



有利集團有限公司

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 406

BIM For Full Lifecycle Management

Modular Integrated Construction

Smart Construction



2023/2024
ANNUAL REPORT



This annual report is printed on environmentally friendly paper

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Wong Ip Kuen (*Chairman*)
 Wong Tin Cheung (*Vice Chairman*)
 Wong Rosana Wai Man (*Deputy Chair*)
 Sun Chun Wai

Independent Non-Executive Directors

Chan Bernard Charnwut
 Wu King Cheong
 Yeung Tak Bun
 Yeung Tsun Man Eric

Audit Committee

Yeung Tsun Man Eric (*Chairman*)
 Chan Bernard Charnwut
 Wu King Cheong

Remuneration Committee

Chan Bernard Charnwut (*Chairman*)
 Wong Tin Cheung
 Wu King Cheong
 Yeung Tsun Man Eric

Nomination Committee

Wu King Cheong (*Chairman*)
 Chan Bernard Charnwut
 Yeung Tsun Man Eric

Corporate Governance Committee

Chan Bernard Charnwut (*Chairman*)
 Wong Tin Cheung
 Wong Rosana Wai Man
 Wu King Cheong
 Yeung Tsun Man Eric

Registered Office

Clarendon House
 2 Church Street
 Hamilton HM11
 Bermuda

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<http://www.irasia.com/listco/hk/yaulee/>

Company Secretary

Lam Kwok Fan

Principal Bankers

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

Independent Auditor

PricewaterhouseCoopers
 Certified Public Accountants
 Registered Public Interest Entity Auditor

Solicitors

Gallant
 T.H. Koo & Associates

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Ltd.
 Shops 1712-1716
 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby report the annual performance of Yau Lee Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 March 2024 to all the shareholders.

Result for the Year

As we continue to execute on our strategies, we are well placed to deliver a pleasing result. All major segments performed well in the year.

The Group generated revenue of HK\$7,812 million, up 17% year on year. All major segments reported increases, of which the construction segment and building material supply segment got the strong growths of 32% and 115% respectively. We anticipate revenue would rise also next year given the strong orders on hand.

The Group's consolidated gross profit also increased strongly year on year by HK\$130 million or 24%. Overall gross margin improved from last year's 8.3% to this year's 8.7%. The margin of construction segment remained steady whilst the gross margin of Electrical and Mechanical Installation (E&M) segment improved because of the substantial amounts of work done recognised in some sizable projects at the peak construction periods.

Total operating expenses raised from HK\$461 million to HK\$531 million, up by 15% over the prior year. Staff costs and the factory's transportation costs attributed most to the increases. The rise in staff costs reflected changes in headcounts and salaries increments. As at 31 March 2024, total number of employees grew by 9% year on year to cope with the expanding businesses. Also, the annual pay increments drove up the costs too. A study from a consultancy firm forecasted that a shortage of 40,000 workers, 6,500 professionals and 8,500 technicians and site supervisory personnel is expected by 2027, representing 15-20% shortage of manpower in construction. Albeit a series of measures to alleviate manpower shortage launched by the HKSAR Government (the “Government”), the rising staff cost would still be the top cost driver of the industry in near term. The factory transportation costs surged partly because of the rise in delivery volume and partly because of the additional costs carried forward from the pandemic time. During the pandemic time, transportation costs escalated because of the logistic chain disruptions. These lifted-up costs lasted until recently that some reductions were noted.

Consolidated net profit before tax was HK\$86 million, exceeding last year by HK\$19 million or 28%. The net profit was affected by two losses generated by the Mainland joint ventures. An impairment provision of HK\$10 million was made for our investment in Luoyang Joint Venture and another approximately HK\$12 million for the operation losses were incurred by the three joint ventures in Mainland. These two losses have no impact on cash and not from our core businesses. The net profit derived from the Group's ordinary operating activities would be up by HK\$22 million more if these two losses were excluded. And the profits should be uplifted further after the hotel reopens later this year.

The Group succeeded in getting record contracts on hand and new orders this year. As at 31 March 2024, our contracts on hand reached HK\$40,788 million, up by 81% over prior year. New contracts secured was HK\$20,281 million, up by 211% year on year. We got strong growth across major segments. Construction, E&M and building material supply reported increases of 336%, 42%, and 238% respectively comparing to last year. The surge in new orders shows our strategy is delivering for the Group.

Chairman's Statement

Dividend

In the Board meeting held on 24 June 2024, the Directors recommended the payment of a final dividend of HK2.50 cents (2023: HK2.50 cents) per share. Together with the interim dividend of HK2.50 cents (2023: HK2.50 cents) per share, total distribution is HK5.00 cents (2023: HK5.00 cents) per share this year. The recommended final dividend, subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") which is scheduled to be held on 29 August 2024 (Thursday), will be payable on 10 October 2024 (Thursday) to the shareholders whose names appear on the register of members of the Company on 25 September 2024 (Wednesday).

Review of Operations

Building construction, renovation and maintenance

As anticipated in last year's report, the segment revenue increased and delivered a record income of over HK\$5 billion, up by 27% year on year. The Group's leading Modular Integrated Construction ("MiC") technology has brought us fruitful results this year. We were awarded four public housing projects, amounting to a record HK\$17 billion, surged by 336% year on year. All would be built using the Group's different types of patented concrete MiC technologies. Considering the high level of orders on hand, we may project a smaller new order in-take next year. We will be more selective in bidding new jobs, pursuing jobs with higher margins.

We are currently constructing over 25,000 housing units which consist of more than 60,000 MiC/volumetric prefabricated units, among which the first high-rise MiC for sale development in Hong Kong: the Housing Society's Hung Shui Kiu project is nearing completion. It is a record-breaking project with 4-day construction cycle, 75% site manpower saving, 100% repeated mould usage, 80% MiC and precast ratio with an advanced Integrated Balcony where the balcony unit was integrated with the same floor MiC module. The project was awarded the Outstanding MiC Project by the Construction Industry Council. Also, it was awarded the "Outstanding Award for Green and Sustainable Loan Issuer (Social Trade Financing project of Construction Industry) – Visionary Social Loan Framework" by Hong Kong Quality Assurance Agency. We are the first building contractor being recognized in this first of its kind social loan award. This year, our various MiC projects have won more than ten different awards, representing testaments to our technical competence and focus on sustainable construction which will drive us to continue to deliver more powerful solutions that support and benefit the industry and the community as a whole.

In addition to MiC, the Group's Multi-trade integrated Mechanical, Electrical and Plumbing ("MiMEP") capability is also a competitive edge in fitting-out, repair and maintenance works. We completed the Lai Wan market reconstruction, Hong Kong's first market under the flyover adopting MiC and MiMEP in just ten months. In this project, MiC modules were designed according to the specific needs of different types of stalls which could enhance operational efficiency and space utilization. Customers' needs are not compromised whilst we drive for operational efficiency through standardization.

For the successful implementation of MiC and MiMEP, our leading capabilities in smart construction solutions play a pivotal role. BEANiE is one of our cutting-edge digital solutions created to facilitate the full lifecycle management of MiC. It is a perfect showcase of the Digital Works Supervision System ("DWSS") and Smart Site Safety System ("SSSS") which the Government is currently promoting.

Chairman's Statement

BEANiE is Hong Kong's first Building Information Modelling ("BIM") – enabled blockchain multifunctional platform, designed to improve the full lifecycle management of MiC in particular traceability, from manufacturing, quality assurance ("QA") and quality control ("QC"), delivery, installation, safety, handover to maintenance, via the adoption of Radio Frequency Identification (RFID), BIM and blockchain technologies. BEANiE enables users to properly record, register, file or upload the test/inspection data to reliable online platform for a real time tracking and monitoring the status of every single MiC unit at each step of production. It is a highly secured multifunctional and multilayer platform to provide the most efficient way for the whole project team to communicate seamlessly without geographical limitation for the enhanced productivity, improved quality as well as reduced costs and time in terms of MiC production and installation. It was developed in Year 2018 and firstly applied in Year 2019 in the Disciplined Services Quarters for the Fire Services Department at Pak Shing Kok, Hong Kong's first-ever concrete MiC project.

With the endorsement from our various major customers, the platform is now adopted in each of our major building projects. The platform has been progressing continually to extend the coverage and to fit for various clients' needs. From the initial BEANiE 1.0 catering the management of MiC production, QA/QC, delivery and installation, BEANiE has gradually developed to include Digital Works Supervision Systems (BEANiE 2.0), fleet management and drivers' wellness (BEANiE 3.0), CCTV and Dashboard (BEANiE 4.0), Traceability and Safety/Smart Site Safety System (BEANiE 5.0) and Smart Command Theatre (BEANiE 6.0).

Smart construction solutions represent the future of the industry. The integration of our leading MiC technologies and digital solutions enables us staying competitive, improving project performances and contributing to the industry's advancement.

Electrical and mechanical installation

As one of the leading E&M specialists in the industry, the segment delivered again solid business growth. Segment revenue was HK\$2,931 million, representing an increase of HK\$315 million or 12% compared to the prior year. Besides, we were awarded a record new orders of HK\$4,075 million, driving up the contract value on hand to the record level of HK\$13,402 million. We saw growth in both Hong Kong and Mainland China. Our innovation-led engineering competence and the professional integrity make us a preferred E&M contractor in the Mainland's high-end commercial sector. New contracts awarded in China totaled HK\$544 million, including Wuxi Hang Lung Centre Hotel E&M system installation and Guangzhou Hong Kong Jockey Club Horse Sports Training Ground renovation project.

As Hong Kong is transforming into a smart city, the building services industry has seen significant advancements in technology and sustainability. Focus on sustainability and digitalization are crucial to our success. We actively pursue environmental protection products and solutions that help our clients to reach their net-zero emission goals. For example, our patent product Intelligent Fan Coil Unit ("iFCU™") grows in popularity especially in commercial and hospitality sectors. The sales have been increasing steadily since the launch. As we keep evolving the product with new technologies, the latest version of iFCU™ with AI-driven enhancement delivers on average over 50% energy saving at low replacement costs. Also, we see the potential of AI-powered Internet of things ("IoT") applications in building services are enormous. We develop a series of AI smart site safety solutions aiming to reinforce construction safety issues and comply with the Development Bureau's SSSS requirements. Additionally, we broaden the applications of IoT remote monitoring and controlling solutions on many smart site applications, like lift maintenance monitoring, water leakage detection and battery charging station data monitoring. In a Guangzhou hotel project, we delivered an IoT remote monitoring and controlling building management system ("BMS") with web-based platform and dashboard which not only enhanced the building performance but also saved the initial implementation costs and time by more than 40% and 2.5 months respectively, comparing to the conventional BMS. Our competency from connected devices and sensors to data analytics and automation is proven. Smart building technology is, to be sure, an area to grow.

Chairman's Statement

Building materials supply

The factory has weathered the pandemic storm and is in good shape for the strong rebound in businesses. Underpinned by last year's high level of awarded contracts, surge in revenue was envisaged. Turnover was HK\$801 million, more than doubled up comparing to that of last year.

To expedite construction, more and more public housing in MiC construction were rolled out in the year. Being a leading prefabrication manufacturer, we won record new orders HK\$3,054 million. Total contract value on hand as at end of the year was around HK\$4,391 million, representing more than 44,000 MiC units. To cope with the expanded market demands of MiC, the factory has been expanded to further increase its annual production capacity. It is capable of producing over 57,000 MiC modules. The factory actively adopts BIM, AI, automation as well as BEANIE, our multifunctional blockchain platform to ensure just-in-time delivery, high quality, high efficiency, a stable supply chain and lean construction.

Since the first production of MiC unit in Year 2018, we have developed a range of different designs to fit for clients needs and enhanced performance. To echo the Housing Department's MiC 2.0 initiative to streamline and improve the building process, we developed a new design applying advanced connection method which can enhance safety, quality, efficiency and performance. The new design will be implemented in one of the newly awarded projects.

Though the MiC construction method is widely adopted, a unified standard for MiC construction methods has not been established. Also, the communication channels between the industry and the Government need to be strengthened. In this regard, the Hong Kong Modular Integrated Construction Manufacturer Association ("HKMiCMA") was established early 2024 by the industry. Ir. Dr. Wong Tin Cheung, our Vice Chairman is honored to be appointed as the President of the Association. With the support of the measures outlined in the Policy Address, we endeavor to work together with the industry peers to develop this innovative construction technology, raising the overall productivity, safety and quality of the buildings.

On Mainland market, we did not pursue any new contract in the reporting year because the factory was fully loaded by the Hong Kong new orders. In fact, the factory capacity is expected to be fully occupied by the existing contracts in next few years.

China's property market boom ended around 2020-2021 due to the pandemic and also strict borrowing requirements imposed by regulators to contain the towering debts accrued by developers. The property market has become sluggish since then and hit also the construction activities. Against this backdrop, our joint venture in Luoyang, being severely impacted by the market downturn, has not been able to secure sustainable business orders since the opening. Though authorities have been ramping up measures recently to prop up the sector, we anticipate the recovery would be at a slow pace. Considering the past performance and the financial capability of the joint venture, we decide to make a full provision of our paid up investment in the joint venture for conservative purpose.

Chairman's Statement

Hotel operation and property investment and development

Hong Kong's tourism sector has shown signs of revival since the border reopened. In 2023, Hong Kong received a total of 34 million visitors, of which around 17 million were overnight visitors. Average occupancy for 2023 rose to 83% up from 66% in 2022. And Average Daily Rate moved up 30% to HK\$1,392 from HK\$1,065 in 2022. Though the industry is moving toward the right direction, the growth is not as strong as expected. To promote the industry, the Government rolled out a series of measures proactively. For example, the Year 24-25 budget earmarked over HK\$1.1 billion to promote mega events to boost tourism. In the first half of 2024 alone, Hong Kong is set to stage over 80 key events. Some pleasing results were noted recently. The last Golden Week recorded Mainland visitors of around 760,000, matching officials' initial estimation and bringing Hong Kong's economy with more than HK\$2 billion consumption spending. The outlook is broadly positive. The campaigns and promotions together with the increasing flight capacity would boost the industry further by the time when the Group's hotel reopens later this year.

As disclosed in last year's annual report, the refurbished hotel will be operated under the brand "Motto by Hilton", a new lifestyle brand in Hilton delivering a flexible and innovative hospitality experience. While we thoughtfully curate the room delivering a flexible stay and feature modern design that reflects the local destination, we put in also the concept of smart hotel. A wide range of Digital Twin solutions, IoT, big data and AI applications are implemented to achieve better planning in building resources, maintenance and engineering works, both in predictive and prescriptive measures, and ultimate support the sustainable development of a smart hotel. The hotel would showcase our strength in digital construction technologies.

The building work of the Group's entitled 10,000 m² residential properties at Longhua Shenzhen has been completed. We anticipate the flats be ready for sales in the 4th quarter after statutory inspections and conveyance matters completed with the developer. Our properties are right next to the Metro Station linked with covered walkway, providing convenience inter-and intra-city transportation and seamless connections to Hong Kong. Our residential block is in Phase 2 of the development which consists of a shopping mall, office and serviced apartment.

Amid the challenging market sentiment, some stimulus measures have been rolled out by the Mainland Government including mortgage rate cuts and some different measures to relax home purchases curbs. Also, the advancement of urbanization and the desire of people to improve the living conditions support basic housing demands and the needs for improved housing. It is expected that the sales momentum would be improved gradually. We will keep close eyes on market for a good timing to sell.

Chairman's Statement

Outlook

The Hong Kong construction market outlook is positive and is boosted by the approximately HK\$300 billion per annum construction volume in both public and private sectors. The industry is in another golden decade with unbounded opportunities. The Group as one of the key players in the public sector works is well-placed for business growth. Indeed, the record new contracts achieved in the year shows our strategy of generating sustainable growth through innovative solutions is delivering for the Group. We are all along the forerunner in driving construction innovations and digitalization. Our pioneering positions in prefabrication, MiC, BIM, DWSS and SSSS gained us first-mover advantages in capitalizing market opportunities and brand building. Moving forward, innovation and digitalization shall remain our strategies to drive the business and profit growth. We would continue to embrace and develop innovative technologies and digitization in construction like robotic, IoT, Digital Twin etc. to enhance project delivery.

We aim to raise profit margin by disciplined job bidding and cost controls. With a record level of contracts on hand, we would be more conservative in job tender and pursue contracts with better and balanced terms. On cost controls, we take measures to address the manpower costs, the biggest cost element. The persistent manpower shortage in the industry drives up costs, lower productivity and hinder the project delivery. We recruit through the Government's expanded Talent List program and Labour Importation Scheme, professionals of various disciplines and some labor for the two newly awarded projects. Benefits from new labor forces may not be visible in short run. In long run, the expanded labor resources and talent pool would contribute in term of productivity and thus profitability.

The Chief Executive's 2023 Policy Address announced promoting MiC by formulating and implementing a series of measures, both short term and long term, to strengthen the supply chain of MiC modules. A number of measures such as direct procurement of modules, collaboration with the Greater Bay Area ("GBA") and land reservation for the development of MiC industry are proposed. As a key MiC manufacturer, the Group would be able to take part in these developments to expand our prefabrication manufacturing businesses and our presence in GBA. We shall look at it in depth when implementation plans are made known later.

The future presents enormous opportunities for the Group. We will continue to leverage our know-how and competency for the benefit of all our stakeholders.

The achievement we made this year, despite a difficult business environment, reflected the passion and hard work of our people. I would like to express my appreciation and sincere thanks to the Board and the colleagues for their dedication and effort. I would also like to thank each and every one of our shareholders for your support to the Group.

Wong Ip Kuen

Chairman

Hong Kong, 24 June 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. As at 31 March 2024, the Group's total cash and bank balances was HK\$906 million (2023: HK\$743 million) and total borrowings increased to HK\$2,292 million (2023: HK\$1,367 million). The increase in borrowings was primarily due to finance of new construction projects and the refurbishment work of our hotel property. The current ratio (total current assets: total current liabilities) as at 31 March 2024 was 1.1 (2023: 1.2). The amount of bank loans and other facilities fall due beyond one year was HK\$442 million (2023: HK\$449 million). With prudent financial management policy in place, the Group considers the financial position as sound and healthy with sufficient liquidity.

All the bank borrowings are arranged on a floating rate basis. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangements when appropriate. As at 31 March 2024, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$3,825 million (2023: HK\$3,706 million), of which HK\$2,887 million (2023: HK\$1,761 million) had been utilised. The Group considers it has sufficient committed and unutilised banking facilities to meet its current business operation, property development requirement and capital expenditure.

Human Resources

As at 31 March 2024, the Group had approximately 3,900 (2023: 3,600) employees. There are approximately 3,000 (2023: 2,800) employees in Hong Kong, Macau and Singapore and 900 (2023: 800) in Mainland China. Yau Lee aims to be a good and attractive employer as we understand people are key to long-term success. The Group offers competitive remuneration packages and employees are rewarded on a performance related basis. The Group also invests substantially on training and staff development. We promote continuing learning and help the professional and personal development of our employees.

SUMMARY OF CONTRACTS

Movement of incomplete contracts

For the year ended 31 March 2024

Contract value

	31 March 2023 <i>HK\$'million</i>	Contracts Secured <i>HK\$'million</i>	Completed <i>HK\$'million</i>	31 March 2024 <i>HK\$'million</i>
Building construction, renovation and maintenance	14,270	16,952	(672)	30,550
Electrical and mechanical installation	11,266	4,075	(1,939)	13,402
Building materials supply	1,931	3,054	(594)	4,391
Others	16	25	(25)	16
Less: Inter-segment contracts	(4,924)	(3,825)	1,178	(7,571)
	22,559	20,281	(2,052)	40,788

Building construction, renovation and maintenance segment

Contracts completed during the year ended 31 March 2024

Contracts

Design and Build Contract for Transitional Housing at Po Lam Road North, Tseung Kwan O

Construction of a Primary School at Tai Po

Design and Build Contract for Transitional Social Housing Project, Sheung On Street, Chai Wan

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2024

Contracts

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Kowloon City, Sai Kung and Outlying Islands (Sai Kung)) (2020/2024)

Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is Responsible (Designated Contract Area: Wong Tai Sin and Sha Tin) (2020/2024)

Design and Construction of a Community Health Centre cum Social Welfare Facilities at Pak Wo Road, North District

Hospital Authority Term Contract for Minor Works for Kowloon Central Cluster

Public Rental Housing Project at Shek Pai Wan Road

Design and Construction of Chai Wan Government Complex and Vehicle Depot

Dedicated Rehousing Estate at Hung Shui Kiu Phase 1A

Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is Responsible (Designated Contract Area: Hong Kong Island and Outlying Islands) (2021/2024)

Construction of Public Housing Development at Tung Chung Area 99, Tung Chung

Construction of Public Housing Development at Anderson Road Quarry Site R2-5

District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Properties managed by District Maintenance Offices/Tai Po, North, Shatin Region (3) 2022/2025

Construction of Public Housing Development at Long Bin Phase 1

Summary of Contracts

Building construction, renovation and maintenance segment (continued)

Contracts secured in current year

Contracts

Construction of Public Housing Development at Kwu Tung North Area 19 Phase 1A and Phase 1B

Construction of Public Housing Development at Fanling North Area 15 East Phase 1

Design and Construction of Public Housing Developments at Tuen Mun Area 54 Site 4A (South) and Site 5

Design and Construction of Public Housing Developments at Tung Chung Area 114 and Tung Chung Area 117

Electrical and mechanical installation segment

Contracts completed during the year ended 31 March 2024

Contracts

Term Contract for the Alterations, Additions, Maintenance and Repair of Aided Schools, Buildings and Lands and Other Properties for which the Education Bureau is Responsible (Designed Contract Area: Wong Tai Sin, Kwun Tong and Sai Kung)*

Term Contract for Inspection, Repair, Overhaul & Testing of Electrical & Mechanical Installations at Various Sewage Treatment Works and Pumping Stations in New Territories West and New Territories North (2020-2023)

Provision of on-site Chlorine Generation Plants for Sheung Shui, Silver Mine Bay, Siu Ho Wan and Ma On Shan Water Treatment Works (50% effective interest by the Group)

* Inter-Segment Contracts

Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured in prior years and in progress during the year ended 31 March 2024

Contracts

Term Contract for the Design & Construction of Fitting-Out Works to Buildings & Lands & Other Properties for which the Architectural Services Department is Responsible (Designated Contract Area: Kowloon and New Territories)*

Design & Construction of a Community Health Centre Cum Social Welfare Facilities at Pak Wo Road, North District*

Design, Supply and Installation of Seawater Supply System for Seawater Pump House 1 & 7 at Hong Kong International Airport

Building Services Installation for Hospital Authority Term Contract for Minor Works at Kowloon Central Cluster*

Term Contract for Overhaul, Maintenance, Testing & Plant Engineering works of Electrical & Mechanical Installations for various Sewage Treatment Facilities & Pumping Stations on Lantau & Outlying Islands

Air-conditioning and Ventilation Systems Term Maintenance Contract (Kowloon East, Wong Tai Sin, Tsing Yi, Tsuen Wan, Kwai Chung, Tuen Mun and Yuen Long Regions) 2022/2023 – 2025/2026 for Housing Authority Estates, Areas and Buildings

Contracts secured in current year

Contracts

Electrical Installation for Construction of Public Housing Development at Kwu Tung North Area 19 Phase 1A & Phase 1B*

Plumbing & Drainage Installation for Construction of Public Housing Development at Kwu Tung North Area 19 Phase 1A & Phase 1B*

Electrical Installation for Dedicated Rehousing Estate at Hung Shui Kiu – Phase II

Term Contract for Inspection, Repair, Overhaul & Testing of Electrical & Mechanical Installations at Various Sewage Treatment Works and Pumping Stations in Sha Tin & Sai Kung (2023-2026)

Electrical Installation for Construction of Public Housing Development at North West Kowloon Reclamation Site 1 (East)

Guangzhou Hong Kong Jockey Club Horse Sports Training Ground (Renovation Project of Equestrian Stadium of the 16th Asian Games in Guangzhou), Grandstand (FG1) and Supporting Facilities Integrated E&M System Sub-Contract

* Inter-Segment Contracts

Summary of Contracts

Electrical and mechanical installation segment (continued)

Contracts secured by joint operations in prior years

Contracts

Term Contract for Maintenance and Operation Support of On-site Chlorine Generation Plants (Phase 2) of Water Supplies Department (2022-2026) (50% effective interest by the Group)

Construction of Siu Ho Wan Water Treatment Works Extension and Siu Ho Wan Raw Water Booster Pumping Station (35% effective interest by the Group)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Wong Ip Kuen, BBS

aged 88, is the Chairman of the Group. Mr. Wong has over 70 years of experience in the building construction industry of Hong Kong. He is responsible for the overall strategic development and management of the Group. Mr. Wong has been awarded the Bronze Bauhinia Star (BBS) by the Government of the HKSAR in the year of 2022 for his notable contributions to the construction industry in particular driving Hong Kong to become one of the global leading forces in applying precast elements in building works.

Mr. Wong is the father of Ir. Dr. Wong Tin Cheung and Ms. Wong Rosana Wai Man.

Ir. Dr. Wong Tin Cheung, BBS, JP

aged 60, is a professional engineer who has over 30 years of building construction experience. He is the Vice Chairman of the Company, undertaking the post of Managing Director of Yau Lee Construction Company Limited.

Ir. Dr. Wong is responsible for the overall strategy formulation of the Group, including overseeing business and technologies development. Ir. Dr. Wong has particular passion for green building technologies, Building Information Modeling (BIM), modular and precast construction as well as manufacturing automation. Under his leadership, Yau Lee has successfully introduced the first concrete Modular Integrated Construction (MiC) in Hong Kong for a government quarter project. Since 2017, Ir. Dr. Wong has been putting a great deal of effort in developing various robotic and Artificial Intelligence (AI) applications for the construction industry.

Ir. Dr. Wong holds a Bachelor Degree of Science in Civil Engineering from the University of Southampton, Master Degree of Science (Engineering) in Foundation Engineering from the University of Birmingham, Master Degree of Business Administration from the Chinese University of Hong Kong and Bachelor Degree in Religious Studies from the Holy Spirit Seminary College of Theology & Philosophy. He is a Fellow member of the Hong Kong Institution of Engineers, the Chartered Institute of Building, the Institution of Civil Engineers (United Kingdom), the Hong Kong Institute of Building Information Modelling as well as the Hong Kong Institute of Construction Managers. In October 2020, Ir. Dr. Wong completed his Doctor of Philosophy Degree in City University of Hong Kong. His speciality is adopting AI to optimise energy consumption for large scale central air conditioning system. Ir. Dr. Wong has also been appointed as the Adjunct Professor by the Department of Civil Engineering in the University of Hong Kong.

Ir. Dr. Wong is very active in public and community services. Currently, he is the Chairman of the Council of the Hong Kong Metropolitan University, the President of the Hong Kong Modular Integrated Construction Manufacturer Association, the Chairman of the New Energy Transport Fund Steering Committee, the Member of the Energy Advisory Committee, the Member of the Green Technology and Finance Development Committee, the Member of the Trade and Industry Advisory Board, the Member of the Environmental Campaign Committee and the Chairman of the Awards Committee on the Hong Kong Awards for Environmental Excellence. In the past, Ir. Dr. Wong served as the Deputy Chairman of Vocational Training Council, the Chairman of the Occupational Safety and Health Council, the Chairman of the Hong Kong Green Building Council, the President of the Hong Kong Construction Association, the President of the International Federation of Asian and Western Pacific Contractors' Associations, the Chairman of Pneumoconiosis Compensation Fund Board, the Member of Construction Industry Council, the Member of the Antiquities Advisory Board, the Member of the Advisory Council on the Environment, the Member of the Town Planning Board, and the Director of the World Green Building Council.

Ir. Dr. Wong was awarded the "2001 Hong Kong Outstanding Young Digi Persons Award" and the "Bauhinia Cup Outstanding Entrepreneur Award 2002" presented by the Hong Kong Polytechnic University. In 2009, he was conferred the Honorary Fellow by the Vocational Training Council and the Honorary Fellow by the University of Central Lancashire in recognition of his contributions. In 2022, he was conferred the Honorary Fellow by the Hong Kong Institute of Marketing.

Ir. Dr. Wong was a Member of 10th and 11th Guizhou Province Committee of the Chinese People's Political Consultative Conference and he was appointed Justice of the Peace (J.P.) in 2008 and awarded the Bronze Bauhinia Star (BBS) by the Government of the HKSAR in the year of 2013 for recognition of his outstanding contributions made to Construction Industry.

