for issuance of a performance bond of HK\$24,199,000 (2022: HK\$24,199,000) as disclosed in note 23 with maturity expecting in March 2024. Accordingly, restricted bank deposits of HK\$24,199,000 (2022: HK\$24,199,000) was classified as non-current assets as at 31 March 2023.

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments. Included in the Group's cash and cash equivalents as at 31 March 2023 are bank fixed deposits of approximately HK\$30,241,000 (2022: HK\$1,902,000) and bore interest rate at ranging from 3.3% – 4.5% (2022: 0.4%) per annum, the remaining amounts are bank balances carrying interest at prevailing market interest rate at 0.001% (2022: 0.001%) per annum.

Details of the impairment assessment of restricted bank deposits, bank deposits with original maturity more than three months, bank deposits and bank balances are set out in note 27.

## 18. TRADE, RETENTION AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	42,329	35,512
Retention payables	14,001	11,924
Staff costs payables	3,711	3,801
Other payables (Note)	2,729	2,618
	<b>62,770</b>	53,855

Note: The other payables mainly represent payables in respect of construction industry levy and pneumoconiosis compensation fund board levy, accruals of audit fees and various office expenses.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 18. TRADE, RETENTION AND OTHER PAYABLES (continued)

### Trade payables

The credit period of trade payables granted by the Group's suppliers are usually within 60 days (2022: 60 days).

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	2023 HK\$'000	2022 HK\$'000
1 – 30 days	21,621	25,262
31 – 60 days	18,728	6,213
61 – 90 days	1,975	4,037
Over 90 days	5	-
	<b>42,329</b>	35,512

### Retention payables

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

The retention payables are to be settled, based on the expiry of maintenance period, at the end of the reporting period as follows:

	2023 HK\$'000	2022 HK\$'000
On demand or within one year	2,049	2,647
After one year	11,952	9,277
	<b>14,001</b>	11,924

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 19. DEFERRED TAXATION

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 purposes:

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	163	155
Deferred tax liabilities	(163)	(155)
	-	-

The movements in deferred tax assets and liabilities during both years, without taking into account the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses HK\$'000	Accelerated depreciation allowance HK\$'000	Total HK\$'000
At 1 April 2021	95	(95)	-
Credit (charge) to profit or loss	60	(60)	-
At 31 March 2022	155	(155)	-
Credit (charge) to profit or loss	8	(8)	-
At 31 March 2023	163	(163)	-

At the end of the reporting period, the Group has unused tax losses of approximately HK\$20,112,000 (2022: HK\$22,173,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of approximately HK\$988,000 (2022: HK\$939,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK\$19,124,000 (2022: HK\$21,234,000) due to the unpredictability of future profit streams.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 20. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
As at 1 April 2021, 31 March 2022 and 31 March 2023	5,000,000,000	50,000
<b>Issued:</b>		
As at 1 April 2021, 31 March 2022 and 31 March 2023	620,000,000	6,200

## 21. SHARE OPTION SCHEME

Pursuant to written resolutions passed on 4 April 2019, the Company adopted a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme is valid for a period of 10 years commencing on 4 April 2019. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Under the Share Option Scheme, the board of directors of the Company may, at its discretion, grant options to subscribe for ordinary shares of the Company to eligible participants (“**Eligible Participants**”) who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (“**Invested Entity**”) in which any member of the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 21. SHARE OPTION SCHEME (continued)

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the ordinary share capital of the Company in issue from time to time. The total number of ordinary shares which may be allotted and issued upon exercise of all options to be granted under Share Options Scheme and any other share option of the Group must not in aggregate exceed 10% of the ordinary shares in issue as at the date of passing of the relevant resolution adopting the Share Option Scheme.

Share options granted to a director, Chief Executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's ordinary shares at the date of the grant) in excess of HK\$5,000,000, within any twelve-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, save that such period shall not be more than ten years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme.

Unless otherwise determined by the directors of the Company at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

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

No option was granted, exercised, cancelled nor lapsed under the Share Option Scheme since its effective date on 4 April 2019 and there was no outstanding share option as at 31 March 2023 (2022: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 22. RETIREMENT BENEFIT PLANS

The Group participates in the MPF Scheme for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total costs of approximately HK\$739,000 (2022: HK\$816,000) charged to profit or loss represents contributions paid or payable to the above scheme by the Group for the year ended 31 March 2023.

