



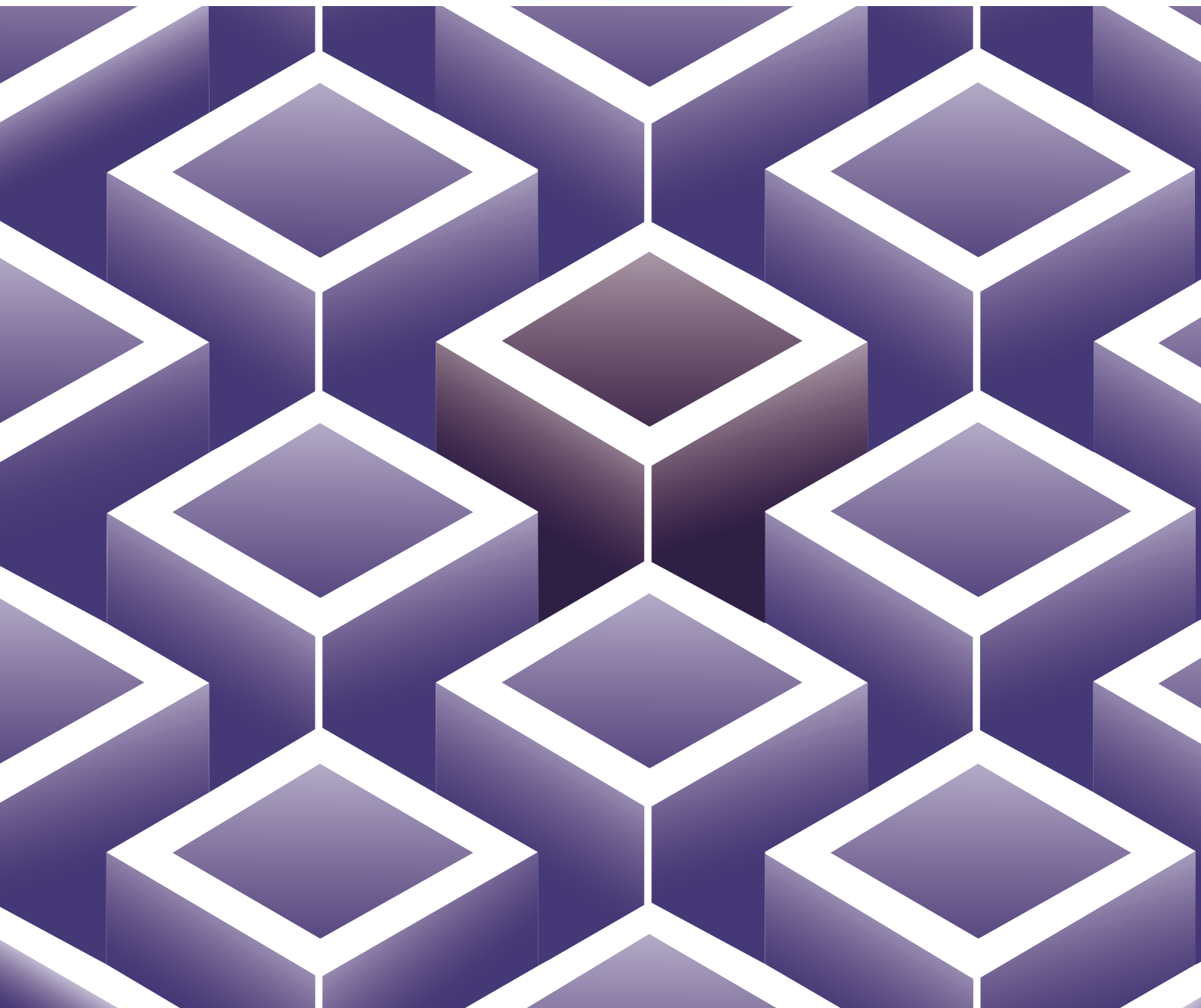
Affluent Foundation Holdings Limited

俊裕地基集團有限公司

(Incorporated in the Cayman Islands with limited liability)