Ir. Dr. Wong is the son of Mr. Wong Ip Kuen and brother of Ms. Wong Rosana Wai Man.

Biographical Details of Directors and Senior Management

Ms. Wong Rosana Wai Man, MH

aged 57, has been appointed as an Executive Director of the Company since 2008 after working with different entities in the Group since 2003. She is the Deputy Chair of the Company.

She is also Director of various companies which carry out primary business of the Group, namely Yau Lee Construction Company Limited, Yau Lee Wah Concrete Precast Products Company Limited, Yau Lee Hing Materials Manufacturing Limited, Yau Lee Curtain Wall and Steel Works Limited, REC Engineering Company Limited, REC Green Technologies Company Limited, REC Green Energy Solutions Company Limited, Yau Lee Hotel Limited, Yau Lee Innovative Technology Limited, VHSOFT Technologies Company Limited, InnoVision Architects & Engineers Limited and Leena Theme Painting Limited; Founder & CEO of Global Virtual Design & Construction Limited; as well as the Managing Director of Yau Lee Infrastructure Company Limited, Yau Lee Construction (Macau) Company Limited and Yau Lee Construction (Singapore) Pte. Ltd.

Ms. Wong leads the Group's integrated business sectors and plays a pivotal role in formulating overall strategic planning. With over two decades of entrepreneurial experience, she oversees corporate business development, management of construction projects in Hong Kong, together with the expansion of regional and overseas markets, implementation of full lifecycle management and Virtual Design & Construction. Ms. Wong is driven by her passion for combining technology, innovation and science with sustainable ecosystem in Energy & Environmental Systems, Water Sustainability, Nanotechnology & Digital Fabrication, Artificial Intelligence, Augmented Reality, Coding, Networks & Computing Systems, Cyber Security as well as E-health, Wellness & Biotechnology. Under her leadership, Yau Lee has diversified its businesses ranging from building construction, IT solutions, MEP Services, architecture & engineering, energy optimisation solutions, precast and low carbon building materials, curtain wall & steel works, to investment, property and hotel development and grown to be an award winning, forward-thinking and green corporation on a global scale.

Ms. Wong is also a Vice President of Smart City Consortium (the "SCC"), Chair of SCC's Smart Living Committee, Deputy Director of China Green Building (Hong Kong) Council, Member of Construction Industry Council's Committee on Building Information Modelling and Construction Digitalisation, Co-chair of CIC's Task Force on BIM Personnel Development and Member of other CIC's Task Forces including BIM Submission to the Buildings Department and Development of BIM-related Digital Solutions, Member of Advisory Panel for Signature CDE Course and Master Class on AI, Member of Sub-committee on Access of the Rehabilitation Advisory Committee of the Government of the HKSAR, Honorary Advisor of the Hong Kong PropTech Association, Member of HKTaxi Industry Innovation Committee, Council Member of The Better Hong Kong Foundation, Director and Fundraising Committee Chair of The Zonta Club of Kowloon, Member of the Federation of Hong Kong Hotel Owners, Council Member of the Orion Astropreneur Space Academy and its former Board Member, Honorary President of the Hong Kong Qingdao Association and Member of Center for Integrated Facility Engineering (CIFE) at Stanford University. During 2017-2023, Ms. Wong served as a Director for Hong Kong Cyberport and the Chair of Construction and Facilities Committee.

Ms. Wong holds a Bachelor Degree with First Class Honours in Design from the De Montfort University, a Master Degree in Design from the Royal College of Art in the UK, and Executive Master Degree in Business Administration, Master Degree in Philosophy both awarded by the Chinese University of Hong Kong and an executive programme in technology from the Singularity University in the US.

Ms. Wong is the daughter of Mr. Wong Ip Kuen and sister of Ir. Dr. Wong Tin Cheung.

Mr. Sun Chun Wai

aged 63, earned a Bachelor Degree in Britain. He joined the Group in 1992 to manage the Group's property development, construction works, manufacturing and supply of building materials, and development and marketing of computer software in Mainland China. Mr. Sun was appointed as an Executive Director of the Company in 1994 and is responsible for the Group's business management and development in Mainland China.

Biographical Details of Directors and Senior Management

Independent non-executive directors

Mr. Chan Bernard Charnwut

aged 59, has been an Independent Non-Executive Director of the Company since 2000. He is a graduate of Pomona College in California, USA and he is the Chairman & President of the publicly-listed Asia Financial Holdings Ltd. And Chairman of Asia Insurance Co. Ltd. Mr. Chan was a Hong Kong Deputy to the National People's Congress of The People's Republic of China (2008-2023) and the previous Convenor of the Non-Official Members of the Executive Council (2017-2022). He is a former non-official member of Hong Kong's Executive Council (2004-2009 and 2012-2022) and former member of Hong Kong's Legislative Council (1998-2008) representing the insurance industry. He is Chairman of M Plus Museum, Chairman of the Tai Kwun Culture & Arts Co. Ltd., Chairman of Our Hong Kong Foundation and Chairman of the Hong Kong Chronicles Institute. He is an Independent Non-Executive Director of Cathay Pacific Airways Limited, Chen Hsong Holdings Limited and China Resources Beer (Holdings) Limited, all of which are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). In addition, he is also an Advisor of the Bangkok Bank (China) Company Limited, the Chairman of Hong Kong-Thailand Business Council, the Chairperson of The Hong Kong Council of Social Service and a Trustee Emeritus of the Pomona College, California, USA.

Mr. Wu King Cheong

aged 72, has been an Independent Non-Executive Director of the Company since 1994. Mr. Wu is a Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an Independent Non-Executive Director of Henderson Land Development Company Limited, Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Hong Kong Ferry (Holdings) Company Limited, all of which are companies listed in Hong Kong.

Mr. Yeung Tak Bun

aged 58, served as the former Government Chief Information Officer, responsible for formulation of policies and strategies for Hong Kong's information industry in development of the digital economy, e-government, cyber-security, and formulation of the blueprint for developing Hong Kong into the world's leading smart city. He was the Chief Corporate Development Officer at the Hong Kong Science and Technology Parks Corporation, responsible for the development strategy of the science park, nurturing and supporting bio-tech, green-tech, IT and electronics enterprises. Mr. Yeung started his career in Silicon Valley and had worked for several high-tech companies. Thereafter, he held several senior management positions in multinational corporations, Hong Kong listed companies and private equity funds, with operations throughout Asia.

Mr. Yeung has contributed a lot in promoting and developing the innovation and technology industry in Hong Kong and the region. He has established Hong Kong Business Angel Network, Greater Bay Area International Information Technology Association and Institute of Big Data Governance. He has served on the boards and advisory committees of various associations/organizations, including the Federation of Hong Kong Industries, The Hong Kong Polytechnic University, The Chinese University of Hong Kong, The University of Hong Kong, Trade Development Council, YIDA Youth Innovation and Development Alliance etc.

Mr. Yeung holds a Bachelor of Science degree in Electrical Engineering from the University of Texas (Austin), a Master of Science in Electrical Engineering from Purdue University, and an Executive MBA from the Kellogg School of Management of the University of Northwestern in conjunction with the Hong Kong University of Science and Technology.

Mr. Yeung is currently an Independent Non-Executive Director of PAO Bank Limited and the below listed company on SEHK.

- 1) Chinasoft International Limited (stock code: 0354)
- 2) UMP Healthcare (stock code: 0722)

Biographical Details of Directors and Senior Management

Dr. Yeung Tsun Man Eric

aged 78, has been an Independent Non-Executive Director of the Company since 1993. Dr. Yeung is Chairman of Perfekta Toys Lda. He holds directorships of companies in Hong Kong, Macau and Mainland China, which are engaged in electronics, respirator, trading and agricultural businesses. He was a Standing Committee Member of the National Committee, 10th, 11th and 12th session of the Chinese People's Political Consultative Conference, the Chairman of Macau Productivity and Technology Transfer Centre and a Member of YPO Gold Organization. He was awarded the Medal of Merit by the Macau Government in 1994, Commander of the Order of Merit by the Government of Portugal in 1998, the Medal of Professional Merit by the Macau SAR Government in 2001 and Gold Lotus Medal of Honor by the Macau SAR Government in 2010. He is also listed in "The Marquis Who's Who in the World" and "The International Who's Who of Professionals".

Senior management[#]

Mr. Au Kam Fai Eric, Commercial Director

aged 70, joined the Group in 2014 as a Contracts Advisor and was appointed as Commercial Director in 2016. Mr. Au is a Fellow Member of the Hong Kong Institute of Surveyors. He holds a Law Degree and a Master Degree in Arbitration & Dispute Resolution. He has been the Chairman of the Quantity Surveying Division of the Hong Kong Institute of Surveyors (1994/1995). Before joining the Group, Mr. Au has over 40 years of experience in quantity surveying and has been appointed as Expert Witness in respect of the valuation of variations and assessment of claims for a number of arbitration and litigation cases. He has an in-depth working knowledge of contract administration and construction law and of the various standard forms of contract, methods of measurement, specifications and other related documentation. He also has substantial experience in dealing with additional costs/loss & expenses/damages claims and the causes and effects of delays to construction works. Mr. Au is now responsible for managing both the contractual and commercial matters of the projects handled by the Group.

Mr. Chan Chi Ming Antonio, Deputy Managing Director of REC Engineering Company Limited

aged 62, joined the Group in 1996 as a Building Services Project Manager and became Building Services Manager in 2002. He was appointed as Executive Director in 2008 upon successful acquisition of REC Engineering Company Limited as part of the Group. He was promoted to Deputy Managing Director starting from January 2018 and is now responsible for the overall operation of the company in Hong Kong, China and Macau. Under the directions of the Board of Directors, he successfully leads the team to implement many pilot projects including the first Floating PV System in Shek Pik Reservoir, the first Automated Parking System in EMSD Headquarters. He also leads the team actively participating in smart building, smart mobility, sustainability and advanced construction technology including robotic welding.

He graduated from Portsmouth University of UK with a Bachelor Degree in Electrical and Electronic Engineering. He also holds a Master of Science Degree in Fire Safety Engineering from University of Central Lancashire of UK and an Executive Master Degree of Business Administration from The Chinese University of Hong Kong.

[#] In alphabetical order

Biographical Details of Directors and Senior Management

He is a Chartered Engineer of Engineering Council UK, a Fellow Member of the Hong Kong Institution of Engineers, a Member of the Institution of Engineering and Technology, a Member of the Institution of Fire Engineers and a Member of the European Federation of Engineers. In addition, he is also a Registered Professional Engineer, a BEAM Professional, CIC-Certified BIM Manager and the latest Engineering BIM Professional of the HKIE. Currently he is the Chairman of the Hong Kong Federation of Electrical and Mechanical Contractors, Council Member of the Hong Kong E&M Contractors' Association, Council Member of the Hong Kong Air Conditioning and Refrigeration Association, Vice President of Hong Kong Energy Conservation Association, Committee Member of the Guangzhou Association for Science and Technology, Committee Member of the Industrial Liaison Group to the SCOPE of City University of Hong Kong, Council Member of the HKMIcMA, Member of the Steering Committee of Construction Innovation and Technology Fund, Member of the CIC Task Force on BIM Training, Member of CIC Mainland Affairs Committee, Member of CIC Task Force of BIM Personnel Development, Member of CIC Construction Workers Registration Board (CWRB), Member of the VTC Electrical and Mechanical Training Board, Member of the VTC Engineering Discipline Advisory Board, Member of the DevB Drinking Water Safety Advisory Committee, Member of the DevB Labour Importation Scheme for the Construction Sector Consultative Committee, Panel Member of THEi Professional Diploma in BS Programme Review, Member of the HKGBC Retro-fitting Expert Group, Member of the Engineers Registration Board (2023/2024) and Member of the HKMU Construction Engineering Programme Advisory Peer Group. He is also the Past President of Hong Kong Air Conditioning and Refrigeration Association, Past Chairman of the HKIE-Building Services Division and Ex-Director of the Hong Kong Green Building Council.

Mr. Hui Yuet Chun, Executive Director of REC Engineering Company Limited

aged 69, joined REC Engineering Company Limited in 1992 as Manager of the Environmental Engineering Department and was appointed as Executive Director in 2018. Over the years, he has been involved in Hong Kong and Macau projects.

He holds a Higher National Diploma in Mechanical Engineering in Dorset Institute of Higher Education (UK) and a Graduate Diploma in Business Systems from Monash University of Melbourne (Australia). He is a Fellow Member of the Hong Kong Institution of Engineers. Currently he is the Member of the Registered Energy Assessors (REA) and Member of the Registered Professional Engineer (RPE).

Ms. Lam Kwok Fan, Chief Financial Officer and Company Secretary

aged 58, joined the Group in 2012. She holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and Executive Master Degree in Business Administration from The Chinese University of Hong Kong. She is a Practicing Member of the Hong Kong Institute of Certified Public Accountants and an Associate Member of the Hong Kong Chartered Governance Institute. She has more than 30 years of experience in auditing, accounting, finance and company secretarial field. Prior to joining the Company, she has worked for one of the big four international audit firms and has held senior finance positions in international bank and large corporation.

Biographical Details of Directors and Senior Management

Mr. Lee Shiu Ming, General Manager

aged 67, joined the Group in 1987. He has held various posts within the Group namely, Quality Control Engineer, Research, Design and Development Manager, Project Manager and Deputy General Manager (Engineering) before promotion to the present position in 2016. He has 40 years working experience, particularly in the precast construction technology. He holds a Higher Diploma in Structural Engineering and a Master Degree in Business Administration (Total Quality Management). He is a Chartered Engineer in UK and a Corporate Member of the Institution of Structural Engineers. He is also a Fellow Member of the Hong Kong Institution of Engineers and a Registered Professional Engineers (Structural). He has been appointed as an Adjunct Associate Professor in the Department of Civil and Environmental Engineering of The Hong Kong Polytechnic University. He is currently serving as the Vice-President (Building), the Chairman in Building Committee and a Vice-Chairman in Health and Safety Committee of Hong Kong Construction Association.

Mr. Leung Kin Sum, General Manager of Yau Lee Wah Concrete Precast Products Company Limited

aged 45, joined the Group in 2005 and was promoted to the current position in 2023. Mr. Leung holds a Bachelor of Engineering in Civil and Structural Engineering from the Hong Kong University of Science and Technology and an Executive Master of Business Administration. Mr. Leung is currently a member of the Institution of Civil Engineers and the Institution of Structural Engineers of the United Kingdom, as well as a Registered Professional Engineer of the Hong Kong Engineers Registration Board. He has been focused on the development of precast concrete construction technology in Hong Kong since 2000 and the operation of precast production plants in China.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2024.

Principal activities, segment analysis and business review

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials supply, property investment and development and hotel operations. In addition, the Group is engaged in other activities which mainly include computer software development and architectural and engineering services.

An analysis of the Group’s performance for the year by business segments is set out in Note 5 to the consolidated financial statements.

The business review of the Group for the year and the outlook of the Group’s future business developments are provided in the Chairman’s Statement and the Management Discussion and Analysis sections on pages 3 to 9 of this annual report.

Particulars on the Group’s environmental policies and performance, and key relationships with employees, customers, suppliers and others were set out in the Environmental, Social and Governance Report on pages 37 to 78 of this annual report.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 85.

An interim dividend of HK2.50 cents (2023: HK2.50 cents) per share was paid during the year ended 31 March 2024.

In the Board meeting held on 24 June 2024, the Directors recommended the payment of a final dividend of HK2.50 cents (2023: HK2.50 cents) per share, totalling of HK\$10,951,000 (2023: HK\$10,951,000) for the year ended 31 March 2024.

Closure of register of members for AGM

The register of members of the Company will be closed from 26 August 2024 (Monday) to 29 August 2024 (Thursday) (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 29 August 2024 (Thursday).

In order to qualify for attendance to the AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 23 August 2024 (Friday).

Report of the Directors

Closure of register of members for payment of final dividend

The register of members of the Company will be closed from 23 September 2024 (Monday) to 25 September 2024 (Wednesday) (both days inclusive) for the purpose of determining the identity of members who are entitled to the recommended final dividend of HK2.50 cents per share for the year ended 31 March 2024, following the approval at the AGM.

In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 20 September 2024 (Friday).

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$491,000 (2023: HK\$931,000).

Principal properties

Details of the principal properties held for investment purposes are set out on page 165 of this annual report.

Distributable reserves

At 31 March 2024, the reserves of the Company available for distribution, calculated under the Companies Act 1981 of Bermuda, amounted to approximately HK\$986,682,000 (2023: HK\$994,065,000).

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda.

Five year financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 166 of this annual report.

Purchase, sale or redemption of shares

The Company has not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold the Company's listed securities during the year ended 31 March 2024.

Report of the Directors

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Wong Ip Kuen (*Chairman*)
Ir. Dr. Wong Tin Cheung (*Vice Chairman*)
Ms. Wong Rosana Wai Man (*Deputy Chair*)
Mr. Sun Chun Wai

Independent Non-Executive Directors

Mr. Chan Bernard Charnwut
Mr. Wu King Cheong
Mr. Yeung Tak Bun
Dr. Yeung Tsun Man Eric

In accordance with the Company's Bye-laws and the Corporate Governance Code (the "Code") under The Rules Governing the Listing of Securities on The SEHK ("Listing Rules"), Ir. Dr. Wong Tin Cheung, Mr. Wu King Cheong and Dr. Yeung Tsun Man Eric shall retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Group which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

Report of the Directors

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation

At the date of this report, the interests of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Shares of HK\$0.2 each in the Company

Director	Number of shares held (long position)	
	Corporate interest	Percentage
Mr. Wong Ip Kuen	267,642,599	61.10%

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 36,963,000 shares of the Company. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Investment Company Limited and Billion Goal Holdings Limited. All Fine Investment Company Limited and Billion Goal Holdings Limited are incorporated in the British Virgin Islands. Mr. Wong Ip Kuen is a director of both All Fine Investment Company Limited and Billion Goal Holdings Limited.

During the year, none of the Directors and chief executives (including their spouses and minor children) had any interests in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

At no time during the year was the Company, its subsidiaries, its associates, its joint ventures or joint operations a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Substantial shareholders' interests and short positions in shares, underlying shares of the company

At 31 March 2024, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

Management contracts

No 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.

Report of the Directors

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

–	five largest suppliers	10%
–	the largest supplier	2%

Sales

–	five largest customers	62%
–	the largest customer	29%

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in the major suppliers or customers noted above.

Directors' material interest in transactions, arrangements or contracts

Pursuant to an agreement dated 31 May 2023 (the "Agreement") made between the Company and Asia Insurance Company Limited ("ASI"), the Company agreed to pay an annual fee for the provision of insurance services in accordance with the terms of the Agreement. ASI was paid a premium amount of HK\$6,202,000 for the service from 1 June 2023 to 31 May 2024. Mr. Chan Bernard Charnwut, an Independent Non-Executive Director of the Company, is interested in this transaction to the extent that ASI is controlled by him.

Save as disclosed above, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2024.

Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

Corporate governance

The Company's Corporate Governance Report is set out on pages 26 to 36.

Independent auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Ip Kuen

Chairman

Hong Kong, 24 June 2024

CORPORATE GOVERNANCE REPORT

The Board believes that corporate governance is fundamental to corporate long-term success and the enhancement of shareholders' value. The Company has adopted the principles and practices of the Code as set out in the Appendix C1 of Listing Rules. The Company strives to improve the transparency of its corporate governance practices and maximise the return to its shareholders through prudent management, investment and treasury policies.

The Board of Directors

During the year, the Board of Directors of the Company comprises four Executive Directors and four Independent Non-Executive Directors, whose biographical details are set out on pages 15 to 20 of this annual report.

The Company continues to enrich the Board to ensure it has the good balance of knowledge and experience. Mr. Yeung Tak Bun was appointed as an Independent Non-Executive Director in July 2023. Mr. Yeung brings with him over thirty years of business and leadership experience in the innovation and technology industry and is a strong addition to the Board.

The Company forms its Board of Directors based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required experience and management expertise. In order to balance the power between the Executive Directors and Independent Non-Executive Directors, the Company appointed four qualified candidates to become its Independent Non-Executive Directors to ensure the independence of the policy making process of the Board and protect the interests of its shareholders. The Company has received written annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers them independent.

The responsibilities of the Chairman and the Vice Chairman / Deputy Chair of the Company are properly defined and separated. The Chairman is responsible for leading the Board of Directors to ensure effective operation of the Board and compliance with corporate governance requirements. The Vice Chairman / Deputy Chair is responsible for the day-to-day operation of the Company and implementation of the development strategy adopted by the Board of Directors. The Chairman is the father of the Vice Chairman / Deputy Chair.

The Directors have delegated day-to-day operation of the business of the Group to the management of relevant subsidiaries or divisions.

The Directors held regular meetings during the year to discuss the overall development strategy, operations and financial performance of the Company. The matters resolved and considered by the Directors include overall development strategies, major acquisitions and disposals, annual and interim results, dividend policy, proposed appointment and re-election of directors, appointment of auditor and other operational and financial matters relating to the Company. Notice convening each regular Board meeting was sent at least 14 days in advance, and reasonable notice would be given for other Board meetings. The agenda, accompanied by the relevant documents of the Board meeting were sent to each Director with sufficient period in advance to enable each Director to fully understand the matters to be discussed and make an informed opinion. Each Director had the right to seek independent professional advice in furtherance of his/her duties at the expense of the Company. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Corporate Governance Report

During the year, four Board meetings were held. The attendance of the Directors at the meetings of the Board, its respective committees and general meeting are as follow:

	Number of meetings attended/held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	General Meeting
Mr. Wong Ip Kuen	4/4	N/A	N/A	N/A	N/A	1/1
Ir. Dr. Wong Tin Cheung	4/4	N/A	2/2	N/A	1/1	1/1
Ms. Wong Rosana Wai Man	3/4	N/A	N/A	N/A	1/1	1/1
Mr. Sun Chun Wai	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Chan Bernard Charnwut	4/4	2/2	2/2	1/1	1/1	1/1
Mr. Wu King Cheong	4/4	2/2	2/2	1/1	1/1	1/1
Mr. Yeung Tak Bun*	2/2	N/A	N/A	N/A	N/A	0/1
Dr. Yeung Tsun Man Eric	4/4	2/2	2/2	1/1	1/1	1/1

* appointed on 6 July 2023

Diversity Policy

Purpose

This policy aims to set out the approach to achieve diversity on the Board of the Company.

Vision

Building a diverse and inclusive culture is integral to the success of the Company. The Company recognises the benefits of having a diverse Board and believes that Board diversity will enhance decision-making capability and quality of its performance. A truly diverse Board will include and make good use of differences in the skill, regional and industry experience, background, race, gender and other qualities of directors.

Policy statement

In determining the Board's composition, the Company will consider Board diversity in respect of a number of different aspects, including but not limited to gender, cultural and educational background, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders. All Board appointments will be based on merit, and candidates will be considered against appropriate objective criteria, having due regard for the benefits of diversity on the Board.

Gender

The Company is committed to foster gender equality and recognises the benefits of multiplicity of perspectives and wider possible pool of available talent.

Cultural and education background

A diverse Board composing of different cultural and education background contributes to a greater knowledge base and helps to identify and better manage emerging risks to cope with changes in the competitive environment.

Corporate Governance Report

Professional experience, skills, knowledge and length of service

A Board with professional experience, skills and knowledge is considered essential to contribute in the achievement of the Company's long-term business strategies. It also helps the Company to develop diversified business portfolio and identify business opportunities. Further, length of service is also a self-evidently important contributor to the quality of the Board's decision making. All of our executive directors have been with the Company for long periods of time.

Commitment by shareholders

The Board considers that the Company benefits substantially from the long-term commitment by its principal shareholders to its affairs. This commitment is facilitated by those being appropriately represented on the Board.

Measurable objectives

The Nomination Committee will discuss relevant measurable objectives and assess annually on the Board's profile and its progress in achieving its diversity objectives for the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board for consideration and approval.

Review and monitoring

The Nomination Committee has primary responsibility for identifying and nominating suitably qualified candidates for appointments to the Board and, in carrying out this responsibility, will give adequate consideration to this policy. Periodically, the Nomination Committee will monitor the implementation of this policy, to ensure the effectiveness of this policy and its continued suitability and to evaluate the Board's composition under diversified perspectives. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Workforce Diversity

The Group continues to adopt employee diversity measures to promote the diversity at all levels of its workforce. All eligible employees enjoy the equal opportunities for employment, training and career development without discrimination. As at 31 March 2024, the Group had a total workforce (including senior management) of approximately 3,900 employees, of which 77% are males, and 23% are females.

While we believe our future employee recruitment should predominantly be merit-based, we would review our gender diversity regularly and setting the target for the gender ratio as appropriate and in a timely manner. We recognize and embrace the benefits of having a diverse workforce, and will continue to enhance the diversity of our workforce, subject to availability of suitable candidates.

Committees of the Board

In accordance with the Code, the Board has established Audit, Remuneration, Nomination and Corporate Governance Committees, each with defined terms of reference and is chaired by an Independent Non-Executive Director. The duties of the four committees are as follow:

Audit Committee

The Audit Committee was established in 1999 and comprises three Independent Non-Executive Directors. The Board is satisfied that the current mix of experience of the committee members facilitates an effective functioning of their roles. The members of the Audit Committee are:

Dr. Yeung Tsun Man Eric – Chairman of the Committee
Mr. Chan Bernard Charnwut
Mr. Wu King Cheong

Corporate Governance Report

The Audit Committee is responsible for monitoring the integrity of the financial statements of the Company, reviewing the Company's risk management process and system and overseeing the relationships between the Company and its independent auditor. The terms of reference of the Audit Committee are posted on the Company's website.

During the year ended 31 March 2024, the Audit Committee held two meetings to review the results, the accounting principles and practices adopted by the Company and discuss with senior management and the independent auditor on the matters arising from audits and the effectiveness of the Company's internal control and risk management system. The record of attendance of the members is listed on page 27.

Remuneration Committee

The Remuneration Committee was established in 2005 and comprises four Directors, three of whom are Independent Non-Executive Directors. The Remuneration Committee is responsible for reviewing and advising on the remuneration packages (including non-monetary benefits, retirement benefits and share option scheme) for all Directors and some senior management, who are not on the Board. The Remuneration Committee met twice during the year ended 31 March 2024 and the record of attendance of the members is listed on page 27. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are posted on the Company's website. The members of the Remuneration Committee are:

Mr. Chan Bernard Charnwut – Chairman of the Committee
Ir. Dr. Wong Tin Cheung
Mr. Wu King Cheong
Dr. Yeung Tsun Man Eric

Nomination Committee

The Nomination Committee was established in 2005 and comprises three Independent Non-Executive Directors. The terms of reference of the Nomination Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The Nomination Committee is responsible for formulating nomination policy for consideration by the Board. It makes recommendations to the Board on the appointments or re-appointments of directors and succession planning for directors. The Nomination Committee met once during the year ended 31 March 2024 and the record of attendance of the members is listed on page 27. The members of the Nomination Committee are:

Mr. Wu King Cheong – Chairman of the Committee
Mr. Chan Bernard Charnwut
Dr. Yeung Tsun Man Eric

Nomination Policy

This policy sets out the approach and procedures the Board adopts for the nomination and selection of directors of the Company, including the appointment of additional directors, replacement of directors, and re-election of directors.

The Group recognises the importance of having a qualified and competent Board to achieve the Group corporate strategy as well as promote shareholders' value.

The Nomination Committee reviews the structure, size and composition of the Board on a regular basis and may make recommendations to the Board on relevant matters relating to the appointment, re-appointment and succession planning of directors. The ultimate responsibility for the selection and appointment of directors rests with the entire Board. This policy sets out the procedures for the selection, appointment and re-appointment of directors and the selection criteria.

Corporate Governance Report

Selection criteria

The criteria listed below would be used as a reference by the Nomination Committee when recommending a candidate to be nominated for directorship appointment or re-appointment:

- (a) Character and integrity;
- (b) Experience in the construction, property development and related industries;
- (c) Professional qualifications, expertise, skills and knowledge;
- (d) Diversity (Please refer to the Company's Diversity Policy for details);
- (e) Independence of a candidate proposed to be an independent non-executive director;
- (f) Commitment in respect of time; and
- (g) Other relevant factors as may be determined by the Committee or the Board from time to time.