## 23. PERFORMANCE GUARANTEES

As at 31 March 2023, the Group had performance bonds of HK\$24,199,000 (2022: HK\$24,199,000) given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group would become liable to compensate such bank accordingly.

As at 31 March 2023 and 2022, the performance guarantees issued by the bank are granted under the bank facilities of the Group which were secured by the restricted bank deposits as disclosed in note 17 and personal guarantee given by Mr. Lo, a director of the Company in favour of the bank.

## 24. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, the Group had the related party transactions in respect of compensation of key management personnel, representing the remuneration of the directors of the Company and senior management of the Group, during the year as below:

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	5,698	7,037
Retirement benefit scheme contributions	107	106
	<b>5,805</b>	7,143

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 25. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2022 and 2023 are set out below:

Name of subsidiaries	Date and place of incorporation	Fully paid-up capital	Shareholding attributable to the Company at 31 March		Principal activities
			2023	2022	
<i>Directly held</i>					
Joy Goal 樂高有限公司	8 April 2014 BVI	US\$11,315,408	<b>100%</b>	100%	Investment holding
<i>Indirectly held</i>					
Best Century International Holding Ltd.	9 August 1999 BVI	US\$1	<b>100%</b>	100%	Investment holding
Ka Construction 嘉建建築有限公司	13 November 1979 Hong Kong	HK\$2,600,000	<b>100%</b>	100%	Civil engineering works
Ka Shun Civil Engineering 嘉順土木工程有限公司	18 July 1995 Hong Kong	HK\$82,219,622	<b>100%</b>	100%	Alteration and addition works and civil engineering works
Ka Shun Contractors 嘉順承造有限公司	25 July 2003 Hong Kong	HK\$1,000,000	<b>100%</b>	100%	Alteration and addition works
Profit Gather Investment Limited	30 January 2018 BVI	US\$1	<b>100%</b>	100%	Provision of intra-group administrative services

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

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts (if any), net of restricted bank deposits, bank deposits with original maturity more than three months, bank deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, other reserve, and retained profits.

The Group is not subject to any externally imposed capital requirements.

The Group's management reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital.

## 27. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets</b>		
At amortised cost	209,216	174,964
<b>Financial liabilities</b>		
At amortised cost	57,819	49,265

### Financial risk management objectives and policies

The Group's major financial instruments include restricted bank deposits, bank deposits with original maturity more than three months, bank deposits, bank balances and cash, trade and other receivables and trade, retention and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's operations expose it to a number of financial risks: principally interest rate risk, credit risk and liquidity risk. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 27. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### **Interest rate risk**

The Group has minimal exposure to fair value interest rate risk in relation to fixed rate bank deposits.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk exposure and will consider other necessary actions when significant interest rate risk exposure is anticipated.

No sensitivity analysis has been presented as the management of the Group considers that the cash flow interest rate risk in relation to variable-rate bank balances is not significant.

#### **Credit risk and impairment assessment**

At the end of the reporting period, the carrying amount of the respective recognised financial assets and contract assets as stated in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets.

#### *Trade receivables and contract assets arising from contracts with customers*

In order to minimise credit risk, the directors of the Company have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of the Company review the recoverable amount of each individual trade debt and contract asset at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. The management of the Group performs impairment assessment on individual debtor basis to estimate the amount of lifetime ECL of trade receivables and contract assets based on internal credit ratings, ageing, repayment history and/or past due status of respective debtors. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information.

Impairment loss under ECL model of approximately HK\$413,000 (2022: HK\$459,000) is recognised for the Group's trade receivables for the year and an average loss rate for the Group's trade receivables is approximately 2.2% (2022: 1.9%). Impairment loss under ECL model of approximately HK\$1,016,000 (2022: HK\$1,793,000) is recognised for the Group's contract assets for the year and an average loss rate for the Group's contract assets is approximately 2.0% (2022: 2.8%) as at 31 March 2023. Details of the quantitative disclosure are set out below in this note.