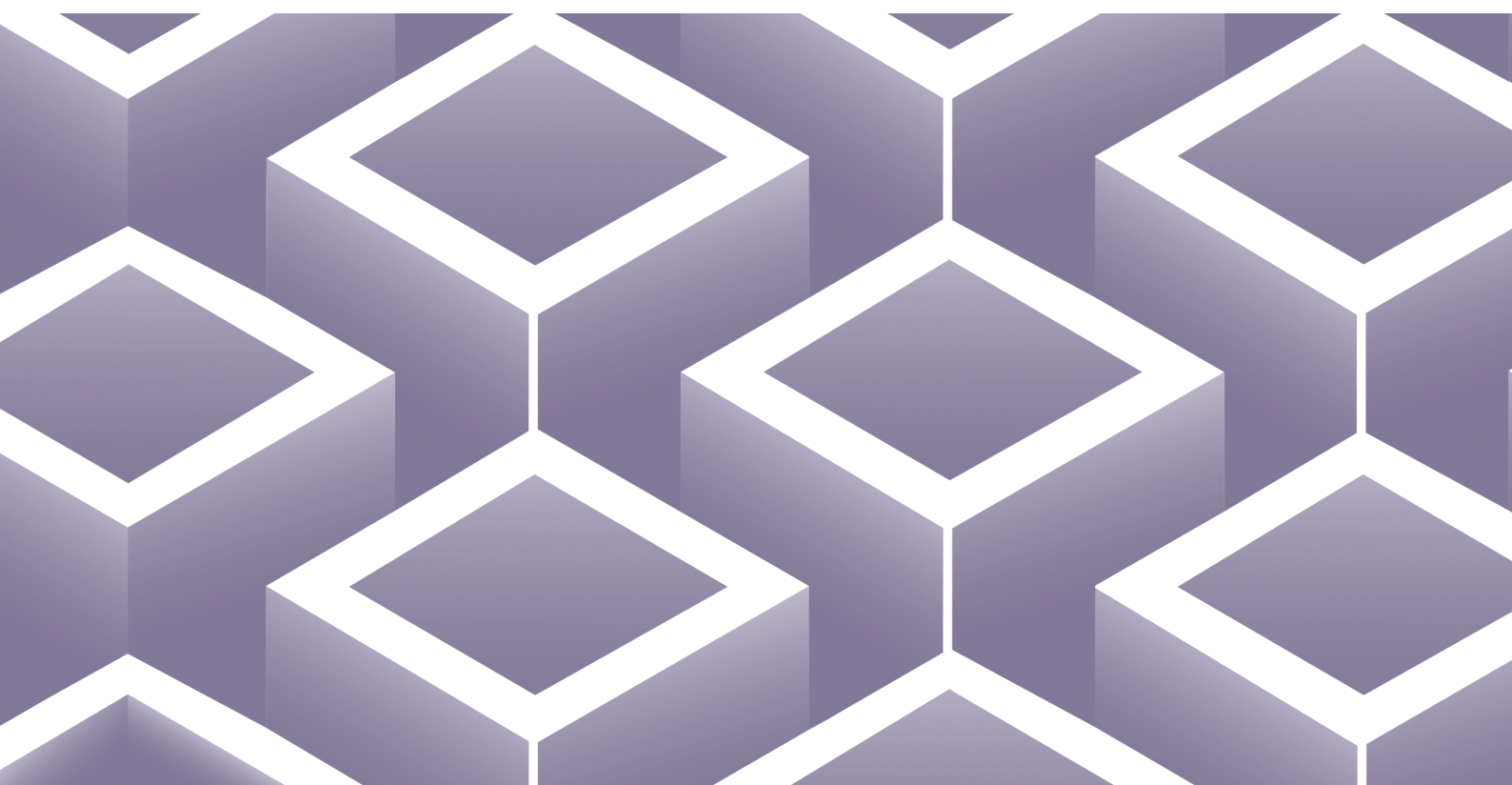
Stock Code : 1757

ANNUAL REPORT **2023/24**



CONTENTS

2	Corporate Information
3	Chairman's Statement
5	Management Discussion and Analysis
9	Report of the Directors
19	Biographies of the Directors and Senior Management
22	Corporate Governance Report
31	Environmental, Social and Governance Report
53	Independent Auditor's Report
59	Consolidated Statement of Profit or Loss and Other Comprehensive Income
60	Consolidated Statement of Financial Position
61	Consolidated Statement of Changes in Equity
62	Consolidated Statement of Cash Flows
63	Notes to the Consolidated Financial Statements
118	Financial Summary