These criteria are for reference only and are not meant to be decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination procedures for new and replacement directors

In order to ensure the appointment decisions made are in the best interest of the Group, the formal and transparent nomination procedures below should be adopted:

- (a) Identify qualified director candidates;
- (b) Shortlist candidates based on the selection criteria and other factors that is considered appropriate;
- (c) Conduct interview(s) with prospective candidates;
- (d) Perform adequate due diligence such as background and reference checks;
- (e) Provide relevant information to the Remuneration Committee to determine remuneration packages; and
- (f) Make recommendations for the Board's consideration and approval.

Nomination procedures for re-election of directors and nomination from shareholders

The Nomination Committee reviews the overall contribution and service to the Company where a retiring director, being eligible, offers himself for re-election. The Board shall consider and, if consider appropriate, recommend such retiring director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Please refer to the "Procedures for Election of Directors", which is available on the Group's website, for procedures for shareholders' nomination of any proposed candidate for election as a director.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting, in accordance with the provisions in the Company's Bye-laws.

Review and monitoring

The Nomination Committee will review and monitor this policy, as appropriate from time to time, to ensure it remains relevant to the Company's needs, the effectiveness and compliance with regulatory requirements and the Listing Rules. The Nomination Committee will revisit the policy that may be required and make recommendation to the Board for approval.

Corporate Governance Report

Corporate Governance Committee

The Corporate Governance Committee was established in 2012 and comprises five Directors, three of whom are Independent Non-Executive Directors. The terms of reference of the Corporate Governance Committee were formulated in accordance with the requirements of the Code and are posted on the Company's website. The committee is responsible for monitoring, reviewing and enhancing the corporate governance of the Company. It assists the Board in performing the corporate governance duties as required under the Listing Rules.

In accordance with the terms of reference of the Corporate Governance Committee, the committee shall meet not less than once a year to consider corporate governance issues. In addition to reviewing the result of the internal control review, the committee meets with the independent auditor to discuss the matters arising from the review and makes recommendations to the Board. The Corporate Governance Committee met once during the year ended 31 March 2024 and the record of attendance of the members is listed on page 27. The members of the Corporate Governance Committee are:

Mr. Chan Bernard Charnwut – Chairman of the Committee
 Ir. Dr. Wong Tin Cheung
 Ms. Wong Rosana Wai Man
 Mr. Wu King Cheong
 Dr. Yeung Tsun Man Eric

Directors' training

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary from time to time reports latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime and arranges suitable trainings related to the roles, functions and responsibilities of the Directors.

All Directors have provided to the Company their records of training which they have received during the year. Details as follows:

Name	Attending seminar(s) or programme(s)/reading relevant materials
Executive Directors	
Mr. Wong Ip Kuen	✓
Ir. Dr. Wong Tin Cheung	✓
Ms. Wong Rosana Wai Man	✓
Mr. Sun Chun Wai	✓
Independent Non-Executive Directors	
Mr. Chan Bernard Charnwut	✓
Mr. Wu King Cheong	✓
Mr. Yeung Tak Bun	✓
Dr. Yeung Tsun Man Eric	✓

Corporate Governance Report

Auditor's remuneration

The Company engaged PricewaterhouseCoopers as the Company's independent auditor. For the year ended 31 March 2024, PricewaterhouseCoopers provided the following services to the Group:

	2024	2023
	HK\$'000	HK\$'000
Audit services	4,961	4,872
Non-audit services	423	977
	5,384	5,849

Directors' responsibilities for financial reporting

The Directors of the Company acknowledged their responsibility for the preparation of consolidated financial statements that give a true and fair view of the state of affairs of the Group and of the Group's results and cash flows during the year. The Directors are responsible for keeping of appropriate accounting records that reasonably and accurately disclose the consolidated financial position of the Group from time to time. In preparing the consolidated financial statements for the year ended 31 March 2024, appropriate accounting policies are selected and applied consistently by the Directors who made careful and reasonable judgements and estimates, and prepared the consolidated financial statements on an on-going basis.

The independent auditor's report, which contains the statement of the independent auditor about its reporting responsibilities on the Company's consolidated financial statements, is set out on pages 79 to 84 of this annual report.

Risk management and internal control

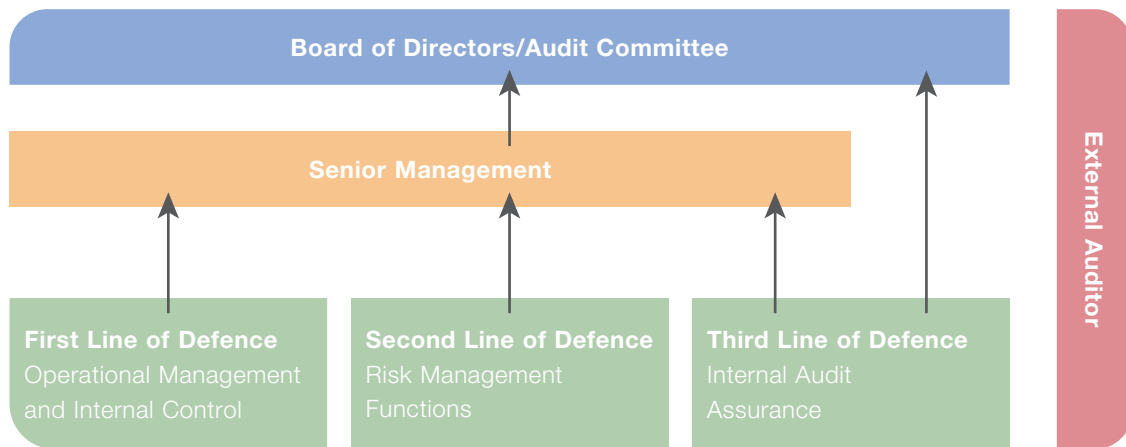
The Company recognises that it is exposed to a number of risks, which is inherent in the industries that it operates in. The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining appropriate and effective risk management and internal control system. In this regard, the Company has established a risk management system and an internal control system. However, the systems are designed to manage rather than eliminate the risk of failing to achieve business objectives and to make reasonable, but not absolute, assurances that there will be no material misrepresentation or loss.

Management formed the Risk Management Committee to assess and manage the Company's principal risks, including but not limited to compliance risks, financial risks, operating risks and strategic risks. It supports the Board in fulfilling its corporate governance and regulatory responsibilities to monitor and review the Company's risk management framework and processes. The Risk Management Committee also provides confirmation to the Board on the effectiveness of the systems.

Corporate Governance Report

Risk management framework

The Company's risk management framework follows the common and widely accepted model "three lines of defence". The first line of defence is the operational management and internal control measures, the second line of defence is risk management, and the third line of defence is internal audit.



Risk management procedures



The Company has formulated an enterprise risk management process to effectively manage the risks faced by the Company. The process clearly defines four procedures for the Company's management of risk, including identification, assessment, monitoring and reporting. In the event of risk identification, management communicates with the operational functions and collects significant risk factors affecting the Company from bottom to top. These risk factors are included as enterprise risk register. Management evaluates the risks in the register and prioritises them for follow-up actions according to their potential impact, occurrence opportunity and sufficiency of current measures tackling the risks. The risk register is reviewed at least once a year, new risks are added while existing risks are removed, if necessary, after the assessment. The changes are reported to the Board at a timely manner. This process can effectively ensure that the Company takes the initiative to manage the risks it faces and that all risk holders are aware of their liability so that they can develop appropriate and effective measures in time to control the risk.

The Company's risk management activities are continuously going. The risk management framework is assessed annually for its effectiveness and management meetings are conducted on a regular basis to review the monitoring work. Management is committed to ensuring that risk management forms part of the day-to-day business processes so that risk management effectively aligns with business goals.

Corporate Governance Report

During the reported year, management has engaged an independent professional consultancy firm, Shinewing Risk Services Limited (“SW”), for an enterprise risk assessment which was conducted under the approach adopted in the “COSO Enterprise Risk Management – Integrated Framework”. According to the assessment result, management has updated the enterprise risk register with the changes of risk factors, as well as submitted an assessment report containing recommendations to the Board to enable the Board to effectively monitor the business risk and understand how management responds and mitigates the risks.

To comply with the SFO, the Company has also developed internal control mechanisms for handling and disseminating insider information, including information flow and reporting processes, confidentiality arrangement, disclosure procedures and staff trainings. In addition, whistleblowing policy has been established to encourage employees to report incidents of alleged misconduct or fraud.

Internal Audit

The Company has implemented an internal control system to minimise the risks to which the Company is exposed to and used it as a management tool for day-to-day business operation. The internal control system is reviewed twice a year. The Board has appointed SW to conduct reviews of the Company’s internal control system for the year ended 31 March 2024. The reviews covered financial, operational and compliance controls on selected operation cycles according to the Company’s 3-year internal audit plan. In the review reports, corrective actions and improvement programs have been proposed for the internal control problems or deficiencies found. The results of the internal control reviews have been submitted to the Corporate Governance Committee for consideration.

Based on the review results for the year, management has made a confirmation to the Board that the Company’s risk management and internal control systems are effective and sufficient. The Board is satisfied with the review results and pleased to receive management’s acknowledgement. As part of the annual review process, the Board has performed evaluation of the Company’s accounting and financial reporting function to ensure that there is adequacy of resources, staff qualifications and experience, training programmes and budget of the function.

The Board will continue to review and improve the Company’s risk management and internal control systems in accordance with the existing regulatory requirements, the interests of shareholders and the growth and development of the Company’s business.

Anti-corruption System

The Group has established and implemented a sound anti-corruption system. The Group defines the anti-corruption supervision and management process clearly in the Integrity Management Policy. The Group establishes a red line in the Employee Handbook and requires new employees to attend anti-corruption training organized by the regulatory body. The Group builds an anti-corruption culture and continuously strengthens the awareness of integrity of employees via training and advocacy.

Whistleblowing Policy

Whistleblowing policy and system have been established for employees and those who have business dealings with the Company. They may raise concerns, in confidence, to the Board about the possible improprieties in any matters related to the Company.

Corporate Governance Report

Directors' and employees' securities transactions

The Company has adopted the requirements of the Model Code as set out in Appendix C3 of the Listing Rules regarding the securities transactions by the Directors of the Company. The Company has received confirmations from all Directors that they have complied with the requirements of the Model Code for the year ended 31 March 2024.

Dividend Policy

In determining any dividend payment, the Board will review and consider factors including the financial performance, business environment and economic conditions, forecast cash flow and liquidity positions, working capital requirements and investment needs to support the future business growth of the Company. Therefore, the dividend pay-out ratio may vary from year to year, and there is no assurance that dividends will be paid in any particular amount for any given period.

Subject to the factors described above, the Company will normally consider and recommend payments of interim and final dividends during each year. In addition, the Board may also consider and recommend special dividends payment where appropriate.

Periodically, the Board will review the frequency and amount of dividends to assess its suitability.

Compliance with Listing Rules

In the opinion of the Directors, the Company has complied with the requirements of the Code as set out in Appendix C1 of the Listing Rules for the year ended 31 March 2024 except for deviations from the code provision as described below.

Under code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. However, the roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Wong Ip Kuen. The current structure enables the Company to make and facilitate the implementation of decisions promptly and efficiently.

Shareholders' rights

Procedures for shareholders to convene special general meetings

Pursuant to the Bye-laws of the Company, shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The purposes of the meeting must be stated in the written requisition. The requisition must be signed by the requisitioner(s) and deposited with the Company Secretary at the head office of the Company at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in accordance with Section 74 of the Companies Act 1981 of Bermuda.

Corporate Governance Report

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act 1981 of Bermuda, shareholders holding not less than one-twentieth of the total voting rights or not less than one hundred shareholders may request the Company to give shareholders notice of a resolution which is intended to be moved at the next general meeting. A written notice to that effect signed by the requisitionist(s) with contact information must be deposited at the head office of the Company at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong (addressed to the Company Secretary).

Procedures for shareholders to send enquiries to the Board

Shareholders are welcome to send their enquiries to the Board in writing attention to the Company Secretary via e-mail at info@yaulee.com or to the head office of the Company at 10th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong.

Communication with shareholders

The Company maintains an on-going dialogue with investors and shareholders. The Company's AGM provides good opportunities for shareholders to air their views and ask questions regarding the Company. In the AGM, the chairman of the Board and the chairmen of Board Committees (in their absence, another member of the committee or failing this his duly appointed delegate) will attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The independent auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

Separate resolutions are required at general meetings on each distinct issue. Each shareholder is permitted to appoint one or more proxies to attend and vote in his/her stead.

Information relating to the Group's and Company's financial results, corporate details, notifiable transactions and major events are disseminated through publication of interim and annual report, announcements, circulars, press release and newsletters. These publications can also be obtained from the Company's website (www.yaulee.com).

The Company is offering options to the shareholders to receive corporate communications of the Company by electronic means or in printed form. The Board believes that electronic means of communication will increase the efficiency of communication between the Company and the shareholders. We will continue to enhance the Company's website as a channel of communication with shareholders.

The Board has established a shareholders' communication policy which is posted on the Company's website. The policy is reviewed on a regular basis by the Board to ensure its effectiveness.

Voting by poll

The Company supports the principal of voting by poll as stipulated under Rule 13.39(4) of the Listing Rules. Accordingly, the resolutions proposed at the AGM will also be taken by poll. A poll results announcement will be made by the Company after the AGM in accordance with Rule 13.39(5) of the Listing Rules.

Constitutional documents

At the 2023 AGM held on 21 August 2023, a special resolution was passed to adopt the amended Bye-laws, for the purpose of (i) conforming with the latest Listing Rules and the applicable laws of Bermuda; (ii) providing flexibility to the Company in relation to the conduct of general meetings (including allowing the general meetings to be held as a hybrid meeting or an electronic meeting in addition to a physical meeting); and (iii) making other consequential and housekeeping amendments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

Purpose and Objective

Yau Lee Holdings Limited (“Yau Lee” or the “Company”, together with its subsidiaries the “Group” or “We”) is pleased to publish its eighth Environmental, Social and Governance (“ESG”) report (the “Report”) to our stakeholders. The Report provides stakeholders with a clear overview of our ESG management approach, measures and performance, with an aim of enhancing their understanding of the Group and our ESG efforts.

Reporting Scope and Period

Unless otherwise stated, the reporting scope includes the principal activities of the Group, including construction, electrical and mechanical installation (“E&M”), building materials supply, property investment and development and hotel operations which account for approximately 99.99% of the Group’s total revenue for the financial year from 1 April 2023 to 31 March 2024 (the “Reporting Period” or “FY2023/24”). The reporting scope is determined by the materiality of each entity to our business and operations, as well as its ESG impacts.

Reporting Standards

The Report has been prepared in accordance with the latest disclosure requirements of the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix C2 to the Rules Governing the Listing of Securities (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (the “HKEX”).



Environmental, Social and Governance Report

Reporting Principles

This Report has been prepared in accordance with the four reporting principles below, as stipulated in the ESG Reporting Guide:

Reporting Principle	The Group's Response
Materiality	The Group identifies and prioritises material ESG issues through stakeholder engagement and materiality assessment. For more details, please refer to the sections "Stakeholder Engagement" and "Materiality Assessment".
Quantitative	The Report discloses its environmental and social key performance indicators ("KPIs") in a quantitative manner, where appropriate.
Balance	The Report presents both achievements and challenges in an objective manner, to provide a balanced and unbiased picture of the Group's ESG performance.
Consistency	Unless otherwise stated, the reporting scope and methodologies are consistent with those adopted in the previous year, with comparative data being disclosed in this Report. Explanations have been provided on any changes to the reporting scope and methodologies as compared to the previous year in the Report.

Access to the Report

This Report has been prepared in both English and Chinese as part of the Group's annual report. It is available on the official website of the Group, as well as the website of the HKEX. In case of any discrepancy between these two versions, the English version shall prevail.

Your Feedback

Your views and comments on our ESG performance and reporting are indispensable to our continuous improvement in sustainable development. Please share your feedback via email at info@yaulee.com.

Environmental, Social and Governance Report

Highlights of the Year

Building Excellence



Achieved the

Distinction Award in Green Building Innovation and Technology

at the Hong Kong Sustainable Development Innovation and Technology Awards 2023



Achieved the

Outstanding Award for Excellent Contribution to Livable City Construction (Contractor) – Promote MiC Adoption

at the Hong Kong Green and Sustainability Contribution Awards 2023

Green Operations



24.65%

Reduction in total Greenhouse gas (“GHG”) emission (Scope 1, 2 and 3) intensity¹



11.57%

Reduction in water consumption intensity²



Obtained **Excellent Level** for Hong Kong Green Organisation Certification – Wastewi\$e



Joined **BEC Net-zero Carbon Charter** as an Action Signatory

¹ Compared to FY2017/18 baseline; ² Compared to FY2022/23

People Empowerment

17,913

Total training hours

100%

of our construction site workers received training



Obtained **Bronze Prize** Under the Construction Industry Safety Award Scheme 2022/23



Implemented innovative safety technologies, such as **Internet of Things (“IoT”) access control system**

Community Care

HK\$491,400

Donated to charitable causes



Granted a **HK\$200 million social loan** for the construction of a Dedicated Rehousing Estate, advancing sustainable housing development



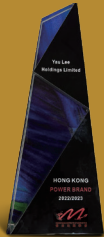
Spread joy to **100 families** by sponsoring the **“Mothers’ Group 2023 Performance Improvement Awards”** by the Association for the Rights of Industrial Accident Victims

Environmental, Social and Governance Report

Major Awards and Recognitions


Branding and Product Excellence






HKIM Power Brand Award 2022/2023

- Hong Kong Institute of Marketing



The ACEHK Annual Awards 2023 – Overall Best (Disciplined Services Quarters for Fire Services Department at Pak Shing Kok, Tseung Kwan O)

- The Association of Consulting Engineers of Hong Kong



Hong Kong Green and Sustainability Contribution Awards 2023: Outstanding Award for Excellent Contribution to Livable City Construction (Contractor) – Promote MiC Adoption

- HKQAA

Sustainable Development





Green Building Award 2023 Grand Award
New Buildings Category – Completed Projects – Residential Public Housing Development at Queen’s Hill, Fanling

- Hong Kong Green Building Council
- Professional Green Building Council



Hong Kong Green and Sustainable Finance Awards 2023

- Hong Kong Quality Assurance Agency (“HKQAA”)



Hong Kong Sustainable Development Innovation and Technology Awards 2023 – Distinction Award in Green Building Innovation and Technology

- World Institute of Sustainable Development Planners

Environmental, Social and Governance Report

Environmental Protection



Bank of China (Hong Kong) (“BOCHK”) Corporate Low-Carbon Environmental Leadership Awards 2022 –

- (i) EcoChallenger,
- (ii) 5 Years+ EcoPioneer,
- (iii) Low-Carbon Commitment
- Federation of Hong Kong Industries
- BOCHK



Hong Kong Green and Sustainability Contribution Awards 2023: Outstanding Award for Excellent Contribution to Livable City Construction (Contractor) – Promote Eco-friendly Construction

- HKQAA



Hong Kong Green Awards 2023 –
 (i) Green Management Award – Corporate (Large Corporation) Silver,
 (ii) Sustained Performance (13 Years+)

- Green Council



Green Office Awards Labelling Scheme (GOALS) 2023 – “Green Office”

- World Green Organisation

Health and Safety



Hong Kong Green and Sustainability Contribution Awards 2023: Outstanding Award for Excellent Contribution to Livable City Construction (Contractor) – Promote Safe Construction

- HKQAA



HKCA Proactive Safety Contractor Award for the year 2022

- Hong Kong Construction Association



Heart Caring Campaign – Heart Caring Organization Award – Outstanding Organization – Construction of Public Housing Development at Long Bin Phase 1

- Occupational Safety & Health Council



Construction Industry Safety Award Scheme 2022/2023 – Bronze Prize (District Term Contract for the Maintenance, Improvement and Vacant Flat Refurbishment for Tai Po, North and Shatin (3))

- Occupational Safety & Health Council

Environmental, Social and Governance Report

Our Approach to Sustainability

Driven by our vision of “*We Build, We Serve, We Create*” and our commitment to shape a more sustainable world, we strive to integrate sustainability into our business operations and cultivate a culture of responsibility. Our efforts are guided by our sustainability strategy, which has been approved by the Board of Directors (the “Board”). Comprising of four key pillars with corresponding goals and targets, our sustainability strategy, together with our Corporate Social Responsibility (“CSR”) policy, serves as a roadmap for us to forge a brighter future while creating value for all our stakeholders.

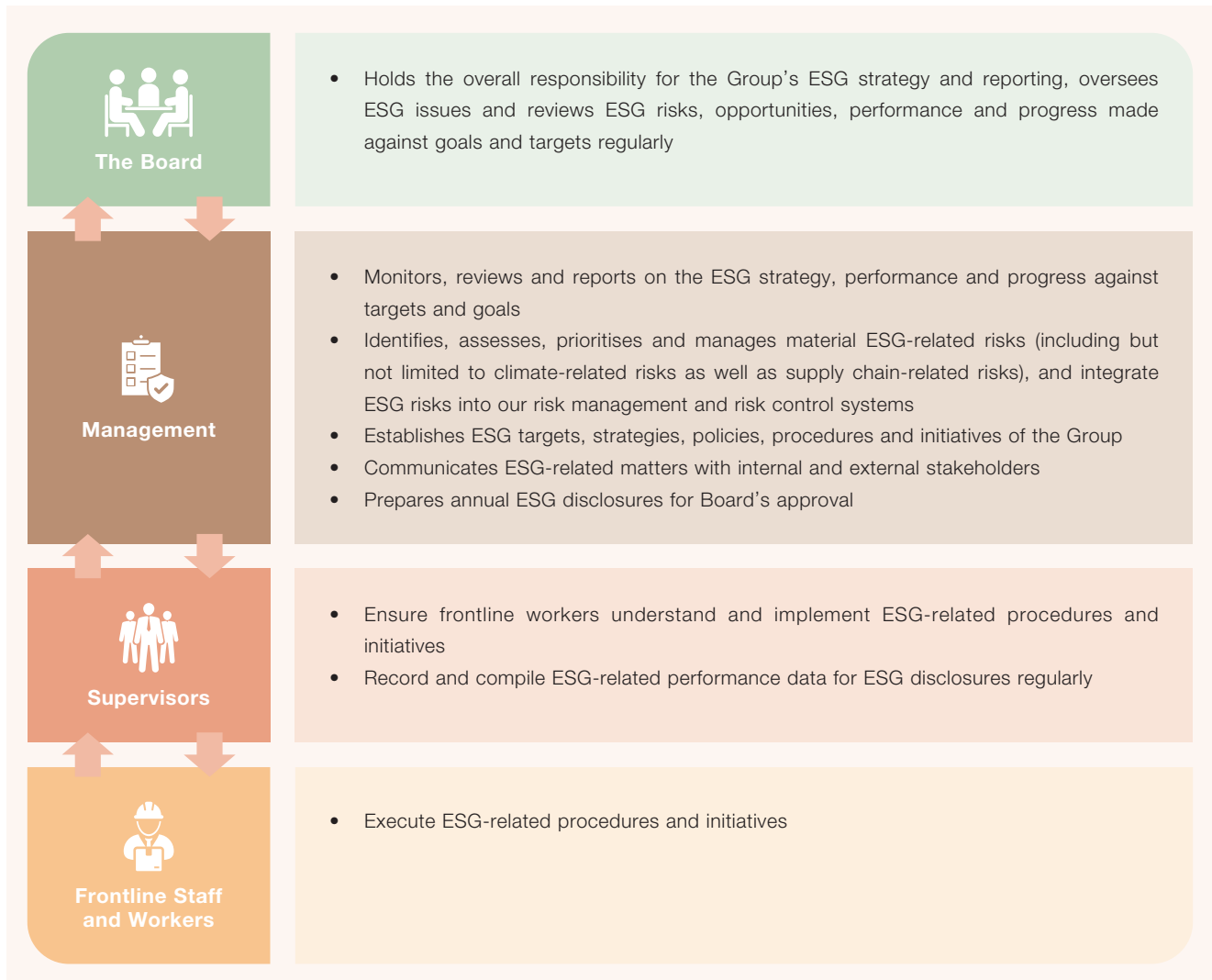


Environmental, Social and Governance Report

Sustainability Governance

The Group recognises that strong sustainability governance plays a key role in driving our long-term success. We have established a ESG governance structure with the Board bearing the ultimate responsibility for our ESG strategy and reporting, as well as providing oversight of ESG issues, including our sustainability management approach, strategies and measures.

Delegated by the Board, the management further assists the Board in overseeing and implementing the Group’s ESG management approach and strategy, in addition to evaluating, prioritising and managing material ESG-related issues (including risks). The management reports the Group’s ESG-related matters to the Board on an annual basis.



Environmental, Social and Governance Report









ESG Risk Management

The Board bears the overall responsibility in overseeing the Group's ESG risk management. Delegated by the Board, the management identifies, evaluates, prioritises, and manages material ESG-related risks, including climate-related risks as well as supply chain-related risks. In addition, the management establishes and implements ESG-related control measures to mitigate the ESG risks identified, as well as submitting the ESG risk assessment result periodically for the Board's review and approval to ensure the Board stays abreast of our ESG risk management activities.

For more details on our corporate governance and risk management approach, please refer to the "Corporate Governance Report" section of the Annual Report.

Stakeholder Engagement

Engaging in open dialogue with our stakeholders is essential for advancing our sustainability performance. We have established a range of channels to foster strong communication with our key stakeholders, to understand their sustainability-related expectations and needs:

Stakeholder Groups	Communication Channels
 Employees	<ul style="list-style-type: none"> • Directors' annual presentation • Staff grievance mailbox • Employee suggestion box and hotline • Newsletter • Company intranet
 Customers	<ul style="list-style-type: none"> • The Group's website • Customer direct communication • Customer feedback
 Contractors and Suppliers	<ul style="list-style-type: none"> • The Group's website • Meetings • Subcontractor management plan • Subcontractor performance assessment
 Investors	<ul style="list-style-type: none"> • The Group's website • Annual and interim reports • Annual General Meeting • The Group's announcements and circulars
 Regulators	<ul style="list-style-type: none"> • The Group's website • Enquiry mailbox • Relevant laws and regulations review meetings
 NGOs and Local Communities	<ul style="list-style-type: none"> • The Group's website • Residents' meetings • Community and NGO activities
 Business Partners	<ul style="list-style-type: none"> • Meetings
 Industry Associations	<ul style="list-style-type: none"> • The Group's website • Industry association activities and conferences

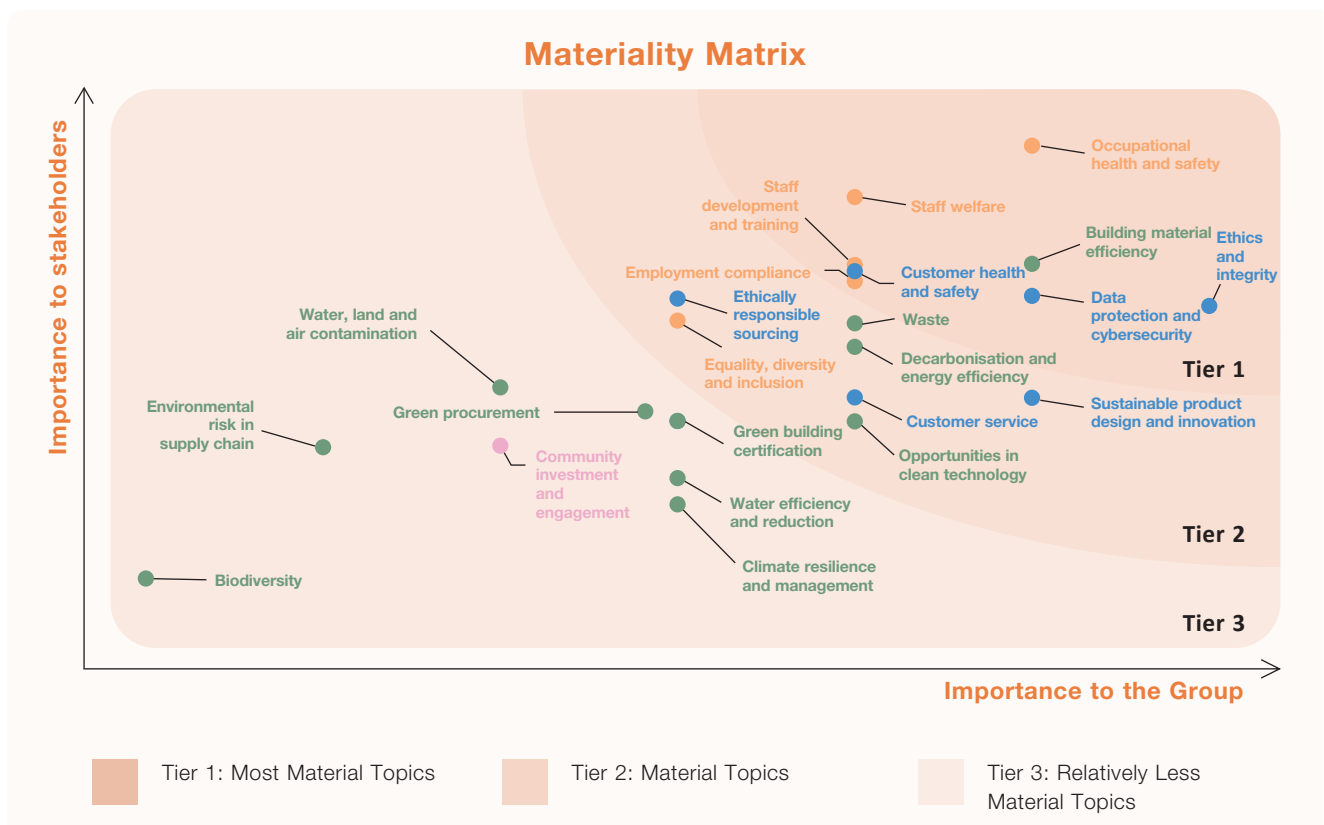
Environmental, Social and Governance Report

Materiality Assessment

During the Reporting Period, we conducted a materiality assessment with the support of an independent ESG consultant, to identify the most important ESG issues for both our business and stakeholders. The assessment results and relevant ESG topics are regularly reviewed by the management and the Board every year. Our materiality assessment process is outlined below:

Step 1: Identification	Step 2: Prioritisation	Step 3: Validation
<p>We identified a total of 23 relevant ESG issues based on the HKEX ESG Reporting Guide, industry trends and stakeholder feedback.</p>	<p>We invited internal and external stakeholders to complete an online questionnaire and rate the importance of the ESG issues. A materiality matrix was compiled to display the rating based on the importance to the Group and our stakeholders.</p>	<p>The prioritised list of material ESG issues was consolidated and submitted to the Board for discussion and confirmation.</p>

The materiality matrix below illustrates the degree of materiality of the 23 ESG issues to our business and our stakeholders. Based on the online questionnaire results, a total of 8 ESG topics were determined to be the most material during the Reporting Period, shown in Tier 1 of the matrix. Information relevant to these topics have been addressed in the subsequent sections of this Report.