#### *Other receivables*

The management of the Group performs impairment assessment on individual debtor basis to estimate the amount of ECL of other receivables based on internal credit ratings, ageing, repayment history and/or past due status of respective other receivables and forward-looking information.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 27. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

##### Other receivables (continued)

Impairment loss under ECL model of approximately HK\$7,000 (2022: HK\$13,000) is recognised for other receivables for the year and an average loss rate for the Group's other receivables is approximately 0.5% (2022: 3.5%) as at 31 March 2023. Details of the quantitative disclosure are set out below in this note.

##### Restricted bank deposits, bank deposits with original maturity of more than three months, bank deposits and bank balances

The management of the Group assesses that its restricted bank deposits, bank deposits with original maturity of more than three months, bank deposits and bank balances as at 31 March 2023 are at low credit risk because they are placed with reputable banks with high external credit ratings, and ECL, if any, is insignificant (2022: Nil).

For assessment of the ECL of the Group's financial assets and contract assets, the Group's internal credit risk grading assessment comprises following categories:

Internal credit rating	Description	Trade receivables and contract assets	Other receivables, restricted bank deposits, bank deposits with original maturity of more than three months, bank deposits and bank balances
Level 1	The counterparty has great ability of repayment, low risk of default and has no history of impairment loss.	Lifetime ECL – not credit-impaired	12m ECL
Level 2	The counterparty has good ability of repayment, but may be influenced by macro environment and economic situation.	Lifetime ECL – not credit-impaired	12m ECL
Level 3	The counterparty has ability of repayment, but usually settles in full after due date.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Level 4	The counterparty may not have ability of repayment and is evidenced to be credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Level 5	The counterparty has no ability to repay its debts and the receivable is not expected to be collectable.	Amount is written off	Amount is written off

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 27. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

Restricted bank deposits, bank deposits with original maturity of more than three months, bank deposits and bank balances (continued)

The table below details the credit risk exposures of the Group's financial assets and contract assets as at 31 March 2023 and 2022, which are subject to ECL assessment:

Items	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				2023 HK\$'000	2022 HK\$'000
<b>Financial assets at amortised cost:</b>					
Restricted bank deposits, bank deposits with original maturity of more than three months, bank deposits and bank balances	17	Level 1	12m ECL	<b>189,169</b>	150,775
Other receivables	15	Level 1	12m ECL	<b>1,208</b>	92
		Level 2	12m ECL	<b>282</b>	281
Trade receivables – contracts with customers	15	Level 1	Lifetime ECL – (not credit-impaired)	<b>543</b>	4,820
		Level 2	Lifetime ECL – (not credit-impaired)	<b>18,284</b>	19,360
<b>Other item:</b>					
Contract assets – contracts with customers	16	Level 1	Lifetime ECL – (not credit-impaired)	<b>3,797</b>	8,461
		Level 2	Lifetime ECL – (not credit-impaired)	<b>47,814</b>	56,038

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 27. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

##### Allowance for credit losses

During the current year, the movements in allowance for credit losses that has been recognised for trade receivables, other receivables and contract assets were as follows:

	Trade receivables not credit-impaired (Lifetime ECL) HK\$'000	Other receivables not credit-impaired (12m ECL) HK\$'000	Contract assets not credit-impaired (Lifetime ECL) HK\$'000	Total HK\$'000
At 1 April 2021	–	13	1,547	1,560
Changes due to financial assets recognised at 1 April 2021				
– Impairment losses reversed	–	(13)	(831)	(844)
Financial assets newly originated	459	13	1,077	1,549
At 31 March 2022	<b>459</b>	<b>13</b>	<b>1,793</b>	<b>2,265</b>
Changes due to financial assets recognised at 1 April 2022				
– Impairment losses reversed	<b>(459)</b>	<b>(13)</b>	<b>(842)</b>	<b>(1,314)</b>
Financial assets newly originated	<b>413</b>	<b>7</b>	<b>65</b>	<b>485</b>
At 31 March 2023	<b>413</b>	<b>7</b>	<b>1,016</b>	<b>1,436</b>

##### Concentration of credit risk of trade receivables and contract assets

The Group has concentration risk on its major customers (note 6) which accounted for approximately 83.5% (2022: 84.2%) of its revenue for the year ended 31 March 2023. Besides, the Group also has concentration of credit risk because approximately 62.5% (2022: 59.4%) of the total of trade receivables and contract assets as at 31 March 2023 were due from the Group's major customers as set out in note 6. The Group's major customers are reputable companies. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers the Group's credit risk is significantly reduced.

##### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate. Besides, the directors of the Company closely monitor the level of the Group's bank deposits, bank balances and future cash flows and strike for maintaining sufficient bank deposits, bank balances to pay its creditors when due, for working capital of new projects and expansion plan, additional funding through issuing ordinary shares of the Company or borrowings may be sought.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 27. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	Less than 6 months and on demand HK\$'000	6 months to 1 year HK\$'000	More than 1 year HK\$'000	Total Total HK\$'000	Total undiscounted cash flows HK\$'000
<b>At 31 March 2023</b>						
Trade, retention and other payable	N/A	45,867	-	11,952	57,819	57,819
<b>At 31 March 2022</b>						
Trade, retention and other payable	N/A	39,971	17	9,277	49,265	49,265

#### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The management of the Group considers that the carrying amounts of financial assets and liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values.

## 28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable HK\$'000
At 1 April 2021	-
<i>Financing cash flows:</i>	
Dividend paid	(39,990)
<i>Non-cash changes:</i>	
Dividend declared	39,990
At 31 March 2022 and 2023	-

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 29. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>		
Investment in a subsidiary	90,196	90,196
<b>Current assets</b>		
Other receivables	328	–
Bank deposits with original maturity more than three months	19,261	–
Cash and cash equivalents	25,471	26,192
	<b>45,060</b>	26,192
<b>Current liabilities</b>		
Due to subsidiaries	18,978	108
<b>Net current assets</b>	<b>26,082</b>	26,084
<b>Net assets</b>	<b>116,278</b>	116,280
<b>Capital and reserves</b>		
Share capital	6,200	6,200
Reserves	110,078	110,080
<b>Total equity</b>	<b>116,278</b>	116,280

### Movement of the Company reserves

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2021	109,572	909	110,481
Profit and total comprehensive income for the year	–	39,589	39,589
Dividend paid	–	(39,990)	(39,990)
Balance at 31 March 2022	<b>109,572</b>	<b>508</b>	<b>110,080</b>
Loss and total comprehensive expense for the year	–	(2)	(2)
Balance at 31 March 2023	<b>109,572</b>	<b>506</b>	<b>110,078</b>

# Financial Summary

The financial summary of the Group for the last five years is set as follows:

	For the year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	<b>220,854</b>	275,111	218,746	441,853	300,926
Direct costs	<b>(207,032)</b>	(252,250)	(249,362)	(390,702)	(230,707)
Gross profit (loss)	<b>13,822</b>	22,861	(30,616)	51,151	70,219
Other income, other gains and losses, net	<b>2,963</b>	180	4,121	2,230	125
Listing expenses	–	–	–	–	(17,518)
Reversal of (allowance for) impairment losses under expected credit loss model	<b>829</b>	(705)	(1,560)	–	–
Administrative expenses	<b>(12,406)</b>	(12,200)	(13,671)	(16,970)	(9,699)
Finance costs	–	–	(4)	(3)	–
Profit (loss) before tax	<b>5,208</b>	10,136	(41,730)	36,408	43,127
Income tax credit (expense)	–	–	1,784	(5,544)	(9,733)
Profit (loss) and total comprehensive income (expense) for the year	<b>5,208</b>	10,136	(39,946)	30,864	33,394
Earnings (loss) per share – Basic (HK cents)	<b>0.84</b>	1.63	(6.44)	5.08	7.18

	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Assets and Liabilities</b>					
Non-current assets	<b>25,990</b>	25,299	1,559	21,443	4,063
Current assets	<b>242,148</b>	219,798	282,690	309,491	192,726
Total assets	<b>268,138</b>	245,097	284,249	330,934	196,789
Non-current liabilities	–	–	–	1,534	405
Current liabilities	<b>71,718</b>	53,885	63,183	68,388	49,682
Total liabilities	<b>71,718</b>	53,885	63,183	69,922	50,087
Total equity	<b>196,420</b>	191,212	221,066	261,012	146,702

Note: The summary above does not form part of the audited financial statements.