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Siu Cheong (*Chairman and Chief Executive Officer*)

Mr. Sin Ka Pong

Independent Non-executive Directors

Mr. Ho Chi Wai

Mr. Cheung Kwok Yan Wilfred

Mr. Lau Leong Ho

AUDIT COMMITTEE

Mr. Ho Chi Wai (*Chairman*)

Mr. Lau Leong Ho

Mr. Cheung Kwok Yan Wilfred

NOMINATION COMMITTEE

Mr. Chan Siu Cheong (*Chairman*)

Mr. Lau Leong Ho

Mr. Ho Chi Wai

REMUNERATION COMMITTEE

Mr. Cheung Kwok Yan Wilfred (*Chairman*)

Mr. Sin Ka Pong

Mr. Lau Leong Ho

COMPANY SECRETARY

Mr. Woo Yuen Ping

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 903–905, 9/F

The Octagon

No. 6 Sha Tsui Road, Tsuen Wan

New Territories, Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Yongtuo Fuson CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditor

Unit 1020, Tower B, Mandarin Plaza

No. 14 Science Museum Road

Tsim Sha Tsui East, Kowloon, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Guantao & Chow Solicitors and Notaries

Suites 1801–3, 18/F

One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

WEBSITE

www.hcho.com.hk

STOCK CODE

1757

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of Affluent Foundation Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2024 (the "Relevant Period"). This past year has been one of significant challenges and achievements for our Company, as we continued to navigate a complex and evolving market environment.

FINANCIAL PERFORMANCE

Revenue

For the Relevant Period, the Group recorded a revenue of HK\$199,344,000, representing a decrease of 38.9% compared to HK\$326,492,000 in the previous year. This decline was primarily attributed to the completion of several large-scale projects in the previous year and the delay in the commencement of new projects due to market conditions.

Gross Profit

Despite the reduction in revenue, our gross profit improved to HK\$4,569,000 for the Relevant Period, up from HK\$3,987,000 in the prior year. This improvement in gross profit reflects our continued focus on operational efficiency and cost control measures.

Profit for the Year

The Group achieved a profit for the year of HK\$2,422,000 for the Relevant Period, a significant increase from HK\$810,000 in the previous year. This notable increase was driven by our strategic initiatives to optimize project management and reduce overhead costs, as well as our commitment to maintaining a strong financial position.

BUSINESS REVIEW

Foundation Works

During the year, our core business of foundation works, including excavation and lateral support works, and pile caps construction, remained a steady contributor to our revenue. We successfully completed several key projects, reinforcing our reputation as a reliable and capable subcontractor in the industry.

Other Services

Our ancillary services, including demolition works, underground drainage works, earthworks, and structural steelworks, also played a crucial role in our overall performance. These services helped to diversify our revenue streams and mitigate the impact of fluctuations in the foundation works segment.

MARKET ENVIRONMENT

The construction industry in Hong Kong faced considerable uncertainties over the past year, including fluctuating demand and regulatory changes. Despite these challenges, our Group remained resilient, leveraging our expertise and strong client relationships to secure new contracts and maintain a robust project pipeline.

FUTURE PROSPECTS

Looking ahead, we remain cautiously optimistic about the prospects for the construction industry in Hong Kong. We will continue to focus on enhancing our operational efficiencies, expanding our service offerings, and exploring new market opportunities to drive sustainable growth for our shareholders.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to our dedicated employees for their hard work and commitment, our clients and partners for their continued trust and support, and our shareholders for their unwavering confidence in our Group. Together, we will strive to achieve new milestones and create long-term value.

CONCLUSION

In conclusion, while the past year presented its challenges, our Group has demonstrated resilience and adaptability. We are well-positioned to capitalize on future opportunities and deliver sustainable growth. Thank you for your continued support.