Environmental, Social and Governance Report

Building Excellence



Approach

Deliver exceptional products and services through a culture of construction excellence and constant innovation

Goal

To strengthen the quality of our products and services to enhance customer satisfaction

Most Material Topic(s)

- Customer health and safety
- Data protection and cybersecurity
- Ethics and integrity

Product and service excellence is fundamental to our success. By continuously optimising construction productivity, buildability, and sustainability by spearheading new construction techniques and technologies, we strive to excel in the dynamic business landscape. We have established policies and procedures relating to health and safety as well as privacy matters relating to products and services provided and methods of redress¹. We are dedicated to complying with all relevant laws and regulations in relation to product responsibility and anti-corruption².

During the Reporting Period, we were not aware of any material non-compliance with relevant laws and regulations relating to health and safety and privacy matters relating to our products and services provided and methods of redress, as well as bribery, extortion, fraud and money laundering.

Product Innovation and Quality

At Yau Lee, our commitment to excellence is embodied in our stringent internal controls, external quality certifications, and a forward-thinking business strategy that leverages cutting-edge green and resource-efficient technologies to meet the evolving demands of our customers.

Our core subsidiaries are ISO 9001 Quality Management System-certified and continuously pursue industry-relevant certifications, such as the ISO 19650-1:2018 International Building Information Modelling (“BIM”) Management System Standard, showcasing our capability to manage information throughout the entire project lifecycle. As part of our quality assurance process, we have established product quality-related policies and measures, including inspection guidelines and checklists.

¹ Due to our business nature, advertising and product labelling are not relevant to our business.

² Please refer to the “Key Laws and Regulations” section for a list of product responsibility and anti-corruption related laws and regulations that are significant to the Group’s business operations.

Environmental, Social and Governance Report

Powered by innovation, our construction business actively integrates pioneering technologies into its operations, including but not limited to BIM, Modular Integrated Construction (“MiC”), and BEANIE – our proprietary and Hong Kong’s first BIM-enabled blockchain multifunctional digital platform, which optimises productivity, buildability, quality and safety. Similarly, our E&M business is dedicated to tailoring innovative and smart solutions for our customers, bolstering our digital and technological capabilities to amplify our positive impact on economic, environmental and social fronts.



BIM Excellence Recognised at the Hong Kong Institute of Building Information Modelling (“HKIBIM”) Award 2023

During the Reporting Period, our subsidiary Global Virtual Design and Construction Limited (“GVDC”) was honoured with multiple accolades at the HKIBIM Award 2023 ceremony, receiving 4 BIM project awards for our outstanding achievements across statutory body, private development, and government projects. GVDC was also bestowed with the prestigious Grand Award as a BIM consultant, serving as a testament to our leadership in advancing BIM technology.



MiC Subsidised Sale Housing Development at Hung Shui Kiu Phase 1A

In September 2023, our Subsidised Sale Housing Project at Hung Shui Kiu Phase 1A, recognised as Hong Kong’s tallest (25-storey) concrete MiC residential building, celebrated its topping-out ceremony with the successful installation of the 1,225th MiC module.

This project has set notable records in the industry. Our innovative use of MiC technology enabled a rapid four-day construction cycle per floor, reducing manpower by 75% and utilising 100% reusable standardised moulds. Additionally, the integration of living rooms and balconies into a single MiC unit marked a breakthrough in design and construction efficiency, exemplifying our commitment to deliver a sustainable living environment for Hong Kong residents through construction excellence and innovation.






Environmental, Social and Governance Report

We highly value customer feedback as it not only ensures their satisfaction but also enables us to identify opportunities for improvement. Our Customer Communication Protocol ensures effective collaboration with customers, from tendering and contracting to regular updates and emergencies. Additionally, we have a feedback system in place to gather and address customer feedback on the quality of our products and services.

Responsible Supply Chain

Strong supply chain management is key to upholding product quality and safety. We have developed a comprehensive system to maintain robust supply chain management practices in every aspect of our operations, spanning design and development, purchasing and subcontracting, batching plant formula and control, materials and product management as well as control and calibration of equipment.

 Subcontractor and Supplier Selection	 Monitoring & Assessment	 Evaluation
<ul style="list-style-type: none"> • Our Subcontractor and Supplier Selection Policy outlines our ESG consideration factors during the selection process, including the following: <ul style="list-style-type: none"> ○ Product and service quality ○ Price ○ Capability ○ Social and environmental performance ○ Prioritisation of green procurement practices and initiatives 	<ul style="list-style-type: none"> • We conduct regular construction site monitoring, as well as conducting performance assessments of our subcontractors and suppliers quarterly, maintaining a list of acceptable subcontractors and suppliers based on factors such as quality, safety and environmental performance • Improvement plans are issued when necessary 	<ul style="list-style-type: none"> • This process may result in the removal of unsatisfactory subcontractors and suppliers from our list of acceptable subcontractors and suppliers

To promote environmentally preferable products and services when selecting suppliers, we have established a Green Procurement Policy which includes principles such as opting for materials and products that are more environmentally friendly or have been granted green certifications, reducing packaging when appropriate and minimising the use of single-use disposable items.

Additionally, our E&M business has implemented a series of green policies and measures, requiring its contractors and suppliers to meet the requirements of ISO 14001 and ISO 50001. For BEAM projects, all materials and equipment procured from suppliers must meet specified environmental standards to minimise environmental impact.

As of 31 March 2024, the Group collaborated with 10,342 (FY2022/23: 9,923) suppliers, with approximately 74% located in Hong Kong, 24% in mainland China and Macau, and the remaining located overseas. Practices relating to engaging suppliers were implemented on all suppliers.

Environmental, Social and Governance Report

Ethics and Integrity

Maintaining strong ethical standards is crucial for sustaining our success. As part of our zero-tolerance approach against bribery, extortion, fraud and money-laundering, we signed the Integrity Charter in September 2021, jointly launched by the Development Bureau, the Independent Commission Against Corruption (“ICAC”) and the Construction Industry Council (“CIC”).

We strictly comply with applicable laws and regulations relating to bribery, extortion, fraud and money laundering³. During the Reporting Period, we were not aware of any material non-compliance with relevant laws or regulations, nor legal cases concerning bribery, corruption, extortion, fraud and money laundering brought against the Group or its employees. We have established relevant measures to uphold our business ethics:

Policies and Procedures

- We have developed policies including the Code of Ethics and Conduct, Integrity Management Policy, Competition Policy, and Staff Manual to reinforce our stance against corruption, bribery, extortion, fraud, money laundering and anti-competitive behaviour
- The relevant Group policies are accessible on our internal portal, to ensure all employees understand our approach to business ethics and integrity. Additionally, our subsidiaries are encouraged to develop supplementary policies tailored to their specific business needs

Whistleblowing System

- Our Whistleblowing Policy encourages employees and related third parties, such as contractors, customers and suppliers, to report suspected misconducts, malpractice or irregularities through our whistleblowing channels. These channels operate under a strict policy of whistleblower identity protection and prohibition of retaliatory actions
- Investigations will be conducted by the Board or a designated officer upon receiving a complaint, with corrective measures and follow-up actions being implemented promptly
- The Board has an overall responsibility for the whistleblowing system, whereas the Audit Committee is responsible for overseeing and implementing such system

Training and Awareness

- Regular training on anti-corruption and related policies is provided to employees and directors, either through workshops or by circulating anti-corruption learning resources from the ICAC
- All new employees are required to attend an ICAC training session as part of the orientation program

³ Please refer to the “Key Laws and Regulations” section for a list of anti-corruption-related laws and regulations that are significant to the Group’s business operations.

Environmental, Social and Governance Report

Data Protection and Privacy

Customer data privacy and protection are a top priority for us. We have developed policies and guidelines, including to safeguard customer data and confidential information, including:

- Requiring employees to ensure confidentiality of the Group's information upon joining us
- Reserving the right to pursue legal action and immediately terminating employment contracts for any violation or divulgence of information
- Specifying data protection guidelines for Bring Your Own Device ("BYOD") approach at the workplace, as well as data handling procedures for terminated employees

Intellectual Property Protection

We are dedicated to respecting the intellectual property rights of both third parties and ourselves by strictly complying with the relevant laws and regulations⁴. Policies and internal guidelines have been established to safeguard intellectual property rights, including requiring employees to fully respect intellectual property rights and refrain from using any ideas, products and goods of others without proper authorization.

⁴ Please refer to the "Key Laws and Regulations" section for a list of product responsibility-related laws and regulations that are significant to the Group's business operations.

Environmental, Social and Governance Report

GREEN OPERATIONS

Approach
Strengthen our climate resilience and reduce our environmental footprint for a greener future
Goal
To advance our climate resilience and minimise our environmental impact
Most Material Topic(s)
<ul style="list-style-type: none"> • Building material efficiency

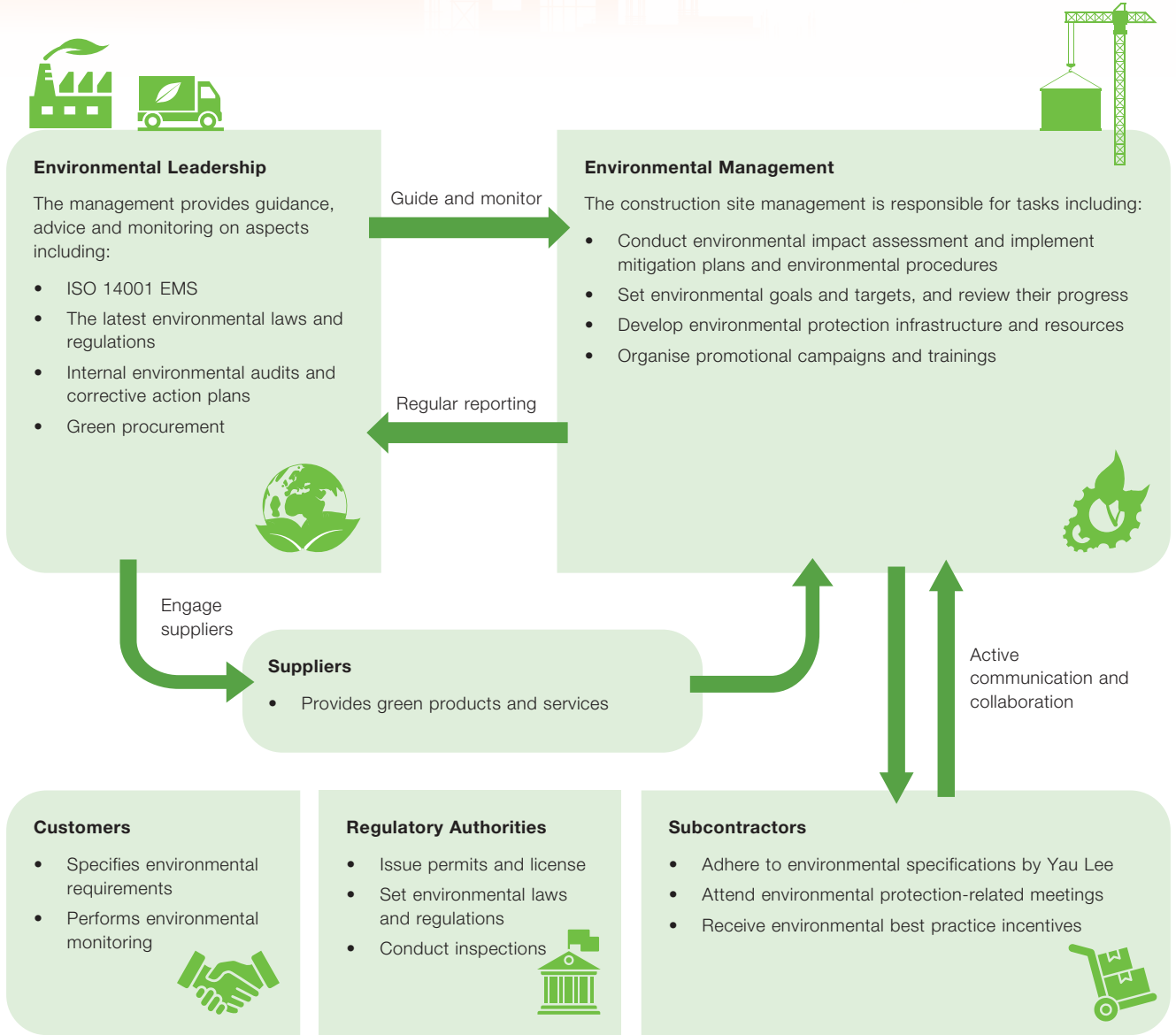
As a responsible corporate citizen, we recognise our role in combating climate change. We have formulated policies and measures aimed at strengthening our climate resilience, while minimising waste and reducing energy, water and material consumption, in accordance with relevant environmental laws and regulations⁵.

In line with our commitment to environmental protection, we maintain ISO 14001 Environmental Management Systems (“EMS”) throughout our operations in our core subsidiaries. Guided by ISO 14001, our operations are governed by robust processes and procedures, complemented by our Environmental Policy, operational protocols and measures. During the Reporting Period, we were not aware of any material non-compliance with relevant environmental laws and regulations.

⁵ Please refer to the “Key Laws and Regulations” section for a list of environmental laws and regulations that are significant to the Group’s business operations.

Environmental, Social and Governance Report

In FY2023/24, we continued to implement our Green Construction Sites Workflow, which aims to minimise our environmental impact:







Environmental, Social and Governance Report

Climate Resilience

As climate change intensifies, the associated physical and transition risks are also expected to increase, which may affect our operations. Therefore, we conduct a risk assessment every year to identify, assess and mitigate relevant risks.

Risk Description	Mitigation Measures
Physical Risk <ul style="list-style-type: none"> Extreme weather events, such as typhoons 	<ul style="list-style-type: none"> Monitor weather warnings and take prompt action to prepare for extreme weather events Establish protocols and site inspection checklists to ensure employee safety and reduce operational impact during extreme weather events, such as typhoons and rainstorms. These procedures and measures adhere to government-issued extreme weather guidelines Provide emergency training to employees to increase their awareness and preparedness for extreme weather events
Transition Risk <ul style="list-style-type: none"> Policy and legal risks 	<ul style="list-style-type: none"> Closely monitor trends in climate-related government policies and regulatory requirements to ensure compliance

Additionally, we have formulated the Climate Change Policy to guide our efforts in addressing climate-related risks and opportunities, with a focus on promoting innovative energy-saving measures and reducing GHG emissions. The following green targets have been established to further enhance our climate resilience and reduce our environmental impact:

Our Green Targets		Progress ⁶
 Emission	We have set a target to reduce our GHG emission intensity by 6% and 30% by 2025 and 2035 respectively, with a base year of FY2017/18.	Ahead of Target
 Waste	We have established a series of waste-related targets for both our work sites and back offices. <i>(Please refer to the “Resource Efficiency and Waste Management” section for more details)</i>	Mostly Achieved
 Energy	We have set a target to reduce energy consumption by 1% compared to FY2022/23.	In Progress
 Water	We have set a target to reduce our water consumption intensity by 1% compared to FY2022/23.	Achieved

⁶ Please refer to the “Energy, Air and GHG Emissions” and “Resource Efficiency and Waste Management” sections for details on the progress of our green targets.

Environmental, Social and Governance Report

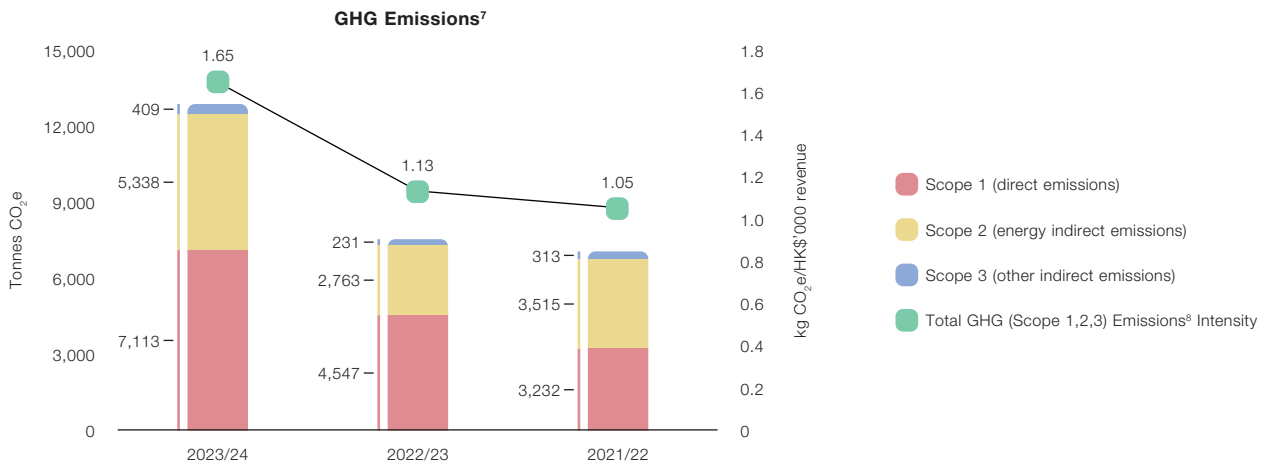
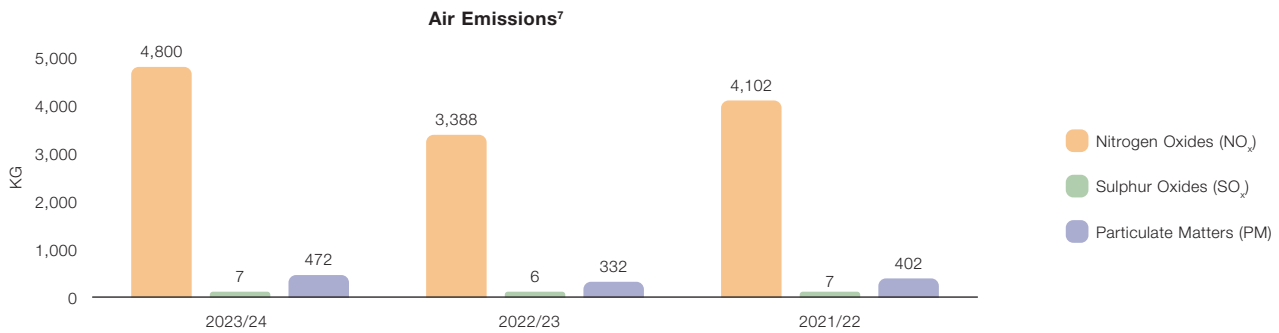
Energy, Air and GHG Emissions

Air and GHG Emissions

Reducing GHG emissions is crucial to mitigating climate change. As such, we strive to reduce our GHG and air emissions from our primary sources (stationary combustion and purchased electricity), especially from our construction sites.

In line with our commitment to combat climate change, we have joined the Net-zero Certificate Program by the Hong Kong Quality Assurance Agency (“HKQAA”), pledging to reduce our GHG emission intensity by 6% and 30% by 2025 and 2035 respectively, with a base year of FY2017/18. In FY2023/24, our total GHG emission intensity decreased by 24.65% compared to FY2017/18 baseline.

The year-on-year increase in GHG emissions in FY2023/24 is due to the commencement of several sizable new construction projects. The early construction stages involve greater GHG emissions due to temporary utilities and intensive construction processes such as concrete pouring, as well as increased diesel usage due to limited grid power. We will strive to minimise our GHG emissions where possible in the future.



⁷ Totals may not be the exact sum of numbers shown here due to rounding.

⁸ In accordance with The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition) published by the World Business Council for Sustainable Development and World Resources Institute, Scope 1 direct emissions are resulted from operations that are owned or controlled by the Group, while Scope 2 indirect emissions are resulted from the generation of purchased or acquired electricity, heating, cooling, and steam consumed within the Group. Scope 3 indirect emissions refer to all other indirect emissions that occur in the Group’s value chain. Our Scope 3 emission calculation includes methane produced by landfills for processing waste paper, as well as the usage of electricity for both processing fresh water by Water Supplies Department and processing sewage by Drainage Services Department.

Environmental, Social and Governance Report

We have implemented a range of measures to accelerate our decarbonisation, spanning Scope 1 and 2 emissions, as well as Scope 3 emissions arising from our purchased materials:

Scope 1	Scope 2	Scope 3
<ul style="list-style-type: none"> • Avoid diesel power generators by: <ul style="list-style-type: none"> – Adopting B5 or higher bio-content diesel – Applying grid power supply on construction sites – Using mass battery energy storage • Comply with the Non-road Mobile Machinery Emission Regulation • Adopt electric vehicles equipped with charging facility for site use 	<ul style="list-style-type: none"> • Adopt renewable energy, such as solar panels or solar tubes for longer-term site offices • Apply green roof technology on our site offices • Use timers for our devices and equipment for temporary works • Install sensors to switch off lighting when no motion is detected 	<ul style="list-style-type: none"> • Use low-carbon concrete • Recycle packaging materials, inert and non-inert waste • Recycle and reuse treated wastewater • Collect and recycle rainwater for toilet use • Procure green products with lower environmental impact

Environmental, Social and Governance Report



BEC Net-zero Carbon Charter

During the Reporting Period, we were pleased to join the BEC Net-zero Carbon Charter. As an Action Signatory, we are committed to establishing and meeting emission reduction targets that are specific, measurable, attainable, relevant and time bound, with the ambition to further develop reduction targets following 1.5°C aligned science-based pathway, reflecting our unwavering dedication to combat climate change.



BOCHK Corporate Low-Carbon Environmental Leadership Awards 2022

In August 2023, the Group was honoured again with multiple accolades at the BOCHK Corporate Low-Carbon Environmental Leadership Awards 2022, jointly organised by the Federation of Hong Kong Industries and Bank of China (Hong Kong). Receiving the recognitions of “EcoChallenger”, “5 Years+ EcoPioneer” and “Low-Carbon Commitment”, our achievements underscore our consistent efforts to pave the way towards a greener future.



Environmental, Social and Governance Report

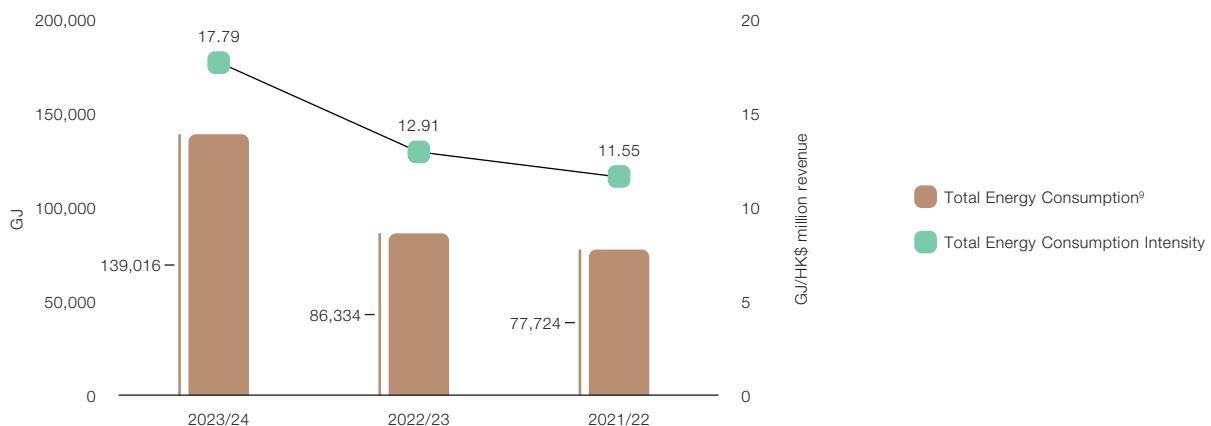
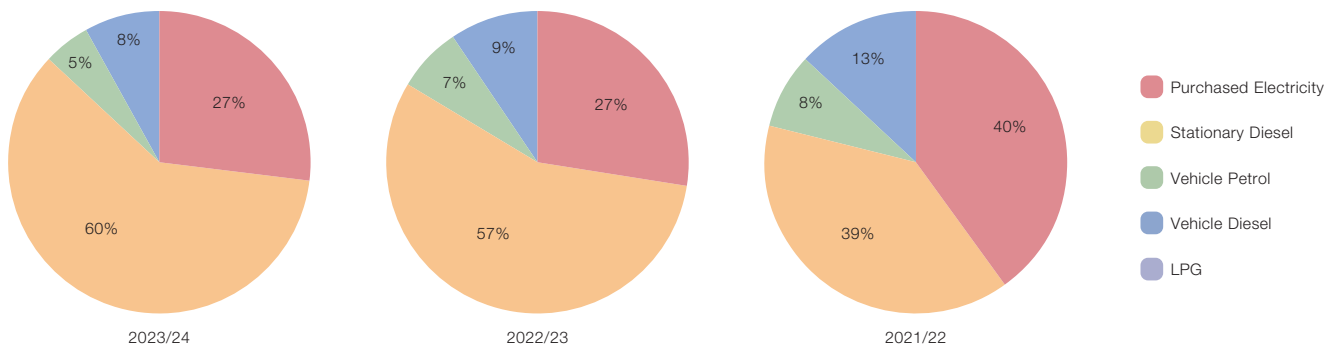
Energy

Electricity and diesel represent the primary energy source for our operations. Our efforts to minimise energy consumption are guided by our Energy Policy, which emphasises our commitment to adopting ISO 50001 Energy Management System throughout our operations in our core subsidiaries.

Some of our energy-saving policies and measures include the following:

- Adopt energy storage systems at our construction sites, which are capable of reducing annual diesel consumption by 200,000 litres and carbon emissions by 528,000 kg
- Remind employees and contractors to switch off lighting and air conditioning when leaving the workplace and construction sites, and monitoring whether such procedures are followed
- Require the engines of idling vehicles and machinery to be switched off at construction sites

We proudly signed the 4T Charter and the Energy Saving Charter during the Reporting Period, launched by the Environment and Ecology Bureau and the Electrical and Mechanical Services Department. As such, the Group has set a target to reduce energy consumption by 1% compared to FY2022/23. During the Reporting Period, our total energy consumption increased by 61.02% due to the commencement of several sizable new construction projects. As grid power was unavailable at these construction sites, generators, which are less energy-efficient, were used for power supply. We will continue to explore opportunities to reduce our energy consumption in the future.



⁹ Totals may not be the exact sum of numbers shown here due to rounding.

Environmental, Social and Governance Report

Resource Efficiency and Waste Management

Material Efficiency

Our construction and building materials supply businesses are committed to maximising material efficiency with the aim of minimising costs, waste, and impacts on the environment and natural resources.

To achieve this, we actively implement innovative technologies such as MiC and automatic bending machines for our projects, which ensure high precision and enable maximal usage of iron materials.



Additionally, we adopt low carbon construction materials where possible, including concrete with ground granulated blast-furnace slag.



Advancing the Circular Economy through Green Finance

During the Reporting Period, we actively engaged in green finance initiatives, with our projects of Public Housing Development in Kwu Tung North and Transitional Social Housing in Chai Wan being certified under the CIC Sustainable Finance Certification Scheme. These green loans granted by banks are linked to specified performance targets such as minimising waste to advance circularity, reflecting our dedication to embedding green finance and sustainable practices in our operations.



Environmental, Social and Governance Report

Waste Management

We implement responsible waste management by embracing a “reduce, reuse and recycle” approach. Innovative technologies, such as MiC, also support us in minimising waste by reducing mould wastage and enabling surplus materials to be reused or recycled in prefabrication factories.

Our waste is handled according to applicable laws and regulations of every jurisdiction where we operate; hazardous waste such as spent lube oil is handled by licensed collectors. Under our ongoing participation in the Wastewi\$e Scheme, we have established measures and targets for our work sites and back offices:

Targets	FY2023/24 Progress	Unit	FY2023/24	FY2022/23
Maintain the scrap iron rate within 5% of the total BQ steel reinforcement	Achieved	%	2.27	1.86
To recycle no less than 2,000 kg of scrap paper at each construction site	Achieved	kg	8,886	6,330
To recycle no less than 4,000 kg of scrap paper at our office	Achieved	kg	7,092	7,058
To recycle no less than 7 obsolete computers	Achieved	pieces	17	16
To recycle 50 laser toner and ink cartridges from printers and fax machines	Achieved	pieces	57	60
To return unusable walkie-talkie batteries to the supplier for recycling, with a target recycling rate of 95% of the number of new batteries purchased	Achieved	%	109	100
To save 100 reams of paper by reusing the reverse side of paper for measuring tasks	In progress	ream	65	80

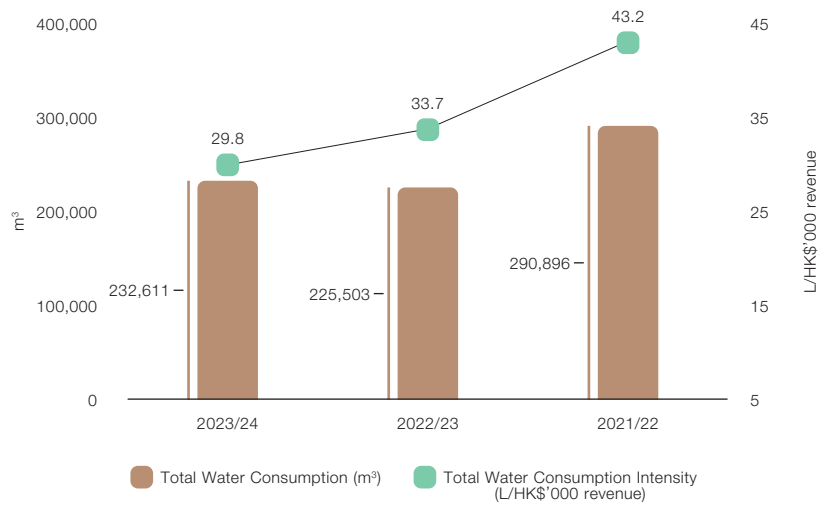
Environmental, Social and Governance Report

Water

The Group strives to maximise water efficiency by adopting measures including:

- Developed the “Smart Flushing Device” to automate the mandatory three-day internal water system flushing required by the Water Supplies Department, significantly reducing water usage
- Placing signage to remind employees of water conservation
- Promptly repairing dripping faucets

Our major business units in Hong Kong have set a target of reducing our water consumption intensity by 1% compared to the previous year. During FY2023/24, this target was successfully achieved with a water intensity of 29.8 L/HK\$’000 revenue, representing a 11.57% decrease compared to FY2022/23. During the Reporting Period, we did not encounter any issues in sourcing water that was fit for purpose.



Environmental, Social and Governance Report

People Empowerment



Approach

Foster a supportive and inclusive workplace that nurtures the growth and development of our employees

Goal

To strengthen employee well-being, training and occupational health and safety measures

Most Material Topic(s)

- Staff welfare
- Occupational health and safety
- Staff development and training
- Employment compliance

The Group values our employees as our most important assets. We are dedicated to fostering a harmonious work environment and strictly adhere to employment and labor-related laws and regulations in all regions where we operate¹⁰.

Our Staff Handbook and other human resources policies also specify compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other welfare and benefits to safeguard the rights of our employees.

During the Reporting Period, we were not aware of any material non-compliance of relevant employment-related laws and regulations.

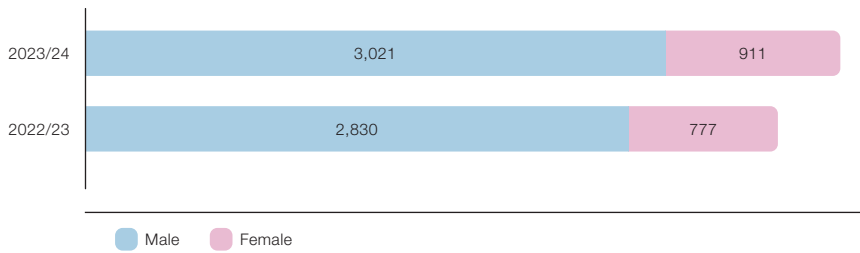
¹⁰ Please refer to the “Key Laws and Regulations” section for a list of employment and labor standards-related laws and regulations that are significant to the Group’s business operations.

Environmental, Social and Governance Report

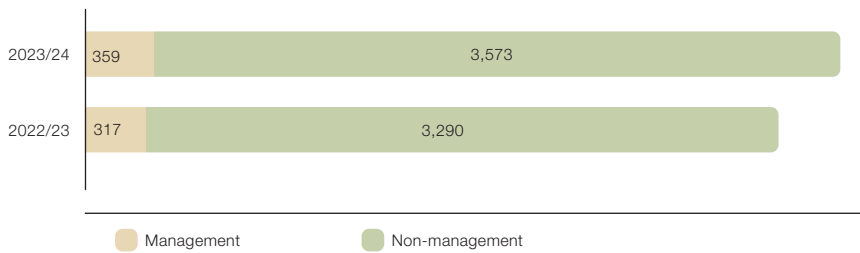
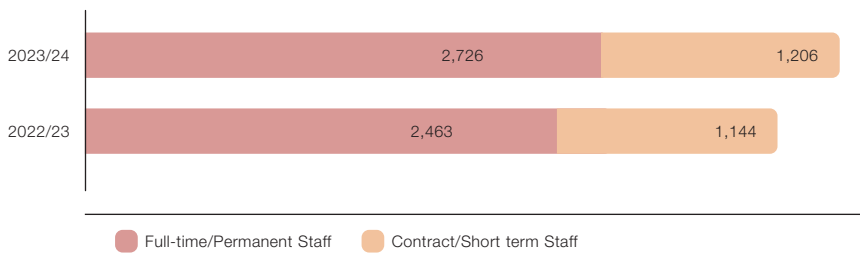
Employee Overview

As of 31 March 2024, the Group employed a total of 3,932 (FY2022/23: 3,607) employees. The distribution of employees by gender, employment type, age group and geographical region is outlined below, highlighting our commitment to valuing diversity and providing equal opportunities across all demographics, ensuring a dynamic and inclusive workforce that supports our growth and innovation.

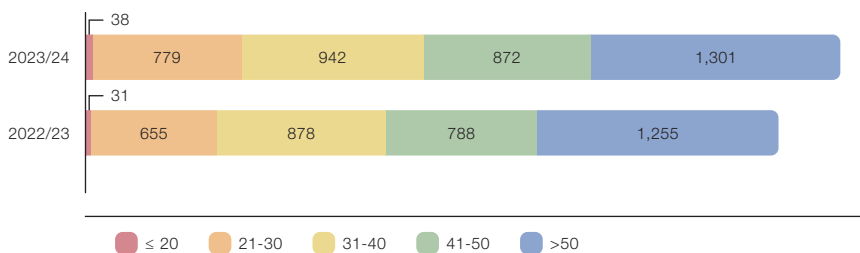
Total workforce by gender



Total workforce by employment type



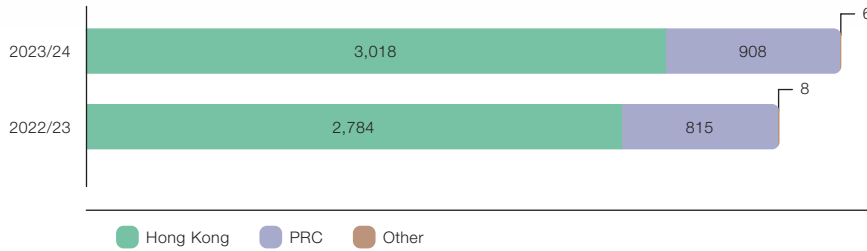
Total workforce by age group



Environmental, Social and Governance Report

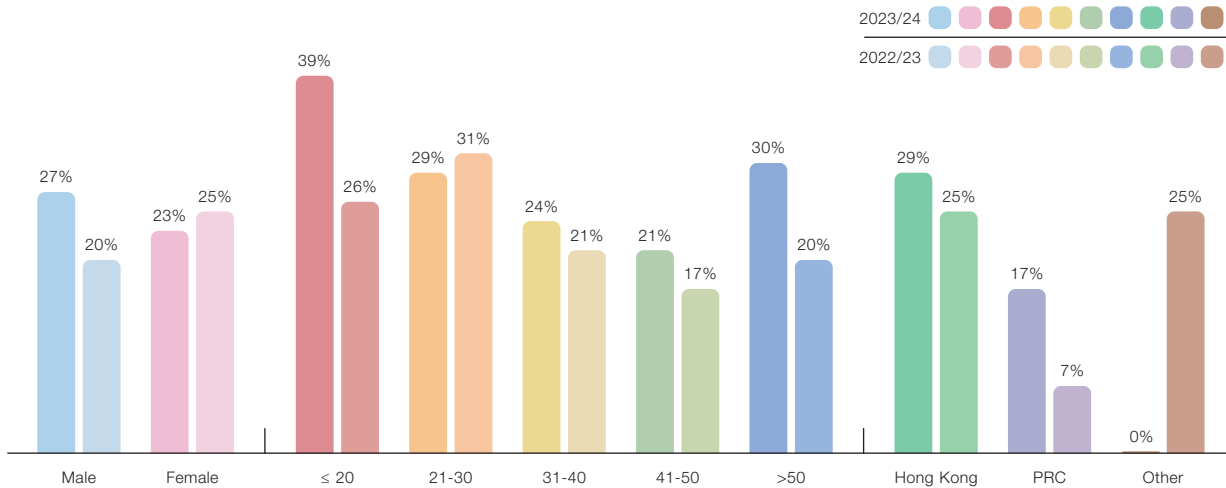
Employee Overview (Continued)

Total workforce by geographical location



In FY2023/24, the turnover rate of our construction business was 29% (FY2022/23: 28%), while the total turnover rate of other businesses was 25% (FY2022/23: 18%). The distribution of employee turnover rate by gender, age group and geographical regions is set out as below:

Turnover rate



Environmental, Social and Governance Report

Safeguarding Employees' Health and Safety

Occupational Health and Safety

The Group places a high priority on the health and safety of our employees, ensuring full compliance with applicable laws and regulations¹¹ to minimise workplace risks. Accordingly, we have developed a thorough framework and set of safety requirements for our employee to adhere to, which are clearly detailed in our Safety and Health Management Manual.

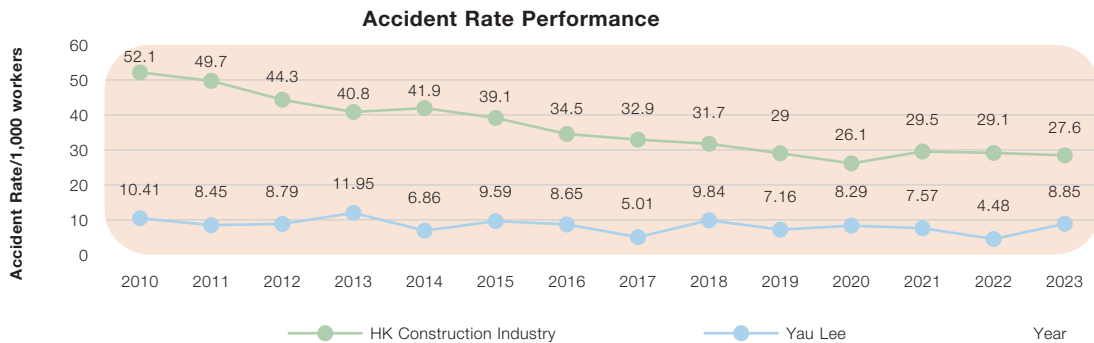
Health and Safety Management

The Group's comprehensive health and safety management system enables us to effectively mitigate safety hazards. We hold ISO 45001 certification for Occupational Health and Safety Management, which encompasses both corporate management and all-site supervision for building and maintenance projects. Regular oversight is provided by our Health and Safety Steering Committee, Overall Site Safety and Health Working Committee, and Site Safety Committee. Additionally, employees are required to wear personal protective equipment ("PPE") such as protective clothing, gloves, safety shoes, helmets and anti-fall safety slings as necessary during work.

Safety Awareness and Promotion

The Group is dedicated to upholding high safety and health standards across all construction projects to safeguard our employees. Regular safety morning meetings, site discussions, safety committees, and promotional activities facilitate effective communication and cooperation at all levels, ensuring the implementation of safety policies. To cultivate a safety-conscious culture, we provide thorough training and activities for all construction site workers. For instance, emergency response team members undergo training in first aid, wound care, fire evacuation and chemical spill response to adeptly handle emergency situations.

Our proactive measures have yielded impressive results, with our accident rate at 8.85 per 1,000 workers, significantly lower than the industry average of 27.6 per 1,000 workers during the Reporting Period.



During the Reporting Period, we did not record any work-related fatalities while there were 5,017 lost days (FY2022/23: 1,597 days) due to work injury. Moreover, the Group did not record any work-related fatalities in each of the past three years including the reporting year.

¹¹ Please refer to the "Key Laws and Regulations" section for a list of health and safety-related laws and regulations that are significant to the Group's business operations.

Environmental, Social and Governance Report



Internet of things (“IoT”) Access Control System for Lifting Area

Aligned with our commitment to safety, we implemented an IoT access control system in the lifting area to prevent unauthorised access to hazardous zones and reduce the risk of worker injuries. This system enhances workplace safety by identifying authorised personnel and preventing unauthorised operations. Utilising designated entry points and worker registration cards, it ensures strict access control, while AI cameras provide additional monitoring.



Narrowband Internet of things (“NB-IoT”) Temperature Monitoring and Alarm System for Charging Station

To prevent fire incidents, we implemented an NB-IoT temperature monitoring and alarm system at our construction site charging stations for handheld power tools during the Reporting Period. This system continuously monitors the temperature of each charging slot. If abnormal conditions are detected, alarms are triggered, and the power supply is immediately cut off through cloud-based alerts. This proactive approach significantly reduces the risk of fire hazards, ensuring a safer working environment.



Environmental, Social and Governance Report



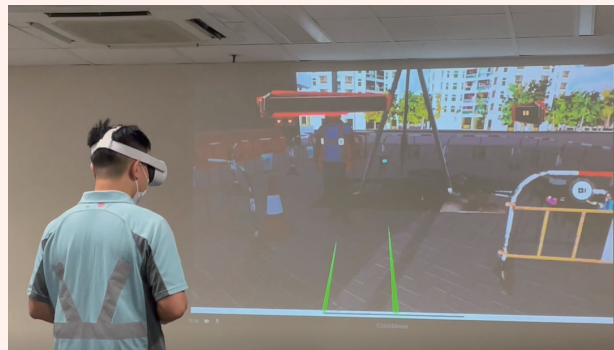
Smart Site Safety System (“SSSS”)

During the Reporting Period, we developed the SSSS to strengthen site safety. The SSSS is an innovative cloud-based system designed to monitor and manage safety risks. By leveraging technologies such as 5G, Bluetooth, and NB-IoT, the SSSS collects and transmits data from the construction sites to a centralised management platform. Its real-time data analytics capability enables the swift identification of potential safety hazards and the issuance of immediate alerts, enhancing our ability to promptly address safety concerns and promoting a culture of safety excellence.



Virtual Reality (“VR”) Safety Training

In our ongoing efforts to foster a safer work environment, we have harnessed advanced technology by providing VR Safety Training. By offering construction workers lifelike simulations, their understanding of workplace risks and effective mitigation strategies can be strengthened. Through hands-on virtual experiences, workers develop heightened safety awareness and decision-making skills, bolstering their confidence in navigating hazardous situations. This improves training efficiency while enabling flexible scheduling, empowering workers to train at their own pace.



Environmental, Social and Governance Report

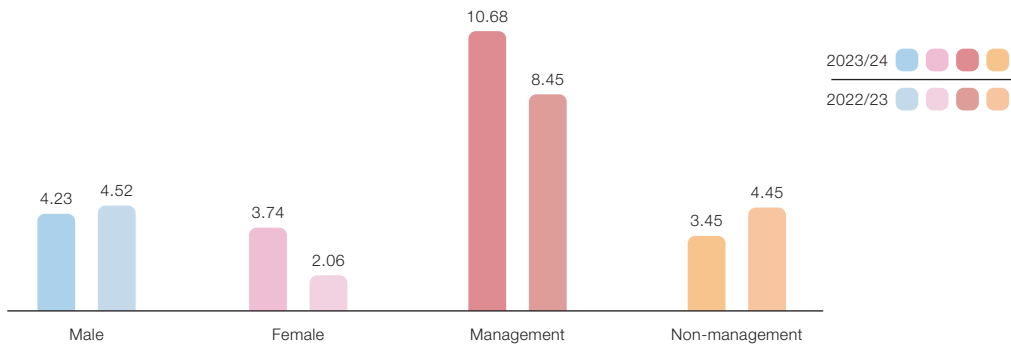
Cultivating Our Talents

Training and Development

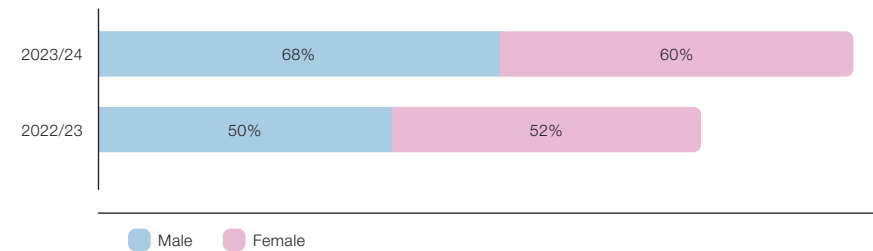
The Group aims to evolve alongside our employees, mutually propelling business growth and success. Therefore, we proactively invest in our employees, promoting their participation in both personal development and job-related training programs.

During the Reporting Period, we provided a total of 17,913 training hours to our employees (FY2022/23: 14,370 hours). Additionally, 100% of our site workers received training. Our training performance is outlined below^{12, 13, 14}:

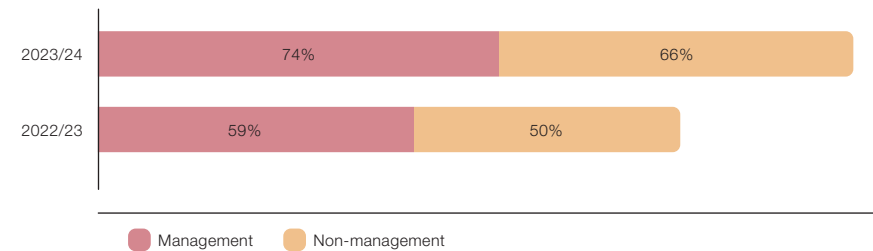
Average training hours completed per employee by gender and employment type



Training ratio by gender



Training ratio by employment type



¹² Training data included relevant training data of resigned employees during the Reporting Period to reflect the number of resources invested by the Group in training and the application extent of the same.

¹³ Calculation of employee trained: Number of employees trained in the specific category during the Reporting Period divided by number of employees in the specific category at the end of the Reporting Period x 100%.

¹⁴ Calculation of average training hours per employee: Training hours of employees in the specific category during the Reporting Period divided by number of employees in the specific category at the end of the Reporting Period.

Environmental, Social and Governance Report

Training and Development (Continued)

To bolster career advancement, the Group also provides subsidies for external training, alleviating financial constraints and fostering skills enhancement, such as the Engineering-Related Degree and Higher Diploma Further Education Subsidy Scheme. During the Reporting Period, the Group conducted a diverse range of workshops and talks, both online and offline, aimed at enhancing employees’ job skills and facilitating their career advancement, including but not limited to:

Orientation Training	Professional Training	Soft Skills Training
<ul style="list-style-type: none"> • New Employees Training 	<ul style="list-style-type: none"> • Health and Safety Training • Practical Engineering Training • Engineering Experience Sharing • Data Environment for Advanced Sustainable Development • Site Environmental Control and Carbon Emission Management 	<ul style="list-style-type: none"> • Site Management Staff Development Programme • Effective Leadership Skills Workshop • Project Presentation



Promoting Innovation Culture: REC Innovation Hub (R • INNO)

During the Reporting Period, our subsidiary REC Engineering Company Limited has renamed and revamped the 15th-floor “Artificial Intelligence Lab”. We transformed the space into the cutting-edge R • INNO, featuring three large central display screens showcasing our past projects and data in a fresh, dashboard-style format. R • INNO allows colleagues and other stakeholders to share and learn from our advancements. We encourage all employees to visit, collaborate, and exchange ideas in this inspiring environment, reinforcing our commitment to continuous improvement and innovation.



Environmental, Social and Governance Report



Effective Leadership Workshop Fostering Innovative Thinking Among Teams



Under the guidance of Ir. Dr. Conrad Wong, Vice Chairman of the Group, the Effective Leadership Workshop spanned multiple sessions in 2023. Tailored to elevate leadership skills and foster holistic growth within the engineering sector, the workshop delved into crucial aspects including personal career growth and team leadership. By employing interactive methodologies, participants refined their presentation abilities and bolstered their confidence, crafting well-defined career trajectories and objectives.

Employee Well-being

Diversity and Equality

The Group is dedicated to fostering a fair work environment free from discrimination. We ensure our employees are not subjected to any form of discrimination, including but not limited to gender, race, religion, disability, marital or family status, sexual orientation, or any other personal characteristic. In line with our staff handbook, we base hiring, transfers and promotions on qualifications, experience and performance, ensuring impartiality across all employment procedures. Recruitment initiatives span diverse channels including job portals, employee referrals, and our company website, enriching our talent pool and promoting diversity within our workforce.

Environmental, Social and Governance Report

Labour Standards

As a conscientious employer, we uphold a “zero-tolerance” stance against forced labour and child labour, strictly adhere to all applicable laws and regulations¹⁵. Throughout our recruitment process, our human resources department meticulously examines candidates’ personal documents to verify their eligibility in alignment with our internal policies. Additionally, we prioritise our employees’ well-being by providing adequate rest periods to prevent forced labour. Regular reviews of our recruitment practices ensure ongoing compliance and effectiveness in preventing child and forced labour. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to preventing child and forced labour.

Benefit and Compensation

We are committed to nurturing a strong sense of belonging among our employees, aiming to enhance talent retention and motivation within our organization. To achieve this, we provide competitive remuneration packages that are regularly reviewed and adjusted to remain in line with market standards. Full-time employees enjoy a range of benefits outlined in our Staff Handbook, including public holidays, statutory holidays, sick leave, marriage leave, maternity leave, and examination and study leave. Additionally, we offer various other welfare benefits, including:

- Year-end bonus
- Overtime pay allowance
- Double pay
- Medical disability insurance
- Retirement scheme

We also employ various channels to engage our employee and ensure that their voices are heard. These communication channel include, but not limited to:

- Internal portals platform
- Company website
- Employee newsletter
- Meetings
- Surveys and opinion boxes

¹⁵ Please refer to the “Key Laws and Regulations” section for a list of labour-related laws and regulations that are significant to the Group’s business operations.

Environmental, Social and Governance Report



Celebrating 2023 Master Lo Pan Patron's Day Dinner



During the Reporting Period, we gathered for a grand banquet to celebrate the Master Lo Pan Patron's Day. We bestowed 38 awards upon exceptional team members and subcontractors, a record-breaking number. Also, we honored long-serving employees, each with over a decade of dedicated service. Our chairman and management team delivered heartfelt toasts, expressing profound gratitude and appreciation to our valued employees.



Nurturing Family Ties: Employee Family Bonding Event

In a sincere endeavor to recognise our employees and extend warmth to their families, our factory arranged "Embark on a Journey of Love with Youth", a unique Family Bonding Activity during the Reporting Period. Featuring factory tours and enjoyable games, both employees and their children created lasting memories. This initiative underscores our dedication not only to our employees but also to nurturing stronger bonds within our workplace community.



Environmental, Social and Governance Report

Community Care



Approach

Engage proactively with our community to promote strong social development

Goal

Align community investment contributions with the evolving needs of our community to maximise positive impact

Most Material Topic(s)

- NA

As a socially responsible company, we strive to contribute to social development and invest in the next generation to serve our community. Following our CSR Policy, we encourage employees to take part in social welfare activities, aiding underprivileged and vulnerable groups for societal benefit. During the Reporting Period, we donated a total of HK\$491,400 to charitable causes and actively engaged in community programs, emphasising education development, community care, and sustainable development.

Education Development



Nurturing the next generation through the 2023 STEM Secondary School Internship Scheme

Since 2021, our E&M business has partnered with Caritas Social Work Services to offer a unique “STEM Secondary School Internship Scheme” to secondary school students. This 2-week internship not only provided valuable working experience in our departments but also provided students the opportunity to build a solid foundation for their future engineering career development. To date, we have provided such internship opportunities to almost 30 students.



Environmental, Social and Governance Report

Community Care



Supporting Vulnerable Families: 2023 Performance Improvement Awards

Continuing our support for the Association for the Rights of Industrial Accident Victims, we sponsored the “Mothers’ Group 2023 Performance Improvement Awards”. During the Reporting Period, we hosted a heartwarming banquet where 100 families enjoyed a delightful buffet lunch, fostering a joyful ambiance. This year, awards were presented in three categories: Academic Progress, Conduct and Community Service. These awards encourage students to excel academically, demonstrate good conduct and engage in community service as a way of giving back.



Spreading Happiness Among the Elderly

During the Reporting Period, our E&M business participated in the “2023 Joint Caring Event: Happy Bags Delivery to Elderly” community initiative, jointly organised by the Hong Kong Federation of Electrical and Mechanical Contractors Limited, the Hong Kong Air Conditioning and Refrigeration Association Limited, and Open Door Ministries Limited. Our volunteers visited elderly members of the community, offering heartfelt companionship and delivering gift bags as a gesture of care and support.



Environmental, Social and Governance Report

Sustainable Development



Joining the ESG Pledge

During the Reporting Period, the Group proudly signed the ESG Pledge, an initiative by the Chinese Manufacturers' Association of Hong Kong and the Hong Kong Brand Development Council. The pledge highlights our commitment to improving ESG performance through concrete actions and collaboration for a sustainable future. By joining this scheme, Yau Lee demonstrates its dedication to sustainable development, planning and implementing action plans to enhance our ESG practices, thereby contributing to a greener and more responsible business landscape.