Chan Siu Cheong
Chairman and Chief Executive Officer

Hong Kong, 27 June 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a subcontractor engaged in the provision of services related to foundation works in Hong Kong including excavation and lateral support works, pile caps construction, and other services, such as demolition works, underground drainage works, earthworks and structural steelworks. To a lesser extent, the Group is also engaged in leasing of machineries to other construction companies.

The Group reported net profit of approximately HK\$2.4 million during the Relevant Period, representing an increase of approximately HK\$1.6 million for the corresponding period was mainly due to the over-provision of approximately HK\$1.8 million for Hong Kong Profits Tax in prior years.

The Group has unrecognised contract sum of more than HK\$321.8 million on hand as at 31 March 2024. The board (the "Board") of directors (the "Directors") is cautiously optimistic and believes the Group's financial performance could keep stable and even make a greater profit in future years.

FINANCIAL REVIEW

During the Relevant Period, the Group had been awarded 9 new contracts, with an aggregate original contract sum of approximately HK\$268.0 million and had completed 4 projects with an aggregate original contract sum of approximately HK\$100.1 million.

As at 31 March 2024, the Group had 19 projects on hand (including projects in progress) with a total original contract sum of approximately HK\$1.2 billion.

Revenue

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK\$199.3 million, representing a decrease of approximately HK\$127.1 million or 38.9% as compared to approximately HK\$326.5 million for the year ended 31 March 2023. The decrease was primarily because certain sizable projects located in Kai Tak and Tseung Kwan O were completed during the Relevant Period while those sizable new projects located in Fanling and Tung Chung are only in commencement stage.

Gross profit and gross profit margin

The gross profit of the Group for the Relevant Period amounted to approximately HK\$4.6 million (gross profit margin 2.3%), representing an increase of approximately HK\$0.6 million or 14.6%, compared to approximately HK\$4.0 million (gross profit margin 1.2%) for the year ended 31 March 2023. The increase in gross profit and gross profit margin was primarily due to the following reasons:

- (a) gross profit margin of a project located in Kai Tak is rather low but it contributed major revenue in last year resulting in a big improvement of gross profit margin; and
- (b) the Group has been more selective in choosing projects with higher profit margin.

The Group prices its services based on various factors, including but not limited to the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group.

Other income

The other income of the Group for the Relevant Period amounted to approximately HK\$15.5 million, representing a decrease of approximately HK\$1.9 million or 11.0% as compared to approximately HK\$17.5 million for the year ended 31 March 2023. The decrease was primarily due to no government grants received from ESS under COVID-19 Anti-epidemic Fund launched by the Hong Kong Government in Relevant Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Administrative expenses

The administrative expenses of the Group remained relatively stable at approximately HK\$21.5 million and HK\$22.3 million for the Relevant Period and the year ended 31 March 2023, respectively.

Reversal of expected credit loss, net

The reversal of ECL after the assessment performed for the Relevant Period amounted to approximately HK\$3.1 million, representing an increase of approximately HK\$1.2 million as compared to the reversal of ECL after the assessment performed for the year ended 31 March 2023 of approximately HK\$1.9 million, which was assessed annually.

Finance costs

The finance costs of the Group for the Relevant Period amounted to approximately HK\$1.5 million, representing an increase of approximately HK\$662,000 or 80.3% as compared to approximately HK\$824,000 for the year ended 31 March 2023. The increase was primarily due to the effective interest payable in amount due to a Director during the Relevant Period.

Profit and total comprehensive income attributable to equity holders of the Company

The Group reported profit and total comprehensive income attributable to equity holders of the Company of approximately HK\$2.4 million for the Relevant Period representing an increase of approximately HK\$1.6 million for the year ended 31 March 2023. The reasons for the increase were mainly attributable to the combined effect of reasons discussed in the paragraph headed "Business review and outlook" above.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through capital contributions from shareholders and cash inflows from operating activities.

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 7 June 2018 and there has been no change in the capital structure of the Group since then.

As at 31 March 2024 and 2023, the Company's issued share capital was HK\$12 million and the number of its issued ordinary shares was 1,200,000,000 of HK\$0.01 each.

As at 31 March 2024, the Group had a total cash and cash equivalents of approximately HK\$3.9 million (2023: approximately HK\$17.2 million). The amounts of cash and cash equivalents decreased mainly due to collection of contract assets.