Leveraging Social Finance for Sustainable Housing Development



In a significant stride towards sustainable housing, we secured a HK\$200 million long-term social loan from Hang Seng Bank during the Reporting Period for the construction of a Dedicated Rehousing Estate. This project aids the government's development clearance efforts, boosting housing supply and expanding home ownership opportunities for low and middle-income families and young people. By leveraging MiC technology, we greatly shorten construction duration while enhancing quality and safety, as well as minimising environmental impact, underscoring our commitment to sustainability and community welfare.

Notably, we are the first contractor in the industry to obtain the "Outstanding Award for Green and Sustainable Loan Issue (Social Trade Financing Project of Construction Industry) – Visionary Social Loan Framework" by the Hong Kong Quality Assurance Agency.



Environmental, Social and Governance Report

Looking Forward

Moving forward, maintaining our strong commitment to quality, safety and sustainability will be paramount to our success. To drive future growth, we will continue to focus on technological innovation, digitalisation and smart construction as key drivers of our development strategy. By leveraging our strengths in innovative technologies such as MiC, Multi-trade integrated Mechanical, Electrical and Plumbing (“MiMEP”), and Design for Manufacturing and Assembly (“DFMA”), we aim to enhance efficiency and sustainability, solidifying our leading market position in Hong Kong’s thriving construction industry and laying the groundwork for expansion into new regions and business areas, creating sustainable long-term value for all.

Environmental, Social and Governance Report

Key Laws and Regulations

ESG Aspect	Significant Laws and Regulations	
	PRC	Hong Kong SAR
Aspect A1: Emissions	<ul style="list-style-type: none"> Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste Standard for Pollution Control on Hazardous Waste Storage 	<ul style="list-style-type: none"> Air Pollution Control Ordinance (Cap.311) Water Pollution Control Ordinance (Cap.358) Waste Disposal Ordinance (Cap.354) Noise Control Ordinance (Cap.400)
Aspect B1: Employment Aspect B4: Labour Standards	<ul style="list-style-type: none"> Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Social Insurance Law of the People's Republic of China 	<ul style="list-style-type: none"> Employment Ordinance (Cap.57) Sex Discrimination Ordinance (Cap.480) Mandatory Provident Fund Schemes Ordinance (Cap.485) Employees' Compensation Ordinance (Cap.282) Employment of Children Regulations (Cap.57B) Employment of Young Persons (Industry) Regulations (Cap.57C) Construction Workers Registration Ordinance (Cap.583)
Aspect B2: Health and Safety	<ul style="list-style-type: none"> Work Safety Law of the People's Republic of China Fire Protection Law of the People's Republic of China Regulations on the Safety Management of Hazardous Chemicals 	<ul style="list-style-type: none"> Occupational Safety and Health Ordinance (Cap.509) Fire Safety (Commercial Premises) Ordinance (Cap.502)
Aspect B6: Product Responsibility	<ul style="list-style-type: none"> Product Quality Law of the People's Republic of China Law of the People's Republic of China on the Protection of Consumer Rights and Interests 	<ul style="list-style-type: none"> Trade Descriptions Ordinance (Cap.362) Personal Data (Privacy) Ordinance (Cap.486)
Aspect B7: Anti-corruption	<ul style="list-style-type: none"> Company Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China 	<ul style="list-style-type: none"> Sale of Goods Ordinance (Cap.26) Prevention of Bribery Ordinance (Cap.201)

Environmental, Social and Governance Report

HKEX ESG Reporting Guideline Index

Aspect	ESG Guide	Remarks and References
Mandatory Disclosure Requirements		
Governance Structure		Sustainability Governance
Reporting Principles		About this Report, Stakeholder Engagement, Materiality Assessment
Reporting Boundary		About this Report
General Disclosures		
Emissions	Aspect A1	Green Operations, Key Laws and Regulations
Use of Resources	Aspect A2	Green Operations
The Environment and Natural Resources	Aspect A3	Green Operations
Climate Change	Aspect A4	Climate Resilience
Employment	Aspect B1	People Empowerment, Key Laws and Regulations
Health and Safety	Aspect B2	Occupational Health and Safety, Key Laws and Regulations
Development and Training	Aspect B3	Training and Development
Labour Standards	Aspect B4	Labour Standards, Key Laws and Regulations
Supply Chain Management	Aspect B5	Responsible Supply Chain
Product Responsibility	Aspect B6	Building Excellence, Key Laws and Regulations
Anti-corruption	Aspect B7	Ethics and Integrity, Key Laws and Regulations
Community Investment	Aspect B8	Community Care
KPIs		
Emissions	A1.1	Air and GHG Emissions
	A1.2	Air and GHG Emissions
	A1.3	Waste Management
	A1.4	Waste Management
	A1.5	Green Operations
	A1.6	Waste Management
Use of Resources	A2.1	Energy
	A2.2	Water
	A2.3	Green Operations
	A2.4	Water
	A2.5	Not relevant to our business
The Environment and Natural Resources	A3.1	Green Operations

Environmental, Social and Governance Report

Aspect	ESG Guide	Remarks and References
Climate Change	A4.1	Climate Resilience
Employment	B1.1	Employee Overview
	B1.2	
Health and Safety	B2.1	Occupational Health and Safety
	B2.2	
	B2.3	
Development and Training	B3.1	Training and Development
	B3.2	
Labour Standards	B4.1	Labour Standards
	B4.2	Should any signs of child or forced labour in our subcontractors be identified, we will take action to stop working with the subcontractor
Supply Chain Management	B5.1	Responsible Supply Chain
	B5.2	
	B5.3	
	B5.4	
Product Responsibility	B6.1	Not relevant to our business
	B6.2	Not relevant to our business
	B6.3	Intellectual Property Protection
	B6.4	Product Innovation and Quality
	B6.5	Data Protection and Privacy
Anti-corruption	B7.1	Ethics and Integrity
	B7.2	
	B7.3	
Community Investment	B8.1	Community Care
	B8.2	

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the shareholders of Yau Lee Holdings Limited

(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Yau Lee Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 85 to 164, comprise:

- the consolidated balance sheet as at 31 March 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, 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 (“HKSA”) 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Basis for Opinion (continued)

Independence

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the revenue recognition of construction contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition of construction contracts</p> <p>Refer to Note 2.19(a), Note 4(a), Note 4(b) and Note 5 to the consolidated financial statements.</p> <p>For the year ended 31 March 2024, the Group recognised revenue from construction contracts relating to the following operating segments: construction, electrical and mechanical installation which totalled HK\$7,684,001,000.</p> <p>The recognition of revenue and cost of sales for the Group's construction contracts is based on the progress of contract activities, by reference to contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Management's estimate of revenue, budgeted costs, the progress of related contract work and loss provisions requires significant judgment.</p> <p>This judgment includes the expected recovery of costs arising from variations to contracts requested by customers, compensation events and claims made against contractors for delays.</p> <p>Due to the significant judgment and estimates involved, specific audit focus was placed on this area.</p>	<p>Our work in relation to management's estimates in revenue, budgeted costs and the progress of related contract work focused on the following procedures for material construction contracts within the Group:</p> <ul style="list-style-type: none"> • We obtained an understanding of management's internal control and process of revenue recognition of construction contracts and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • We tested the key controls over estimating costs to complete and budgeted margin of construction contracts; • We discussed with the Group's quantity surveyors and project managers the status of the projects, to identify any variations, claims and provision on loss-making contracts, and to obtain explanations for fluctuations in margins and the expected recovery of variations;

Independent Auditor's Report

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"><li data-bbox="810 454 1449 670">• We obtained corroborative evidence, in relation to the above point, by reviewing the project budgets, external architect's certificates and comparing the budgeted component costs to supporting documents including, but not limited to, price quotations of suppliers and subcontractors;<li data-bbox="810 713 1449 896">• We inspected the signed contracts and correspondence with the customers and sub-contractors to obtain audit evidence on contract sum and terms, variations from customers, claims from customers and sub-contractors;<li data-bbox="810 940 1449 1047">• We tested on a sample basis the actual cost incurred on contract work during the reporting period;<li data-bbox="810 1090 1449 1198">• We recalculated the estimate of the progress of contract work based on the latest budgeted costs and total actual costs incurred; and<li data-bbox="810 1241 1449 1349">• We tested the calculations of contract revenue based on the estimate of the progress of contract work.
	<p data-bbox="810 1386 1449 1560">We found management's estimates in determining the revenue, budgeted costs and the progress of related contract work for the reporting period as well as the revenue recognised are supported by the audit evidence available.</p>

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 this independent auditor's report is Wan Sau Mei.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 June 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Revenue	5	7,811,653	6,685,961
Cost of sales	7	(7,129,171)	(6,133,648)
Gross profit		682,482	552,313
Other income and losses, net	6	13,221	9,625
Selling and distribution costs	7	(40,772)	(13,155)
Administrative expenses	7	(485,626)	(444,034)
Other operating expenses	7	(4,791)	(4,028)
Operating profit		164,514	100,721
Finance costs	9	(56,109)	(24,961)
Share of loss of an associate	18	(1)	(86)
Share of loss of joint ventures	19	(11,925)	(8,149)
Impairment loss of investment in a joint venture	19	(10,167)	–
Profit before income tax		86,312	67,525
Income tax expense	10	(20,511)	(19,553)
Profit for the year		65,801	47,972
Attributable to:			
Equity holders of the Company		67,093	49,636
Non-controlling interests		(1,292)	(1,664)
		65,801	47,972
Dividend	11	21,902	21,902
Earnings per share (basic and diluted)	12	HK15.32 cents	HK11.33 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the year	65,801	47,972
Other comprehensive income		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	(46,336)	(63,144)
Total comprehensive income/(loss) for the year	19,465	(15,172)
Attributable to:		
Equity holders of the Company	20,757	(13,508)
Non-controlling interests	(1,292)	(1,664)
Total comprehensive income/(loss) for the year	19,465	(15,172)

CONSOLIDATED BALANCE SHEET

As at 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,173,126	1,095,279
Investment properties	15	263,934	170,100
Other intangible assets	16	5,118	6,174
Goodwill	16	17,898	17,898
Associate	18	34	35
Joint ventures	19	51,936	77,381
Deferred income tax assets	26	4,908	4,177
Mortgage loans receivables	21(c)	10,491	11,786
		1,527,445	1,382,830
Current assets			
Cash and bank balances	20	905,585	742,581
Trade debtors, net	21(a)	869,238	702,764
Contract assets	23	1,872,425	1,342,793
Prepayments, deposits and other receivables	21(b)	228,498	224,950
Mortgage loans receivables	21(c)	1,320	1,249
Inventories	22	145,568	154,482
Completed properties held for sale	24	112,326	222,760
Due from a joint operation	19	6,590	7,938
Due from other partners of joint operations	19	12,626	19,838
Prepaid income tax		44,494	48,474
		4,198,670	3,467,829
Total assets		5,726,115	4,850,659
Equity			
Share capital	29	87,611	87,611
Other reserves	30	384,788	431,124
Retained profits	30	1,032,765	987,574
Attributable to equity holders of the Company		1,505,164	1,506,309
Non-controlling interests		(3,598)	(2,306)
Total equity		1,501,566	1,504,003

Consolidated Balance Sheet

As at 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Liabilities			
Non-current liabilities			
Long-term borrowings	25	441,500	449,200
Deferred income tax liabilities	26	10,199	9,690
Other non-current liabilities	28(b)	9,518	8,602
		461,217	467,492
Current liabilities			
Short-term bank loans	25	1,506,261	880,394
Current portion of long-term borrowings	25	344,200	37,400
Payables to suppliers and subcontractors	27	605,358	383,035
Accruals, retention payables, deposits received and other liabilities	28(a)	694,759	878,783
Income tax payable		5,197	11,004
Contract liabilities	23	597,933	676,891
Due to joint operations	19	9,624	2,799
Due to a partner of a joint operation	19	–	8,858
		3,763,332	2,879,164
Total liabilities		4,224,549	3,346,656
Total equity and liabilities		5,726,115	4,850,659

The consolidated financial statements on pages 85 to 164 were approved by the Board of Directors on 24 June 2024 and were signed on its behalf.

Wong Ip Kuen
Director

Wong Tin Cheung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

Attributable to equity holders of the Company

	Share capital	Share premium	Capital redemption reserve	Currency translation reserve	Property revaluation reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2022	87,611	413,776	359	23,819	55,366	704	959,840	1,541,475	(118)	1,541,357
Profit/(loss) for the year	-	-	-	-	-	-	49,636	49,636	(1,664)	47,972
Other comprehensive income:										
Currency translation differences	-	-	-	(63,144)	-	-	-	(63,144)	-	(63,144)
Acquisition of additional equity interest in a subsidiary from non-controlling interests <i>(Note 17)</i>	-	-	-	-	-	244	-	244	(524)	(280)
2022 final dividend	-	-	-	-	-	-	(10,951)	(10,951)	-	(10,951)
2023 interim dividend	-	-	-	-	-	-	(10,951)	(10,951)	-	(10,951)
As at 31 March 2023	87,611	413,776	359	(39,325)	55,366	948	987,574	1,506,309	(2,306)	1,504,003
As at 1 April 2023	87,611	413,776	359	(39,325)	55,366	948	987,574	1,506,309	(2,306)	1,504,003
Profit/(loss) for the year	-	-	-	-	-	-	67,093	67,093	(1,292)	65,801
Other comprehensive income:										
Currency translation differences	-	-	-	(46,336)	-	-	-	(46,336)	-	(46,336)
2023 final dividend <i>(Note 11)</i>	-	-	-	-	-	-	(10,951)	(10,951)	-	(10,951)
2024 interim dividend <i>(Note 11)</i>	-	-	-	-	-	-	(10,951)	(10,951)	-	(10,951)
As at 31 March 2024	87,611	413,776	359	(85,661)	55,366	948	1,032,765	1,505,164	(3,598)	1,501,566

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Cash flows from operating activities			
Net cash used in operations	31(a)	(441,928)	(232,386)
Hong Kong profits tax refunded		10,984	3,950
Hong Kong profits tax paid		(31,831)	(8,535)
Non-Hong Kong tax paid, net		(545)	(329)
Net cash used in operating activities		(463,320)	(237,300)
Cash flows from investing activities			
Purchase of property, plant and equipment		(159,871)	(48,265)
Additions to investment properties		(5,055)	–
Proceeds from disposal of property, plant and equipment		3,548	2,180
Reduction of capital of an associate	18	–	240
Interest received		11,729	5,239
Net decrease in mortgage loan receivables		1,223	14,397
Net cash used in investing activities		(148,426)	(26,209)
Cash flows from financing activities			
Repayment of bank loans	31(b)	(40,900)	(588,500)
Drawdown of bank loans		965,867	637,014
Decrease in restricted deposits		10,094	56,969
Capital element of lease payments		(20,217)	(18,000)
Interest element of lease payments		(861)	(545)
Dividend paid		(21,902)	(21,902)
Interest paid		(100,831)	(38,809)
Acquisition of additional equity interest in a subsidiary from non-controlling interests		–	(280)
Net cash from financing activities		791,250	25,947
Net increase/(decrease) in cash and cash equivalents		179,504	(237,562)
Cash and cash equivalents at beginning of year		688,713	934,312
Exchange loss on cash and cash equivalents		(6,406)	(8,037)
Cash and cash equivalents at end of year		861,811	688,713
Analysis of cash and cash equivalents			
Cash and bank balances	20(b)	474,385	502,914
Time deposits		387,426	185,799
		861,811	688,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Yau Lee Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials supply, property investment and development and hotel operations. The Group is also engaged in other activities which mainly include computer software development and architectural and engineering services.

The Company is a limited liability company incorporated in Bermuda on 25 June 1991. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 June 2024.

2 Summary of material accounting policies

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivatives financial instruments) at fair value through profit or loss and investment properties which are carried at fair value.

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

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) *New standard and amendments to standards adopted by the Group*

The Group has applied the following new standard and amendments to standards for the first time for their annual reporting period commencing on 1 April 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts and the Related Amendments
HKFRS 17	Initial Application of HKFRS and HKFRS 9 — Comparative Information

The adoption of these new standard and amendments to standards does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

(b) *Amendments to standards and interpretation not yet adopted by the Group*

Certain amendments to standards and interpretation have been published that are not mandatory for 31 March 2024 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenant	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group has already commenced an assessment of the impact of the above amendments to standards and interpretation and does not expect that they would have any significant impact to its results of operation and financial position.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.2 Principles of consolidation and equity accounting

(a) *Subsidiaries*

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

The acquisition method of accounting is used to account for business combinations by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) *Joint arrangements*

Under HKFRS 11, "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

(i) *Joint operations*

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

(ii) *Joint ventures*

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated balance sheet.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

(d) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associate and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.7.

(e) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

For purchase of additional interest in subsidiary from non-controlling shareholders, the difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.3 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "Other income and losses, net".

(c) *Group companies*

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Direct and indirect costs relating to the construction in progress, including borrowing costs during the construction period are capitalised as the costs of the assets.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Hotel property	
– Leasehold land	Remaining lease period
– Building	50 years
Leasehold land	Remaining lease period
Buildings	20-50 years
Leasehold improvements	4 years
Plant and machinery	4-10 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	4-5 years

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.4 Property, plant and equipment (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and losses, net" in the consolidated income statement.

Construction in progress represents property, plant and equipment on which construction work has not been completed and which, upon completion, management intend to hold for the use of the Group. They are carried at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any accumulated impairment losses. On completion, the amounts are transferred to respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

The right-of-use assets of leases are presented as the relevant underlying assets of the property, plant and equipment. Details of the accounting policies of leases are disclosed in Note 2.20.

2.5 Investment properties

Investment properties are properties held for long-term rental income or capital appreciation or both. These include completed properties, those under construction and properties that are being redeveloped for continuing use as investment properties.

Investment properties are carried at fair value based on valuations performed by independent qualified valuers on a market value basis related to individual properties, and separate values are not attributed to land and buildings. Changes in fair values are recognised in consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected to arise from its disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is included in consolidated income statement in the period in which the asset is derecognised.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.6 Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2.7 Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investments and other financial assets

(a) Classification

The Group classifies its financial assets as subsequently measured at fair value (either through other comprehensive income ("OCI") or through profit or loss) and at amortised cost.

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.8 Investments and other financial assets (continued)

(b) Recognition and derecognition

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

(c) Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as financial assets at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in "Other income and losses, net" together with foreign exchange gains and losses. Impairment losses are presented in "Administrative expenses" in the consolidated income statement.

Equity instruments

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

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

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

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

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Inventories

Inventories comprise building materials and spare parts for sale and are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out (“FIFO”) basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days to 150 days and therefore are all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.8 for further information about the Group’s accounting for trade and other receivables and a description of the Group’s impairment policies.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.12 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flows statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.14 Payables to suppliers and subcontractors

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Payables to suppliers and subcontractors are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

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

Deferred income tax

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.16 Current and deferred income tax (continued)

Deferred income tax (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

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

(b) Pension obligations

The Group operates defined contribution schemes which are available to all employees. Contributions are made based on a percentage of the employees’ basic salaries or a fixed sum and are charged to the consolidated income statement as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus entitlements

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.17 Employee benefits (continued)

(d) Long service payment liabilities

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"). The amendment will come into effect prospectively from a date to be appointed by the Hong Kong Government (the "Transition Date").

Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") of an entity would no longer be eligible to offset against its obligations on long service payment ("LSP") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

By following the Guidance issued by HKICPA in July 2023, the Group has reattributed the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a).

The amendment did not have material impact on the Group's consolidated financial statements for the year ended 31 March 2024 and 2023.

2.18 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.19 Revenue recognition

The Group recognises different types of revenue as follows:

(a) Construction and electrical and mechanical installation – Contract revenue

Revenue from individual contracts is recognised according to progress of the project. The Group recognises revenue based on progress towards complete satisfaction of performance obligation, which is measured based on the entity's effort or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended and cost incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

The payment terms differed for different customers due to the variety of projects. The Group does not intend to give a financing to customers and the Group make efforts to collect the receivables and timely monitor the credit risk.

The Group accounts for a modification if the customers to a contract approve a change in the scope and/or the price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customers to the contract. If the customers have approved a change in scope, but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as a variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

The Group records contract liability for non-refundable advance payment from customer before rendering of services since there is still performance obligation to complete. The contract liabilities are recognised as revenue over the period during which the relevant services are rendered to customers.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.19 Revenue recognition (continued)

(b) Building materials supply – Sales of goods

Revenue is recognised at a point in time when the control of the goods is transferred to the customers, being when the goods are sold to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods, the customer has obtained the physical possession or the legal title of the goods and the Group has present right to payment. The Group controls the products in these transactions and, therefore, the Group is the principal and revenue is recognised on a gross basis. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

(c) Property investment – Operating lease rental income

Operating lease rental income is recognised on a straight-line basis over the terms of the respective leases.

(d) Hotel operations – Room rental and other ancillary services revenue

Hotel revenue from room rental and other ancillary services is recognised over time in the reporting period in which the hotel accommodation services are transferred to the customer.

(e) Property sales – Sales of goods

Revenue from pre-sale of properties under development is recognised when or as the control of the asset is transferred to the customer. It is recognised at a point in time when the customer obtains control and legal title of the completed property. The timing of revenue recognition for sale of completed properties would be recognised when the underlying property is legally transferred to the customer under the control transfer model. The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property would be adjusted when significant financing component exists in that contract. Certain costs incurred for obtaining a pre-sale property contract would be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract.

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.20 Leases

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of material accounting policies (continued)

2.20 Leases (continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use is depreciated over the underlying asset's useful life.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature.

2.21 Property under development for sale and completed properties held for sale

(a) *Property under development for sale*

Property under development for sale comprises leasehold land, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. Property under development for sale is stated at the lower of cost and net realisable value.

Upon completion, completed properties for pre-determined sale purpose are classified as "Completed properties held for sale".

Property under development for sale is classified as current assets as the construction period of the relevant property development project is expected to be completed within the normal operating cycle and is intended for sale.

Deposits and instalments received on properties sold prior to transfer of the legal titles of the properties are included under contract liabilities.

(b) *Completed properties held for sale*

Completed properties held for sale are initially measured at the carrying amount of the properties at the date of reclassification from property under development for sale. Properties remaining unsold at the end of the year are stated at the lower of cost or net realisable value.

Net realisable value represents the management's estimated selling price based on prevailing market conditions less costs to be incurred in selling the properties.

Notes to the Consolidated Financial Statements

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's management under the supervision of the Audit Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Audit Committee provides guidance for overall risk management.

(a) Market risk

(i) Foreign currency risk

The Group mainly operates in Hong Kong, Macau, Singapore and Mainland China. Entities within the Group are exposed to foreign exchange risk arising from future commercial transactions and monetary assets and liabilities denominated in a currency that is not the entities' functional currency.

As at 31 March 2024, if Renminbi ("RMB") had strengthened/weakened by 5% against HK\$ with all other variables held constant, the Group's pre-tax profit for the year would have been HK\$2,662,000 (2023: HK\$2,629,000) higher/lower.

(ii) Cash flow interest rate risk

The Group's exposure to cash flow interest rate risk mainly arises from its borrowings, mortgage loans receivables and interest bearing cash deposits issued at variable rates.

The Group closely monitors and manages its exposure to interest rate fluctuations and will consider engaging relevant hedging arrangement when appropriate.

As at 31 March 2024, had interest rates been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$18,950,000 (2023: HK\$11,160,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings net of higher/lower interest income on cash deposits and mortgage loans receivables.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises mainly from trade debtors, contract assets, mortgage loans receivables, deposits and other receivables, amount due from a joint operation and other partners of joint operations, deposits with banks, as well as credit exposure to customers. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, management has monitoring procedures in place to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and other receivable to ensure that adequate impairment is made for the irrecoverable amounts.

The Group has no significant credit risk regarding deposits with banks as these are held with high-credit-quality financial institutions, substantially comprising the Group's principal bankers.

(i) Impairment of financial assets

Trade debtors and contract assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure expected credit losses, the Group categorises its trade debtors and contract assets based on the nature of customer accounts and shared credit risk characteristics.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

The expected loss rates are based on the historical loss rates as adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

	Weighted average lifetime expected credit loss rate	Trade debtors and contract assets		
		Gross carrying amount <i>HK\$'000</i>	Lifetime expected credit loss <i>HK\$'000</i>	Net carrying amount <i>HK\$'000</i>
At 31 March 2024				
Not yet due	0%	2,628,276	–	2,628,276
1-30 days past due	0%	42,775	–	42,775
31-90 days past due	1%	19,421	(232)	19,189
91-180 days past due	2%	22,975	(412)	22,563
Over 180 days past due	62%	75,261	(46,401)	28,860
Total		2,788,708	(47,045)	2,741,663
At 31 March 2023				
Not yet due	0%	1,952,363	–	1,952,363
1-30 days past due	0%	16,761	–	16,761
31-90 days past due	3%	19,424	(491)	18,933
91-180 days past due	3%	20,234	(624)	19,610
Over 180 days past due	55%	83,687	(45,797)	37,890
Total		2,092,469	(46,912)	2,045,557

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

Mortgage loan receivables, deposits and other receivables, amount due from a joint operation and other partners of joint operations

As at 31 March 2024, except for other receivables of HK\$10,955,000 (2023: HK\$10,955,000) which was impaired, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognised during the year.

(c) Liquidity risk

In order to maintain flexibility in funding, the Group has credit facilities available from various banks. The Group has bank borrowings as at 31 March 2024 and 2023 to finance its operations.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at 31 March 2024, the Group held cash and bank deposits of HK\$905,585,000 (2023: HK\$742,581,000) and trade debtors, net of HK\$869,238,000 (2023: HK\$702,764,000) that are expected to generate cash inflows in the next twelve months for managing liquidity risk.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2024			
Short-term bank loans and interest thereon	1,594,608	–	–
Long-term borrowings and interest thereon	387,653	132,377	363,795
Lease liabilities	14,096	10,037	–
Payables to suppliers and subcontractors	605,358	–	–
Accruals, retention payables and other liabilities, excluding lease liabilities	620,354	5,352	56,018
Due to joint operations	9,624	–	–
At 31 March 2023			
Short-term bank loans and interest thereon	918,198	–	–
Long-term borrowings and interest thereon	57,646	345,443	129,944
Lease liabilities	14,911	3,740	936
Payables to suppliers and subcontractors	383,035	–	–
Accruals, retention payables and other liabilities, excluding lease liabilities	840,358	8,921	19,152
Due to joint operations	2,799	–	–
Due to a partner of a joint operation	8,858	–	–

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the debt to capital. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) plus lease liabilities (included in accruals, retention payables, deposit received and other liabilities and other non-current liabilities) less cash and bank balances. Total capital is calculated as equity plus net debt.

The Group's strategy is to maintain a debt to capital ratio at a minimal level. The debt to capital ratio at 31 March 2024 and 2023 were as follows:

	2024 HK\$'000	2023 HK\$'000
Total borrowings (Note 25)	2,291,961	1,366,994
Lease liabilities (Note 14(b))	22,553	18,954
Less: Cash and bank balances (Note 20)	(905,585)	(742,581)
Net debt	1,408,929	643,367
Total equity	1,501,566	1,504,003
Total capital	2,910,495	2,147,370
Net debt to capital ratio	0.48	0.30

The net debt position resulted primarily from normal operating and investing activities of the Group which include the acquisition of property, plant and equipment in prior years and during the year.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.3 Fair value estimation

(a) Fair value hierarchy

The table below analyses financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

For the disclosures of the investment properties that are measured at fair value, please refer to Note 15.

Fair value of the Group's investment properties are categorised as level 3 measurement in the three-level fair value hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1, Level 2 and Level 3 fair value hierarchy classifications.

There were no significant changes in valuation techniques during the year.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the year. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Progress of construction works

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of construction works (including electrical and mechanical installation). The progress is determined by the entity's efforts or inputs to the satisfaction of performance obligations (for example, resources consumed, labour hours expended and cost incurred) relative to the total expected inputs to the satisfaction of that performance obligation. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress and budgeted revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

(b) Estimation of loss provisions in respect of construction works

The Group's management estimates the amount of loss provisions of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise subcontracting charges and costs of materials are prepared by management on the basis of quotations provided by the major contractors, suppliers and vendors involved, and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will be subject to significant variances and impact the amount of loss provisions of construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget.

Notes to the Consolidated Financial Statements

5 Revenue and segment information

(a) Disaggregation of revenue

The Group is principally engaged in contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials supply, property investment and development and hotel operations.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue		
Construction	5,604,081	4,413,759
Electrical and mechanical installation	2,079,920	2,139,573
Building materials supply	86,295	87,715
Property investment and development	12,466	2,487
Hotel operations	936	1,934
Others	27,955	40,493
	7,811,653	6,685,961

(b) Segment information

For the year ended 31 March 2024, the Group recognised revenue from contracts with customers (including construction, electrical and mechanical installation, hotel operations and others) over time except for revenue from building materials supply of HK\$86,295,000 (2023: HK\$87,715,000), property sales of HK\$9,800,000 (2023: nil) and others of HK\$25,719,000 (2023: HK\$33,280,000), which were recognised at a point in time. The revenue from other source (rental income included in property investment and development and hotel operations) amounted to HK\$3,602,000 (2023: HK\$4,421,000).

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

The chief operating decision makers have been identified as the Executive Directors. In accordance with the Group's internal financial reporting provided to the Executive Directors, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are as follows:

- Construction – Contracting of building construction, plumbing, renovation, maintenance and fitting-out projects
- Electrical and mechanical installation – Provision of electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services
- Building materials supply – Supply of construction and building materials
- Property investment and development
- Hotel operations

Other operations of the Group mainly comprise computer software development and architectural and engineering services which are not of a sufficient size to be reported separately.

Segment information below included inter-segment and intra-segment sales which were considered by chief operating decision makers in allocating resources, assessing performance of the operating segments and making strategic decisions.

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

	Construction HK\$'000	Electrical & Mechanical Installation HK\$'000	Building Materials Supply HK\$'000	Property Investment and Development HK\$'000	Hotel Operations HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2024							
Total sales	5,884,655	2,930,790	801,216	112,721	936	138,005	9,868,323
Inter-segment and intra-segment sales	(280,574)	(850,870)	(714,921)	(100,255)	-	(110,050)	(2,056,670)
External sales	5,604,081	2,079,920	86,295	12,466	936	27,955	7,811,653
Segment results	125,852	43,727	14,560	(16,118)	(11,673)	(9,972)	146,376
Share of loss of an associate	-	(1)	-	-	-	-	(1)
Share of loss of joint ventures	-	-	(11,925)	-	-	-	(11,925)
Impairment loss of investment in a joint venture	-	-	(10,167)	-	-	-	(10,167)
	125,852	43,726	(7,532)	(16,118)	(11,673)	(9,972)	124,283
Unallocated income							18,138
Finance costs							(56,109)
Profit before income tax							86,312
Income tax expense							(20,511)
Profit for the year							65,801
At 31 March 2024							
Segment assets	2,625,965	1,069,070	779,230	388,307	611,866	175,260	5,649,698
Interest in an associate	-	9	-	-	-	25	34
Interests in joint ventures	-	-	51,936	-	-	-	51,936
Unallocated assets							24,447
Total assets							5,726,115
Segment liabilities	(959,436)	(804,999)	(100,555)	(43,510)	(349)	(8,182)	(1,917,031)
Bank loans							(2,291,961)
Unallocated liabilities							(15,557)
Total liabilities							(4,224,549)
Year ended 31 March 2024							
Capital expenditure	22,134	5,460	26,310	24,998	100,476	9,645	189,023
Depreciation	14,028	17,093	36,603	3,019	4,947	7,815	83,505
Amortisation of other intangible assets	-	1,056	-	-	-	-	1,056
Fair value loss on investment properties	-	-	-	11,855	-	-	11,855

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

	Construction <i>HK\$'000</i>	Electrical & Mechanical Installation <i>HK\$'000</i>	Building Materials Supply <i>HK\$'000</i>	Property Investment and Development <i>HK\$'000</i>	Hotel Operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2023							
Total sales	4,441,663	2,616,238	372,792	2,593	1,934	149,680	7,584,900
Inter-segment and intra-segment sales	(27,904)	(476,665)	(285,077)	(106)	-	(109,187)	(898,939)
External sales	4,413,759	2,139,573	87,715	2,487	1,934	40,493	6,685,961
Segment results	117,378	65,911	(53,212)	(10,157)	(16,892)	(9,442)	93,586
Share of loss of an associate	-	(86)	-	-	-	-	(86)
Share of loss of joint ventures	-	-	(8,149)	-	-	-	(8,149)
	117,378	65,825	(61,361)	(10,157)	(16,892)	(9,442)	85,351
Unallocated income							7,135
Finance costs							(24,961)
Profit before income tax							67,525
Income tax expense							(19,553)
Profit for the year							47,972
At 31 March 2023							
Segment assets	1,895,771	1,003,677	803,556	408,052	476,844	160,322	4,748,222
Interest in an associate	-	10	-	-	-	25	35
Interests in joint ventures	-	-	77,381	-	-	-	77,381
Unallocated assets							25,021
Total assets							4,850,659
Segment liabilities	(964,791)	(819,859)	(64,097)	(105,550)	(1,096)	(10,117)	(1,965,510)
Bank loans							(1,366,994)
Unallocated liabilities							(14,152)
Total liabilities							(3,346,656)
Year ended 31 March 2023							
Capital expenditure	19,772	5,450	19,201	3	204	5,918	50,548
Depreciation	14,401	17,146	38,906	2,736	10,699	7,691	91,579
Amortisation of other intangible assets	-	1,056	-	-	-	-	1,056
Fair value loss on investment properties	-	-	-	7,140	-	-	7,140

Notes to the Consolidated Financial Statements

5 Revenue and segment information (continued)

(b) Segment information (continued)

The analysis of revenue by geographical area is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	7,550,333	6,428,548
Non-Hong Kong	261,320	257,413
	7,811,653	6,685,961

Revenue of approximately HK\$3,923,403,000 (2023: HK\$3,382,983,000) are derived from two (2023: three) major customers each contributing 10% or more of the total revenue.

Non-current assets, other than financial instruments and deferred income tax assets, by geographical area are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	1,021,331	819,600
Non-Hong Kong	490,715	547,267
	1,512,046	1,366,867

Notes to the Consolidated Financial Statements

6 Other income and losses, net

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other income		
Bank interest income	11,729	5,239
Interest income from subcontractors	919	2,370
Sundry income	9,718	10,591
	22,366	18,200
Other losses, net		
Gain/(loss) on disposal of property, plant and equipment, net	2,711	(351)
Fair value loss on investment properties (<i>Note 15</i>)	(11,855)	(7,140)
Exchange loss, net	(1)	(1,084)
	(9,145)	(8,575)
	13,221	9,625

Notes to the Consolidated Financial Statements

7 Expenses by nature

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of construction	5,379,103	4,880,804
Cost of inventories sold	505,432	233,241
Cost of properties sold (<i>Note 24</i>)	9,800	–
Staff costs (excluding directors' emoluments)* (<i>Note 13</i>)	1,368,175	1,169,133
Directors' emoluments (<i>Note 36</i>)	28,927	27,481
Depreciation (<i>Note 14</i>)		
Owned property, plant and equipment	59,725	68,707
Leased property, plant and equipment	23,780	22,872
	83,505	91,579
Expenses relating to short-term leases of		
Land and buildings	2,418	2,794
Other equipment	112,041	50,082
	114,459	52,876
Amortisation of other intangible assets (<i>Note 16</i>)	1,056	1,056
Movement in loss allowance for trade debtors (Write-back of provision)/provision for inventories	4,403 (20)	8,200 69
Auditors' remuneration		
– Audit services	5,297	5,294
– Non-audit services	423	977
Direct operating expenses arising from investment properties		
– Generate rental income	510	582
– Not generate rental income	66	59
Selling and distribution costs	40,772	13,155
Others	118,452	110,359
Total cost of sales, selling and distribution costs, administrative and other operating expenses	7,660,360	6,594,865

* During the year ended 31 March 2023, subsidies of approximately HK\$30,716,000 from the Employment Support Scheme under Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region were recognised in "cost of sales" and "administrative expenses" and offset against the "staff costs".

Notes to the Consolidated Financial Statements

8 Directors' and senior management's emoluments

(a) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2023: four) Directors whose emoluments are reflected in the analysis shown in Note 36. The emoluments paid and payable to the remaining one (2023: one) highest-paid individual in 2024 were as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries	1,692	1,940
Bonuses	2,367	2,250
Retirement benefits	75	89
	4,134	4,279

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
HK\$4,000,001-HK\$4,500,000	1	1

(b) During the years ended 31 March 2024 and 2023, no emoluments have been paid by the Group to the Directors or the five highest-paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors waived or has agreed to waive any emoluments.

(c) Senior management (excluding directors) remuneration by bands

The remuneration fell within the following bands for the years ended 31 March 2024 and 2023:

	Number of individuals	
	2024	2023
HK\$1,500,001-HK\$2,000,000	2	1
HK\$2,000,001-HK\$2,500,000	-	1
HK\$2,500,001-HK\$3,000,000	3	4
HK\$3,000,001-HK\$3,500,000	1	-
	6	6

Notes to the Consolidated Financial Statements

9 Finance costs

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on short-term bank loans	60,263	24,355
Interest on long-term bank loans	40,568	14,454
Interest element of lease payments (<i>Note 14(b)(ii)</i>)	861	545
	101,692	39,354
Total borrowing costs incurred	(45,583)	(14,393)
Less: Classified as cost of construction	56,109	24,961

10 Income tax expense

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong profits tax provision for the year	20,317	13,637
Non-Hong Kong tax provision for the year	454	159
(Over)/under provision in prior years	(165)	275
Deferred income tax relating to the origination and reversal of temporary differences (<i>Note 26</i>)	(95)	5,482
	20,511	19,553

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2023: 8.25% and 16.5%) on the estimated assessable profits for the year. Under the two-tiered profits tax rates regime introduced on 29 March 2018, Hong Kong profits tax rate for the first HK\$2 million of assessable profits is 8.25%. Assessable profits above HK\$2 million is at the rate of 16.5%.

Taxation on non-Hong Kong profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries/regions in which the Group operates.

Subsidiaries operated in the People's Republic of China ("PRC") are subject to corporate income tax ("CIT") rate of 25% (2023: 25%). Some subsidiaries operated in the PRC qualified as a National High and New Technology Enterprise ("HNTE") with a validity of three years. According to the CIT Law, the enterprise qualifying the HNTE status is entitled to the 15% reduced CIT rate subject to a record-filing to the in-charge tax bureau. As such, the applicable CIT rate for those subsidiaries is 15% (2023: 15%) during the year. Subsidiaries and branch offices established in Macau are subject to Macau profits tax at a rate of 12% during the year (2023: 12%).

Notes to the Consolidated Financial Statements

10 Income tax expense (continued)

The tax charge on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit before income tax	86,312	67,525
Share of loss of an associate and joint ventures	11,926	8,235
	98,238	75,760
Calculated at a taxation rate of 16.5% (2023: 16.5%)	16,209	12,500
Effect of different tax rates in other countries	(2,646)	(1,352)
Income not subject to taxation	(1,692)	(5,583)
Expenses not deductible for taxation purposes	4,313	3,766
Temporary differences not recognised	(115)	2,920
Tax losses not recognised	15,407	12,200
Utilisation of previously unrecognised tax losses	(9,866)	(4,923)
(Over)/under-provision in prior years	(165)	275
Others	(934)	(250)
Income tax expense	20,511	19,553

11 Dividend

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interim dividend paid during the year		
Interim – HK2.50 cents (2023:HK2.50 cents) per ordinary share	10,951	10,951
Proposed final dividend		
Final – HK2.50 cents (2023:HK2.50 cents) per ordinary share	10,951	10,951
	21,902	21,902

In the Board meeting held on 24 June 2024, the Directors recommended the payment of a final dividend of HK2.50 cents (2023: HK2.50 cents) per share, totalling of HK\$10,951,000 (2023: HK\$10,951,000) for the year ended 31 March 2024.

Notes to the Consolidated Financial Statements

12 Earnings per share (basic and diluted)

The calculation of earnings per share is based on:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net profit attributable to the equity holders of the Company	67,093	49,636
	2024	2023
Weighted average number of shares in issue during the year	438,053,600	438,053,600
Basic earnings per share	HK15.32 cents	HK11.33 cents

Diluted earnings per share for the years ended 31 March 2024 and 2023 are equal to basic earnings per share as there are no potential dilutive shares in issue during the years.

13 Staff costs (excluding directors' emoluments)

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Salaries, wages and bonuses	1,297,526	1,098,814
Provision for unutilised annual leave	439	3,592
Long service payments and pension costs	69,974	66,672
Termination benefits	236	55
	1,368,175	1,169,133

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such considerations) to offset existing contributions under the defined contribution schemes.

Notes to the Consolidated Financial Statements

14 Property, plant and equipment

	Leasehold				Leasehold improvements	Plant and machinery	Furniture, fixtures	Motor vehicles	Construction in progress	Total
	Hotel property	land and buildings	Land use rights	Leased properties			and office equipment			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2023										
Opening net book value	462,685	472,078	65,893	31,345	26,659	82,263	18,297	11,985	-	1,171,205
Additions	-	-	-	2,283	26	28,676	11,737	7,622	204	50,548
Disposals	-	-	-	-	-	(1,896)	(31)	(604)	-	(2,531)
Lease modification	-	-	-	1,785	-	-	-	-	-	1,785
Depreciation (<i>Note 7</i>)	(2,954)	(25,498)	(1,920)	(17,285)	(9,171)	(19,878)	(9,128)	(5,745)	-	(91,579)
Currency translation differences	-	(26,108)	(4,803)	(62)	-	(2,577)	(422)	(177)	-	(34,149)
Closing net book value	459,731	420,472	59,170	18,066	17,514	86,588	20,453	13,081	204	1,095,279
At 31 March 2023										
Cost	490,993	622,012	80,266	55,116	201,132	323,907	176,573	60,465	204	2,010,668
Accumulated depreciation	(31,262)	(201,540)	(21,096)	(37,050)	(183,618)	(237,319)	(156,120)	(47,384)	-	(915,389)
Net book value	459,731	420,472	59,170	18,066	17,514	86,588	20,453	13,081	204	1,095,279
Year ended 31 March 2024										
Opening net book value	459,731	420,472	59,170	18,066	17,514	86,588	20,453	13,081	204	1,095,279
Additions	-	33,788	-	7,767	-	16,070	17,576	8,985	99,782	183,968
Disposals	-	-	-	-	(23)	(303)	(358)	(153)	-	(837)
Lease modification	-	-	-	(211)	-	-	-	-	-	(211)
Depreciation (<i>Note 7</i>)	(2,953)	(24,142)	(1,805)	(16,287)	(3,991)	(18,931)	(9,484)	(5,912)	-	(83,505)
Currency translation differences	-	(16,479)	(2,992)	(51)	-	(1,580)	(354)	(112)	-	(21,568)
Closing net book value	456,778	413,639	54,373	9,284	13,500	81,844	27,833	15,889	99,986	1,173,126
At 31 March 2024										
Cost	490,993	630,955	76,145	55,612	188,732	331,162	142,236	62,777	99,986	2,078,598
Accumulated depreciation	(34,215)	(217,316)	(21,772)	(46,328)	(175,232)	(249,318)	(114,403)	(46,888)	-	(905,472)
Net book value	456,778	413,639	54,373	9,284	13,500	81,844	27,833	15,889	99,986	1,173,126

Notes to the Consolidated Financial Statements

14 Property, plant and equipment (continued)

- (a) The net book value of property, plant and equipment pledged as security for the Group's banking facilities amounted to HK\$510,457,000 (2023: HK\$515,765,000) (Notes 25 and 32(d)).
- (b) Leases

This note provides information for leases where the Group is a lessee.

The Group leases a number of premises mainly for use as office premises, staff quarter and warehouses. The leases are typically made for fixed periods from 2 to 5 years.

- (i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2024 HK\$'000	2023 HK\$'000
Right-of-use assets		
Hotel property	360,218	360,658
Leasehold land	92,034	75,484
Land use rights	54,373	59,170
Leased properties	9,285	18,066
Plant and machinery	8,795	–
Motor vehicles	5,153	–
	529,858	513,378
Lease liabilities		
Current (included in accruals, retention payables, deposits received and other liabilities)	13,035	14,512
Non-current (included in other non-current liabilities)	9,518	4,442
	22,553	18,954

Additions to the right-of-use assets during the year ended 31 March 2024 were HK\$47,587,000 (2023: HK\$2,283,000).

Notes to the Consolidated Financial Statements

14 Property, plant and equipment (continued)

(b) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2024 HK\$'000	2023 HK\$'000
Depreciation charge of right-of-use assets		
Hotel property	440	440
Leasehold land	3,394	3,112
Land use rights	1,805	1,920
Leased properties	16,287	17,285
Plant and machinery	1,157	–
Motor vehicles	697	115
	23,780	22,872
Interest expense (included in cost of sales and finance costs) (<i>Note 9</i>)	861	545
Expense relating to short-term leases (<i>Note 7</i>)	114,459	52,876

The total cash outflow for leases during the year ended 31 March 2024 was HK\$135,537,000 (2023: HK\$71,421,000).

(c) Compensation for relocation of ex-Longhua Shenzhen factory

Pursuant to the Relocation Compensation Agreement entered into between the Group and the landlord for the relocation of ex-Longhua Shenzhen factory, the Group received cash compensation of RMB100,000,000 in the year ended 31 March 2016. In addition, the Group is entitled to 10,000 square metres of the new residential properties upon completion of the development.

Notes to the Consolidated Financial Statements

15 Investment properties

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Beginning of year	170,100	177,240
Additions	5,055	–
Transfer from completed properties held for sale (<i>Note 24</i>)	100,634	–
Fair value loss recognised in the consolidated income statement (<i>Note 6</i>)	(11,855)	(7,140)
End of year	263,934	170,100

Valuation process

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31 March 2024 and 2023 have been determined on the basis of valuations carried out by independent valuers. Investment properties situated in Hong Kong and Macau were valued as at 31 March 2024 by Jones Lang LaSalle Limited, an independent firm of qualified property valuers. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method.

Fair value measurements using significant unobservable inputs

Fair values of completed investment properties are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently been transacted. However, given the heterogeneous nature of real estate properties, significant adjustments are required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

Notes to the Consolidated Financial Statements

15 Investment properties (continued)

Fair value measurements using significant unobservable inputs (continued)

Information about fair value measurements using significant unobservable inputs for the Group's principal investment properties

Location	Description	Fair value		Valuation Techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
		2024 HK\$'000	2023 HK\$'000			
Hong Kong	Residential units/ retail shops	249,934	154,600	Direct comparison	Comparable sales price – HK\$6,782 to HK\$46,838 per square feet (2023: HK\$6,782 to HK\$49,065 per square feet)	The higher the comparable sales price, the higher the fair value
Macau	Commercial unit	14,000	15,500	Direct comparison	Comparable sales price – HK\$8,682 to HK\$10,189 per square feet (2023: HK\$9,172 to HK\$10,189 per square feet)	The higher the comparable sales price, the higher the fair value
		263,934	170,100			

Investment properties amounting to HK\$59,700,000 (2023: HK\$104,400,000) are pledged as security for the bank loans of the Group (Notes 25 and 32(d)).

Notes to the Consolidated Financial Statements

16 Goodwill and other intangible assets

	Goodwill (Note (a)) <i>HK\$'000</i>	Other intangible assets (Note (b)) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2023			
Opening net book value	17,898	7,230	25,128
Amortisation (<i>Note 7</i>)	–	(1,056)	(1,056)
Closing net book value	17,898	6,174	24,072
At 31 March 2023			
Cost	17,898	21,837	39,735
Accumulated amortisation	–	(15,663)	(15,663)
Net book value	17,898	6,174	24,072
Year ended 31 March 2024			
Opening net book value	17,898	6,174	24,072
Amortisation (<i>Note 7</i>)	–	(1,056)	(1,056)
Closing net book value	17,898	5,118	23,016
At 31 March 2024			
Cost	17,898	21,837	39,735
Accumulated amortisation	–	(16,719)	(16,719)
Net book value	17,898	5,118	23,016

Notes to the Consolidated Financial Statements

16 Goodwill and other intangible assets (continued)

- (a) Goodwill arising from the acquisition of REC Engineering Company Limited group ("REC"), the acquisitions of O-Link Limited and Hoi Fai Lift Engineering and Services Limited are allocated to REC's CGUs identified according to operating segments.

For impairment assessment of goodwill, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections prepared based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates which do not exceed the long-term average growth rate in which the CGU operates.

Key assumptions used in value-in-use calculations include:

- (i) gross margin ranging from 6% to 7% per annum (2023: 6% to 7%);
- (ii) revenue growth rate ranging from 1% to 2% per annum (2023: 1% to 2%); and
- (iii) discount rate of 11% per annum (2023: 11%).

Management determined budgeted gross margin based on past performance and the expectations for the market development.

- (b) Other intangible assets relate substantially to the customer relationships held by REC. The Group has entered into agreements to deliver electrical and mechanical installation services to long-term customers, including various government departments and major players in the construction industry, and expect to continue having business with these long-term customers in the future.

Notes to the Consolidated Financial Statements

17 Subsidiaries

The following is a list of the principal subsidiaries as at 31 March 2024:

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by		
				Company	Subsidiaries	Group
Bellaglade Company Limited	Hong Kong	HK\$2	Property holding	-	100%	100%
Best Fortune Investment Limited	Hong Kong	HK\$5,000,000	Property investment	-	100%	100%
City Hope Limited <i>(Note)</i>	The British Virgin Islands/Hong Kong	US\$10	Property investment	-	100%	100%
First Smart Investment Limited	Hong Kong	HK\$2	Financing services	-	100%	100%
Global Virtual Design and Construction (Singapore) Pte. Ltd.	Singapore	S\$10,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	-	100%	100%
Global Virtual Design and Construction Limited	Hong Kong	HK\$1	Provision of Building Information Modeling and other Virtual Design & Construction Services	-	100%	100%
Grace Top Investment Limited	Hong Kong	HK\$1	Property holding	-	100%	100%
Guangdong Yuean REC Mechanical and Electrical Engineering Company Limited**	Mainland China	RMB6,704,836	Engineering services	-	100%	100%
Hoi Fai Lift Engineering and Services Limited	Hong Kong	HK\$300,000	Provision of lift repair and maintenance services	-	100%	100%
InnoBuild Construction Company Limited	Hong Kong	HK\$500,000	Building construction and maintenance	-	100%	100%
InnoVision Architects & Engineers Limited	Hong Kong	HK\$1	Architectural and engineering services	-	100%	100%
Leena Theme Painting Limited	Hong Kong	HK\$1	Theme painting	-	100%	100%
Million Wealth Enterprises Limited	Hong Kong	HK\$2	Property investment	-	100%	100%
O-Link Limited	Hong Kong	HK\$2,000,000	Provision of welding services for pipes and fillings	-	55%	55%

** the subsidiary is registered as a Sino-foreign Equity Joint Venture under PRC law

Notes to the Consolidated Financial Statements

17 Subsidiaries (continued)

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by		
				Company	Subsidiaries	Group
REC (China) Company Limited	Hong Kong	HK\$13,800,000	Electrical and mechanical engineering services and investment holding	–	100%	100%
REC Building Services (Macao) Limited	Macau	MOP100,000	Provision of design, installation and maintenance services of building services	–	100%	100%
REC Engineering Company Limited	Hong Kong	HK\$50,000,000	Electrical, mechanical, ventilation and air conditioning, fire, plumbing and environmental engineering services and investment holding	100%	–	100%
REC Engineering Contracting Company Limited	Hong Kong	HK\$2,000,000	Electrical and mechanical engineering services	–	100%	100%
REC Green Energy Solutions Company Limited	Hong Kong	HK\$1	Development of environmental protection related software and programming activities	–	100%	100%
REC Green Technologies Company Limited	Hong Kong	HK\$1	Engage in energy optimisation solution and environmental protection business	–	100%	100%
Rich Asia Management Limited	Hong Kong	HK\$1	Property development	–	100%	100%
Tin Sing Chemical Engineers Limited	Hong Kong	HK\$1,000,000	Water treatment services	–	100%	100%
VHSoft Technologies Company Limited	Hong Kong	HK\$2	Computer software development	–	100%	100%
Yau Lee Building Construction and Decoration Company Limited	Hong Kong	HK\$100,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction (Macao) Company Limited	Macau	MOP1,000,000	Building construction, maintenance and fitting-out	–	100%	100%

Notes to the Consolidated Financial Statements

17 Subsidiaries (continued)

Name	Place of incorporation/ operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by		
				Company	Subsidiaries	Group
Yau Lee Construction (Singapore) Pte. Ltd.	Singapore	S\$37,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Company Limited	Hong Kong	HK\$236,000,000	Building construction, maintenance and fitting-out	–	100%	100%
Yau Lee Construction Management Company Limited	Hong Kong	HK\$2	Project management & consultancy services	–	100%	100%
Yau Lee Curtain Wall and Steel Works Limited	Hong Kong	HK\$25,000,000	Curtain wall installation	–	100%	100%
Yau Lee Development (Singapore) Pte. Ltd.	Singapore	S\$50,000	Property and investment holding	–	100%	100%
Yau Lee Hotel Limited	Hong Kong	HK\$2	Hotel management	–	100%	100%
Yau Lee Innovative Technology Limited	Hong Kong	HK\$2	Licensing of patent	–	100%	100%
Yau Lee Investment Limited	The British Virgin Islands/Hong Kong	US\$100	Investment holding	100%	–	100%
Yau Lee Wah Concrete Precast Products Company Limited	Hong Kong	HK\$10,000,000	Sale of precast products	–	100%	100%
Yau Lee Wah Precast Technology (Luoyang) Company Limited	Hong Kong	HK\$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Shenzhen) Company Limited	Hong Kong	HK\$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Weifang) Company Limited	Hong Kong	HK\$10,000	Investment holding	–	100%	100%
Yau Lee Wah Precast Technology (Yichang) Company Limited	Hong Kong	HK\$10,000	Investment holding	–	100%	100%
Yau Lee Wah Technology Development Company Limited	Hong Kong	HK\$10,000	Investment holding	–	100%	100%

Notes to the Consolidated Financial Statements

17 Subsidiaries (continued)

Name	Place of incorporation/operation	Particulars of registered/issued share capital	Principal activities	Percentage of registered/issued share capital held by		
				Company	Subsidiaries	Group
有利華建材(惠州)有限公司*	Mainland China	HK\$255,000,000	Manufacturing of precast products and building materials	-	100%	100%
有利華建築產業化科技(深圳)有限公司*	Mainland China	HK\$1,000,000	Sale of precast products	-	100%	100%
有利華建築產業文化(深圳)有限公司*	Mainland China	HK\$10,000	Books distribution and provision of training	-	100%	100%
有利華建築預制件(深圳)有限公司*	Mainland China	HK\$21,000,000	Manufacturing of precast products	-	100%	100%
全球模擬設計與建造(深圳)有限公司*	Mainland China	HK\$1,000,000	Provision of Building Information Modeling and other Virtual Design & Construction Services	-	100%	100%
利盈電機電工程(上海)有限公司*	Mainland China	US\$13,920,000	Engineering services	-	100%	100%
利華泰建材貿易(深圳)有限公司*	Mainland China	HK\$2,100,000	Trading of building materials	-	100%	100%
盈電環保節能科技(廣州)有限公司*	Mainland China	RMB6,500,000	Trading of environmental technology products	-	100%	100%
緯衡浩建科技(深圳)有限公司*	Mainland China	HK\$3,000,000	Computer software development	-	100%	100%

* the subsidiary is registered as a Wholly Owned Foreign Enterprise under PRC law

Note: Transaction with non-controlling Interests

In February 2023, Yau Lee Investment Limited, a directly wholly-owned subsidiary of the Company acquired from the non-controlling interests additional 10% equity interest of City Hope Limited at a net consideration of HK\$280,000.

Immediately prior to the purchase, the carrying amount of the existing 10% non-controlling interests in City Hope Limited was approximately HK\$524,000. The Group recognised a decrease in non-controlling interests of HK\$524,000 and an increase in equity attributable to owners of HK\$244,000.