As at 31 March 2024, the gearing ratio of the Group, calculated by the total debts (defined as the sum of amount due to a director and lease liabilities) divided by the total equity was approximately 50.3% (2023: approximately 49.6%). The increase was primarily due to the increase of total debts of approximately HK\$1.8 million during the Relevant Period.

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group's business were located in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollars for the Relevant Period, the Board was of the view that the Group's foreign exchange rate risks were insignificant. Thus, the Group had not entered into any derivative contracts to hedge against the foreign exchange rate risk during the Relevant Period.

CAPITAL EXPENDITURE

During the Relevant Period, the Group invested approximately HK\$4.6 million on the acquisition of plant and machinery and furniture, fixtures and equipment. Capital expenditure was principally funded by internal resources.

CAPITAL COMMITMENTS

As at 31 March 2024, the Group has no capital commitments (2023: nil).

CONTINGENT LIABILITIES

As at 31 March 2024, the Group has been involved in a number of claims, litigations and potential claims against the Group, as a subcontractor, in relation to work-related injuries and non-compliances. The potential claims and litigations against the Group are insured by main contractor's insurance policy. The Directors are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made as at 31 March 2024 and during the Relevant Period.

EVENTS AFTER THE REPORTING PERIOD

There is no significant events occurred subsequent to 31 March 2024 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Relevant Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the Relevant Period, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31 March 2024, the Group does not have plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2024, the Group employed a total of 113 employees (including executive Directors and independent non-executive Directors), as compared to a total of 112 employees as at 31 March 2023. Total staff costs which included the Directors' emoluments for the Relevant Period were approximately HK\$72.1 million (2023: approximately HK\$88.7 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc..

The Company has adopted a share option scheme (the "Share Option Scheme") on 14 May 2018 as an incentive to Directors and eligible employees.

During the Relevant Period, the Group had not experienced any significant problems with its employees due to labour disputes nor had it experienced any difficulty in the recruitment and retention of experienced staffs.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Tuesday, 13 August 2024. The notice of the AGM will be published and despatched to shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

REPORT OF THE DIRECTORS

The Board is pleased to present to the shareholders of the Company this annual report together with the audited consolidated financial statements for the Relevant Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company while the principal subsidiaries are principally engaged in the provision of services related to foundation works and provision of construction machinery rental. Details of the principal activities of its subsidiaries are set out in Note 32 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Relevant Period.

BUSINESS REVIEW

Discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks facing the Group and an indication of likely future developments in the Group's business can be found in the section headed "Management Discussion and Analysis" set out on pages 5 to 8 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Relevant Period are set out in the consolidated financial statement on pages 59 to 117 of this annual report. The Board has resolved not to recommend the payment of a dividend for the Relevant Period (2023: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Relevant Period are set out in Note 14 to the consolidated financial statements of this annual report.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Directors are of the view that employees, customers, sub-contractors and suppliers are the keys to the sustainable development of the Group.

Employees

Employees are regarded as valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise well-performed staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. In particular, the Group promotes career development and advancement by providing appropriate training and opportunities in order to enhance the employees' work performance.

Customers

The Group's major customers include construction work companies engaged in public and/or private construction projects in Hong Kong. The Group has established a long-term business relationship with these customers for many years and is committed to offering quality service to meet their requirement. The Group endeavours to maintain contacts with these customers regularly in order to understand their needs and provide required service to support their businesses.

Sub-contractors and Suppliers

The Group has developed a long-standing relationship with several sub-contractors and suppliers and the Group has always been communicating closely with them to ensure that they will provide good quality and sustainable goods and services to the Group. When selecting sub-contractors and suppliers, the Group requires them to satisfy certain criteria such as experience and capability, financial strength, track record, and reputation.

REPORT OF THE DIRECTORS

SHARE CAPITAL AND SHARES ISSUED DURING THE RELEVANT PERIOD

Details of movements during the Relevant Period in the share capital of the Company are set out in Note 23 to the consolidated financial statements of this annual report.