Notes to the Consolidated Financial Statements

18 Associate

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Beginning of year	35	361
Share of loss	(1)	(86)
Capital reduction	–	(240)
End of year	34	35

- (a) The following are the details of the Group's associate at 31 March 2024 and 2023:

Name	Particulars of issued share capital	Place of incorporation	Interest held	
			2024	2023
EYE Lighting (Hong Kong) Limited ("Eye Lighting") (<i>Note (b)</i>)	HK\$1,370,000	Hong Kong	38%	38%

There are no contingent liabilities relating to the Group's interest in the associate.

- (b) Eye Lighting is 38% owned by the Group and it is engaged in the trading of electric bulbs, light fittings and related products.

Notes to the Consolidated Financial Statements

19 Joint arrangements

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Investments in joint ventures		
Beginning of year	77,381	93,789
Share of loss	(11,925)	(8,149)
Impairment loss of investment in a joint venture (<i>Note (c)</i>)	(10,167)	–
Currency translation differences	(3,353)	(8,259)
End of year	51,936	77,381
Due from a joint operation (<i>Note (f)</i>)	6,590	7,938
Due from other partners of joint operations (<i>Note (f)</i>)	12,626	19,838
Due to joint operations (<i>Note (f)</i>)	(9,624)	(2,799)
Due to a partner of a joint operation (<i>Note (f)</i>)	–	(8,858)

Notes to the Consolidated Financial Statements

19 Joint arrangements (continued)

(a) The following is a list of the Group's joint ventures at 31 March 2024 and 2023:

Name	Particulars of registered/issued share capital	Place of incorporation	Effective interest	
			2024	2023
江蘇益建拓華智能建築科技有限公司(<i>Note (b)</i>)	RMB100,000,000	Mainland China	35%	35%
湖北廣盛建築產業化科技有限公司(<i>Note (d)</i>)	RMB100,000,000	Mainland China	40%	40%
河南安華建築科技有限公司(<i>Note (c)</i>)	RMB100,000,000	Mainland China	40%	40%
濰坊三建建材科技有限公司(<i>Note (d)</i>)	RMB100,000,000	Mainland China	40%	40%

These joint ventures are accounted for using the equity method. There are no contingent liabilities relating to the Group's interest in the joint ventures.

- (b) 江蘇益建拓華智能建築科技有限公司(formerly known as 江蘇省第一建築安裝集團(鎮江)產業化科技有限公司) is a joint venture with a Chinese party, and is engaged in precast development and distribution. For the year ended 31 March 2022, the Chinese partner faced financial issues that created adverse effect to the normal operations of such joint venture. After considering the financial position of such joint venture and the likelihood of recovering the net investment in the joint venture, management made a full impairment of HK\$35,000,000 against its carrying amount of this investment in joint venture.
- (c) 河南安華建築科技有限公司 is a joint venture with a Chinese party, and is engaged in precast development and distribution. During the year ended 31 March 2024, the Chinese partner faced financial issues that created adverse effect to the normal operations of such joint venture. After considering the financial position of such joint venture and the likelihood of recovering the net investment in the joint venture, management made a full impairment of HK\$10,167,000 against its carrying amount of this investment in joint venture.
- (d) 湖北廣盛建築產業化科技有限公司 and 濰坊三建建材科技有限公司 are joint ventures with Chinese parties, and are engaged in precast development and distribution.

Notes to the Consolidated Financial Statements

19 Joint arrangements (continued)

(e) The following is a list of the Group's joint operations at 31 March 2024 and 2023:

Name	Place of establishment	Principal activities	Effective interest	
			2024	2023
Hsin Chong-Yau Lee Joint Venture	Hong Kong	Building construction	50%	50%
REC-CEL Joint Venture	Hong Kong	Electrical and mechanical services	50%	50%
CEL-REC-AEL Joint Venture	Hong Kong	Electrical and mechanical services	35%	35%
CRBC-QH-REC-QTEC Joint Venture (Operation and Maintenance)	Hong Kong	Electrical and mechanical services	12%	N/A
CRBC-QH-REC-QTEC Joint Venture (Design and Build)	Hong Kong	Electrical and mechanical services	33%	N/A
KUM SHING-REC Joint Venture	Hong Kong	Electrical and mechanical services	60%	N/A

(f) The amounts due from/(to) joint operations and other partners of joint operations of the Group were unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements

20 Cash and bank balances

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cash and bank balances	474,385	502,914
Time deposits	387,426	185,799
Restricted deposits (<i>Note a</i>)	43,774	53,868
	905,585	742,581

- (a) Restricted deposits of HK\$43,774,000 (2023: HK\$53,868,000) are funds which are pledged as security for the banking facilities of the Group (Notes 25 and 32(a)).
- (b) Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cash and bank balances	474,385	502,914
Time deposits with original maturity of less than three months	387,426	185,799
	861,811	688,713

- (c) The Group's cash and bank balances are mainly denominated in the following currencies:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong dollars	736,197	590,348
Renminbi	150,259	123,308
Macau Patacas	7,461	11,517
Singapore dollars	6,429	8,009
Japanese yen	4,848	6,568
Other currencies	391	2,831
	905,585	742,581

- (d) Interest rates of time deposits and restricted deposits ranged from 2.50% to 5.16% (2023: 0.30% to 4.10%) per annum.

Notes to the Consolidated Financial Statements

21 Trade and other receivables

(a) Trade debtors, net

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade debtors	493,475	366,195
Retention receivables	422,808	383,481
Loss allowance	(47,045)	(46,912)
	869,238	702,764

The aging analysis of trade debtors, net by overdue day(s) is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current	755,851	609,570
1-30 days	42,775	16,761
31-90 days	19,189	18,933
91-180 days	22,563	19,610
Over 180 days	28,860	37,890
	113,387	93,194
	869,238	702,764

Trade debtors are due from 30 days to 150 days after invoicing depending on the nature of services or products.

Notes to the Consolidated Financial Statements

21 Trade and other receivables (continued)

(a) Trade debtors, net (continued)

Movements of provision for impairment of trade debtors are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Beginning of year	46,912	47,059
Movement in loss allowance	4,403	8,200
Written-off of impaired receivables	(3,903)	(8,042)
Currency translation differences	(367)	(305)
End of year	47,045	46,912

The Group's trade debtors balances, net are mainly denominated in the following currencies:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong dollars	788,508	600,492
Renminbi	47,112	67,439
Macau Patacas	33,077	33,609
Singapore dollars	435	443
United States dollars	106	781
	869,238	702,764

(b) Prepayments, deposits and other receivables

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Advances to subcontractors	96,367	103,181
Prepayments and deposits	71,295	56,982
Other receivables	60,836	64,787
	228,498	224,950

The Group's prepayments, deposits and other receivables are mainly denominated in Hong Kong dollars and Renminbi. Included in advances to subcontractors are amounts of HK\$56,129,000 (2023: HK\$88,612,000) which carry interest ranging from 4.0% to 9.9% (2023: 4.0% to 9.6%) per annum. All other advances to subcontractors are interest free and have no fixed terms of repayment.

The Group does not hold any collateral as security for trade and other receivables.

Notes to the Consolidated Financial Statements

21 Trade and other receivables (continued)

(c) Mortgage loans receivables

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Mortgage loans receivables	11,795	13,018
Interest receivable	16	17
	11,811	13,035
Included in:		
Non-current	10,491	11,786
Current	1,320	1,249
	11,811	13,035

Mortgage loans receivables are advances to purchasers of development properties of the Group and are secured by first mortgage on the related properties, carrying interest at rates with reference to banks' lending rates and are repayable within 10 to 25 years from the dates of inception of the loans. The balances are denominated in Hong Kong dollars. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the mortgage loans and interest receivable minus security mentioned above.

As at 31 March 2024 and 2023, none of loan and interest receivables were past due or impaired.

22 Inventories

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Raw materials	96,708	105,411
Finished goods	43,417	43,387
Others	5,443	5,684
	145,568	154,482

Notes to the Consolidated Financial Statements

23 Contract assets and contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	2024 HK\$'000	2023 HK\$'000
Contract assets related to Construction contracts and electrical and mechanical installation contracts	1,872,425	1,342,793
Contract liabilities related to Construction contracts and electrical and mechanical installation contracts	597,485	671,937
Others	448	4,954
	597,933	676,891

(i) Revenue recognised in relation to contract liabilities

Revenue of HK\$443,683,000 (2023: HK\$538,160,000) was recognised in the current reporting period relating to carried-forward contract liabilities of construction contracts and electrical and mechanical installation contracts.

Revenue of HK\$86,992,000 (2023: HK\$107,350,000) was recognised in the current reporting period relating to performance obligations satisfied or partially satisfied in previous periods.

(ii) Unsatisfied contracts related to construction contracts and electrical and mechanical installation contracts

As at 31 March 2024, the aggregate amount of the transaction price allocated to construction contracts and electrical and mechanical installation contracts that are partially or fully unsatisfied is HK\$21,750,509,000 (2023: HK\$17,181,075,000). The amounts expected to be recognised within 1 year is HK\$8,592,442,000 (2023: HK\$7,570,231,000) for construction contracts and electrical and mechanical installation contracts. The remaining amounts expected to be recognised over 1 year.

Notes to the Consolidated Financial Statements

24 Completed properties held for sale

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Beginning of year	222,760	222,760
Property sold	(9,800)	–
Transfer to investment properties (<i>Note 15</i>)	(100,634)	–
End of year	112,326	222,760

25 Borrowings

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current		
Long-term bank loans – secured	441,500	449,200
Current		
Short-term bank loans – secured	1,506,261	880,394
Current portion of long-term bank loans – secured	344,200	37,400
	1,850,461	917,794
Total borrowings	2,291,961	1,366,994

(a) The maturity of borrowings is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 year	1,850,461	917,794
After 1 year but within 2 years	107,500	328,200
After 2 years but within 5 years	334,000	121,000
	2,291,961	1,366,994

Notes to the Consolidated Financial Statements

25 Borrowings (continued)

(b) The annual effective interest rates at the balance sheet date are as follows:

	2024	2023
	%	%
Short-term bank loans	5.9	4.3
Long-term bank loans	5.8	4.2

- (c) The carrying amounts of borrowings approximate their fair values and are denominated in Hong Kong dollars.
- (d) The bank borrowings are secured by certain property, plant and equipment, investment properties, and restricted deposits of the Group (Notes 14, 15, 20 and 32).

Notes to the Consolidated Financial Statements

26 Deferred income tax

The movement of net deferred income tax assets/(liabilities) is as follows:

	2024 HK\$'000	2023 HK\$'000
Beginning of year	(5,513)	(241)
Credited/(charged) to consolidated income statement (<i>Note 10</i>)	95	(5,482)
Currency translation differences	127	210
End of year	(5,291)	(5,513)

The movement in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same taxation jurisdiction is as follows:

Assets/(liabilities)	Tax losses		Intangible assets		Accelerated depreciation allowance		Property revaluation		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	9,710	14,272	(899)	(1,073)	(12,788)	(11,839)	(1,536)	(1,601)	(5,513)	(241)
Credited/(charged) to consolidated income statement	133	(4,562)	173	174	(392)	(1,159)	181	65	95	(5,482)
Currency translation differences	-	-	-	-	127	210	-	-	127	210
End of year	9,843	9,710	(726)	(899)	(13,053)	(12,788)	(1,355)	(1,536)	(5,291)	(5,513)

Notes to the Consolidated Financial Statements

26 Deferred income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Deferred income tax assets	4,908	4,177
Deferred income tax liabilities	(10,199)	(9,690)

As at 31 March 2024, the Group has unrecognised tax losses of approximately HK\$1,063,012,000 (2023: HK\$1,009,965,000) to carry forward against future taxable income.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
With no expiry date	897,658	872,936
Expiring not later than one year	1,877	2,981
Expiring later than one year and not later than ten years	163,477	134,048
	1,063,012	1,009,965

Notes to the Consolidated Financial Statements

27 Payable to suppliers and subcontractors

The aging analysis of payables to suppliers and subcontractors by overdue day(s) is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current	553,238	339,948
1-30 days	39,164	34,425
31-90 days	9,176	4,067
91-180 days	1,601	1,325
Over 180 days	2,179	3,270
	52,120	43,087
	605,358	383,035

The Group's payables to suppliers and subcontractors balances are mainly denominated in the following currencies:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong dollars	565,572	357,073
Renminbi	38,716	22,796
United States dollars	895	2,780
Singapore dollars	139	44
Macau Patacas	36	1
Euro	–	341
	605,358	383,035

Notes to the Consolidated Financial Statements

28 Other payables

(a) Accruals, retention payables, deposits received and other liabilities

	2024 HK\$'000	2023 HK\$'000
Retention payables	334,798	348,117
Other deposits	20,824	20,227
Due to non-controlling interests (<i>Note</i>)	15,785	15,785
Lease liabilities (<i>Note 14(b)(i)</i>)	13,035	14,512
Others	310,317	480,142
	694,759	878,783

Note: The amount due to non-controlling interests of the Group was unsecured, interest free and repayable on demand.

(b) Other non-current liabilities

	2024 HK\$'000	2023 HK\$'000
Lease liabilities (<i>Note 14(b)(i)</i>)	9,518	4,442
Others	–	4,160
	9,518	8,602

29 Share capital

	Number of shares		Amount	
	2024	2023	2024 HK\$'000	2023 HK\$'000
Ordinary shares of HK\$0.2 each				
Authorised:				
At beginning and end of the year	1,000,000,000	1,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning and end of the year	438,053,600	438,053,600	87,611	87,611

Notes to the Consolidated Financial Statements

30 Other reserves and retained profits

	Other reserves					Total HK\$'000	Retained profits HK\$'000
	Share	Capital	Currency	Property	Other		
	premium	redemption	translation	revaluation	reserve		
	reserve	reserve	reserve	reserve	reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2022	413,776	359	23,819	55,366	704	494,024	959,840
Profit for the year	-	-	-	-	-	-	49,636
Other comprehensive income:							
Currency translation differences	-	-	(63,144)	-	-	(63,144)	-
Acquisition of additional equity interest in a subsidiary from non-controlling interests	-	-	-	-	244	244	-
2022 final dividend	-	-	-	-	-	-	(10,951)
2023 interim dividend	-	-	-	-	-	-	(10,951)
As at 31 March 2023	413,776	359	(39,325)	55,366	948	431,124	987,574
As at 1 April 2023	413,776	359	(39,325)	55,366	948	431,124	987,574
Profit for the year	-	-	-	-	-	-	67,093
Other comprehensive income:							
Currency translation differences	-	-	(46,336)	-	-	(46,336)	-
2023 final dividend (Note 11)	-	-	-	-	-	-	(10,951)
2024 interim dividend (Note 11)	-	-	-	-	-	-	(10,951)
As at 31 March 2024	413,776	359	(85,661)	55,366	948	384,788	1,032,765

Notes to the Consolidated Financial Statements

31 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to net cash from operations

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cash flows from operating activities		
Operating profit	164,514	100,721
Interest income	(12,648)	(7,609)
Interest expense	45,583	14,393
(Gain)/loss on disposal of property, plant and equipment, net	(2,711)	351
Gain on lease modification	(9)	–
Fair value loss on investment properties	11,855	7,140
Amortisation of intangible assets	1,056	1,056
Depreciation	83,505	91,579
Movement in loss allowance for trade debtors (Write-back of provision)/provision for inventories	4,403 (20)	8,200 69
Operating profit before working capital changes	295,528	215,900
Trade debtors, net	(171,533)	(49,654)
Inventories	749	(74,458)
Prepayments, deposits and other receivables	(4,878)	70,862
Contract assets	(531,894)	(528,919)
Completed properties held for sale	9,800	–
Net change in balances with joint ventures/joint operations/ other partners of joint operations	2,624	(14,465)
Payables to suppliers and subcontractors	223,940	136,537
Accruals, retention payables, deposit received and other liabilities	(188,783)	56,420
Contract liabilities	(77,481)	(44,609)
Net cash used in operations	(441,928)	(232,386)

Notes to the Consolidated Financial Statements

31 Notes to consolidated cash flow statement (continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans	Lease liabilities	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 2022	1,318,480	32,964	1,351,444
Repayment of bank loans	(588,500)	–	(588,500)
Drawdown of bank loans	637,014	–	637,014
Accrued interest	38,809	545	39,354
Interest paid	(38,809)	(545)	(39,354)
Capital element of lease payments	–	(18,000)	(18,000)
Inception of leases (<i>Note (c)</i>)	–	2,283	2,283
Lease modification	–	1,785	1,785
Currency translation differences	–	(78)	(78)
Balance at 31 March 2023	1,366,994	18,954	1,385,948
Balance at 1 April 2023	1,366,994	18,954	1,385,948
Repayment of bank loans	(40,900)	–	(40,900)
Drawdown of bank loans	965,867	–	965,867
Accrued interest	100,831	861	101,692
Interest paid	(100,831)	(861)	(101,692)
Capital element of lease payments	–	(20,217)	(20,217)
Inception of leases (<i>Note (c)</i>)	–	24,097	24,097
Lease modification	–	(220)	(220)
Currency translation differences	–	(61)	(61)
Balance at 31 March 2024	2,291,961	22,553	2,314,514

(c) Major non-cash transactions

During the year, the Group entered into lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$24,097,000 (2023: HK\$2,283,000).

Notes to the Consolidated Financial Statements

32 Banking facilities

As at 31 March 2024, the Group had total banking facilities in respect of bank overdrafts, bank loans, bank guarantees and trade financing of HK\$3,824,574,000 (2023: HK\$3,706,249,000), of which HK\$2,887,462,000 (2023: HK\$1,760,575,000) had been utilised. These banking facilities are secured by the following:

- (a) Restricted deposits of HK\$43,774,000 (2023: HK\$53,868,000) (Note 20);
- (b) Guarantees of HK\$3,824,574,000 (2023: HK\$3,706,249,000) provided by the Company;
- (c) Trade receivables of certain construction contracts; and
- (d) Property, plant and equipment of HK\$510,457,000 (2023: HK\$515,765,000) and investment properties of HK\$59,700,000 (2023: HK\$104,400,000) (Notes 14 and 15).

33 Commitments and contingent liabilities

The Group has the following outstanding commitments and contingent liabilities:

- (a) In the normal course of its business, the Group is subject to various claims under its construction contracts. As at 31 March 2024, the Group has various liquidated damages claims on certain contracts for which the respective extension of time claims have been forwarded and filed to the clients. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.
- (b) The Group has provided performance bonds amounting to approximately HK\$766,422,000 (2023: HK\$448,057,000) in favour of the Group's customers.
- (c) As at 31 March 2024, the Group has capital expenditure contracted for but not yet incurred in relation to plant and equipment and joint ventures of approximately HK\$9,000 (2023: HK\$717,000) and RMB26,036,000 (2023: RMB26,036,000) respectively.
- (d) The future aggregate minimum lease rental payable under non-cancellable short-term leases is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Land and buildings Within one year	14	–

Notes to the Consolidated Financial Statements

34 Future minimum rental receivable

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of its investment properties as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within one year	3,907	1,691
One year to five years	6,259	1,641
	10,166	3,332

35 Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties:

Significant transaction with related parties

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from sales of goods to joint ventures	473	1,248

The pricing of these transactions was determined based on mutual negotiation and agreement between the Group and related parties.

Key management compensation

Key management includes Directors (Executive and Independent Non-Executive Directors) of the Group. The compensation paid or payable to key management for employee services is shown below:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Salaries and fees	25,333	23,932
Discretionary bonuses	2,434	2,445
Pension costs – defined contribution scheme	1,104	1,053
Others	56	51
	28,927	27,481

Notes to the Consolidated Financial Statements

36 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Name	Fees <i>HK\$'000</i>	Salaries <i>(Note (i))</i> <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Estimated money value of other benefits <i>(Note (ii))</i> <i>HK\$'000</i>	Employer's	Total <i>HK\$'000</i>
					contribution to retirement benefit scheme <i>HK\$'000</i>	
For the year ended						
31 March 2024						
Mr. Wong Ip Kuen	-	10,410	500	32	480	11,422
Ir. Dr. Wong Tin Cheung	-	5,409	864	8	249	6,530
Ms. Wong Rosana Wai Man	-	4,874	490	8	224	5,596
Mr. Sun Chun Wai	-	3,290	580	8	151	4,029
Mr. Chan Bernard Charnwut	360	-	-	-	-	360
Mr. Wu King Cheong	360	-	-	-	-	360
Mr. Yeung Tak Bun <i>(Note iii)</i>	270	-	-	-	-	270
Dr. Yeung Tsun Man Eric	360	-	-	-	-	360
	1,350	23,983	2,434	56	1,104	28,927
For the year ended						
31 March 2023						
Mr. Wong Ip Kuen	-	10,030	500	30	462	11,022
Ir. Dr. Wong Tin Cheung	-	5,176	875	7	238	6,296
Ms. Wong Rosana Wai Man	-	4,643	490	7	213	5,353
Mr. Sun Chun Wai	-	3,039	580	7	140	3,766
Mr. Chan Bernard Charnwut	348	-	-	-	-	348
Mr. Wu King Cheong	348	-	-	-	-	348
Dr. Yeung Tsun Man Eric	348	-	-	-	-	348
	1,044	22,888	2,445	51	1,053	27,481

Notes:

- (i) Salary paid to a director is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.
- (ii) Other benefits include insurance premium.
- (iii) Mr. Yeung Tak Bun was appointed as an Independent Non-Executive Director of the Company in July 2023.

Notes to the Consolidated Financial Statements

36 Benefits and interests of directors (continued)

(b) Directors' retirement benefits and termination benefits

The directors did not receive any retirement or termination benefits for the year ended 31 March 2024 (2023: Nil).

(c) Consideration provided to third parties for making available directors' services

The Company did not pay any consideration to any third party for making available directors' services for the year ended 31 March 2024 (2023: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of the directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year ended 31 March 2024 (2023: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Pursuant to an agreement dated 31 May 2023 (the "Agreement") made between the Company and Asia Insurance Company Limited ("ASI"), the Company agreed to pay an annual fee for the provision of insurance services in accordance with the terms of the Agreement. ASI was paid a premium amount of HK\$6,202,000 for the service from 1 June 2023 to 31 May 2024. Mr. Chan Bernard Charnwut, an Independent Non-Executive Director of the Company, is interested in this transaction to the extent that ASI is controlled by him.

Save as disclosed above, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2024.

37 Subsequent events

The Group has agreed the details with the landlord on the transfer of 10,000 square metres new residential properties in May 2024. The building work of the Group's entitled 10,000 m² residential properties at Longhua Shenzhen has been completed and transfer is in progress. The management anticipated the flats be ready for sales in the 4th quarter after statutory inspections and conveyance matters completed with the developer.

In May 2024, the Group has agreed to sell a property in Singapore included in property, plant and equipment at a consideration of SGD3,080,000 (equivalent to approximately HK\$17,700,000). The transaction is expected to complete during the year ending 31 March 2025.

Notes to the Consolidated Financial Statements

38 Balance sheet and reserve movement of the Company**Balance sheet of the Company**

As at 31 March 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Assets		
Non-current asset		
Subsidiaries	571,615	571,615
Current assets		
Cash and bank balances	18,595	19,465
Prepayments, deposits and other receivables	332	332
Due from subsidiaries	2,053,152	1,970,170
	2,072,079	1,989,967
Total assets	2,643,694	2,561,582
Equity		
Share capital	87,611	87,611
Other reserves	414,135	414,135
Retained profits	986,682	994,065
	1,488,428	1,495,811
Liabilities		
Current liabilities		
Accruals and other liabilities	2,530	3,239
Income tax payable	1,845	–
Due to subsidiaries	1,150,891	1,062,532
	1,155,266	1,065,771
Total liabilities	1,155,266	1,065,771
Total equity and liabilities	2,643,694	2,561,582

Notes to the Consolidated Financial Statements

38 Balance sheet and reserve movement of the Company (continued)

Note: Reserve movement of the Company
For the year ended 31 March 2024

	Other reserves			Retained profits <i>HK\$'000</i>
	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>	
At 1 April 2022	413,776	359	414,135	1,007,623
Profit attributable to equity holders of the Company	–	–	–	8,344
2022 final dividend	–	–	–	(10,951)
2023 interim dividend	–	–	–	(10,951)
At 31 March 2023	413,776	359	414,135	994,065
At 1 April 2023	413,776	359	414,135	994,065
Profit attributable to equity holders of the Company	–	–	–	14,519
2023 final dividend	–	–	–	(10,951)
2024 interim dividend	–	–	–	(10,951)
At 31 March 2024	413,776	359	414,135	986,682

Notes to the Consolidated Financial Statements

39 Summary of other potentially material accounting policies

39.1 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

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

39.2 Other intangible assets

Other intangible assets represent the customer relationships acquired in a business combination, which are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the client relationships of 20 years.

39.3 Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at the end of cash reporting period.

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognised immediately in the consolidated income statement within "Other income and losses, net".

The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the item is more than 12 months, and as a current asset or liability when the remaining maturity of the item is less than 12 months.

Notes to the Consolidated Financial Statements

39 Summary of other potentially material accounting policies (continued)

39.4 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets, which are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use of sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

39.5 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

39.6 Government grants

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

LIST OF INVESTMENT PROPERTIES

Property	Location and lease term	Area	Existing use	Group's interest
1. Rear Portion of 4th Floor, 33 & 33A Pok Fu Lam Road, Pok Fu Lam, Hong Kong	Inland Lot No. 5821 for a term of 999 years commencing on 30 June 1862	Approximate saleable area 654 sq.ft.	The property is currently leased out	100%
2. G/F and Cockloft of No. 30 Western Street, Sai Ying Pun, Hong Kong	Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860	Approximate shop saleable area 500 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 365 sq.ft.	The property is currently leased out	60%
3. G/F and Cockloft of No. 32 Western Street, Sai Ying Pun, Hong Kong	Inland Lot No. 625 for a term of 999 years commencing on 26 December 1860	Approximate shop saleable area 462 sq.ft. and a yard, a cockloft and a flat roof on cockloft total area 309 sq.ft.	The property is currently vacant	60%
4. Shop A on Ground Floor and Shop B on 1st Floor, L·Harbour 18, No. 18 Chi Kiang Street, Kowloon	Kowloon Inland Lot No. 9673 for a term of 75 years from 19 January 1970 renewable for 75 years	Approximate shops gross floor area of 7,352 sq.ft.	The partial property is currently leased out	100%
5. Shop No. 1 on the Ground Floor and Flat Nos. A and B on the 1st Floor, Tak Wai Building, No. 25 Cheong Lok Street, Yau Ma Tei, Kowloon	Kowloon Inland Lot Nos. 8688, 7960 & 8116 for a term of 150 years commencing on 25 December 1888	Shop unit on the Ground Floor with an approximate gross floor area 504 sq.ft. and two office units on the 1st Floor with an approximate total gross floor area 2,678 sq.ft.	The partial property is currently leased out	100%
6. Em Macau, Avenida do Infante D. Henrique No 62, Centro Comercial Central A18	Held under Concessao Por Arrendamento for 10 years commencing on 1 June 2015	Approximate saleable area 1,411 sq.ft.	The property is currently leased out	100%
7. Shops 1 to 5 on Ground Floor and 1st Floor, L·Living 23, No. 23 Pine Street and No. 87 Oak Street, Kowloon	Kowloon Inland Lot No. 11251 for a term of 50 years commencing on 8 August 2016	Approximate shops gross floor area of 10,701 sq.ft.	The partial property is currently leased out	100%

FIVE YEAR FINANCIAL SUMMARY

Consolidated results

For the year ended 31 March

	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue	6,694,157	6,794,756	6,732,944	6,685,961	7,811,653
(Loss)/profit before income tax	(39,229)	163,458	85,534	67,525	86,312
Income tax expense	(3,249)	(14,167)	(19,531)	(19,553)	(20,511)
Less: loss attributable to non-controlling interests	(917)	(1,137)	(2,183)	(1,664)	(1,292)
(Loss)/profit attributable to equity holders of the Company	(41,561)	150,428	68,186	49,636	67,093

Consolidated assets and liabilities

As at 31 March

	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Total assets	5,050,551	5,109,828	4,737,458	4,850,659	5,726,115
Total liabilities and non-controlling interests	(3,773,105)	(3,631,591)	(3,195,983)	(3,344,350)	(4,220,951)
Shareholders' equity	1,277,446	1,478,237	1,541,475	1,506,309	1,505,164

The above financial summary is extracted from the audited consolidated financial statements of the Group.