RESERVES

Details of movements in the reserves of the Group during the Relevant Period are set out in the consolidated statement of changes in equity on page 61 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2024, the Company had distributable reserves amounted to approximately HK\$37,935,000 (2023: HK\$40,432,000).

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Relevant Period or subsisted at the end of the Relevant Period.

SHARE OPTION SCHEME

The share option scheme was conditionally approved and adopted by the then sole shareholder of the Company on 14 May 2018 which became valid and effective for a period of 10 years commencing on the date of listing, being 7 June 2018 (the "Share Option Scheme"). A summary of the principal terms of the Share Option Scheme is set out as follows:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to recognise and acknowledge the contributions that the eligible participants have or may have made to the Group.

(2) Participants of the Share Option Scheme

Pursuant to the Share Option Scheme, the Board may, as its discretion, offer to grant an option to any director, employee (full-time and part-time), advisor, consultant, supplier, customer, distributor, contractor, agent, business partner or service providers of the Group and to promote the success of the business of the Group.

(3) Total number of Shares available for issue under the Share Option Scheme

Pursuant to the terms of the Share Option Scheme and in compliance with the provisions in Chapter 17 of the Listing Rules, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and all share option schemes of the Company shall not exceed 120,000,000 Shares, being 10% of the total number of the Shares in issue as at the date of listing. As at the end of the financial year (i.e. 31 March 2024) and the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 120,000,000 Shares, being 10% of the Shares in issue. As at 1 April 2023 and 31 March 2024, the Share Option Scheme has no service provider sublimit.

(4) Maximum entitlement of each Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12 months period up to the date of grant shall not exceed 1% of the total number of the Shares in issue as at the date of grant, any further grant of options in excess of this 1% limit shall be subject to the approval of shareholders of the Company in a general meeting.

REPORT OF THE DIRECTORS

(5) Period within which the securities must be taken up under an option

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to the participant at the time of making an offer for the grant of share option. Such period shall not be more than ten years from the date upon which the option is deemed to be granted and accepted.

(6) Vesting period of the options granted

The Board may, at its discretion, determine the minimum period for which the option has to be held before the option can be exercised.

(7) Payment on acceptance of option offer

An offer of the grant of a share option shall be accepted by the eligible participants within a period of 21 days from the date of offer of grant of share option. The consideration paid by each grantee for the acceptance and grant of each share option is HK\$1.00, which has to be paid within 21 days.

(8) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading date; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading dates immediately preceding the date of grant; or (iii) the nominal value of a Share.

(9) Remaining life of the Share Option Scheme

As at the date of this annual report, the remaining life of the Share Option Scheme was approximately 3 years and 11 months.

Since the adoption of the Share Option Scheme, no option has been granted. Therefore, no option was exercised, cancelled or lapsed during the Relevant Period and there was no option outstanding as at 31 March 2024.

DIRECTORS

The Directors who held office during the Relevant Period and up to the date of this annual report were:

Executive Directors

Mr. Chan Siu Cheong
Mr. Sin Ka Pong

Independent Non-executive Directors

Mr. Ho Chi Wai
Mr. Cheung Kwok Yan Wilfred
Mr. Lau Leong Ho

In accordance with article 108 of the Articles, Mr. Lau Leong Ho and Mr. Cheung Kwok Yan Wilfred will retire from office as Directors at the AGM and, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS

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

Information regarding Directors' emoluments is set out in Note 12(a) to the consolidated financial statements of this annual report. Annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the independent non-executive Directors. The Group considers all independent non-executive Directors to be independent under the Listing Rules.

DIRECTORS' SERVICE CONTRACT

All the independent non-executive Directors have respectively entered into a letter of appointment with the Company for a term of one year unless terminated by not less than one month's notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

During the Relevant Period, no contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements of this annual report.

During the Relevant Period, (i) there was no early termination of appointment of Directors, and accordingly, no termination benefit was provided to or receivable by any Director; (ii) no consideration was provided to or receivable by third parties for making available Directors' services; and (iii) save as disclosed in this annual report, there were no loans, quasi-loans or other dealings in favour of Directors, their controlled bodies corporate and connected entities, and the Company's holding company. 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 had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Period or at any time during the Relevant Period.

DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed in the paragraphs headed "Related Party Transactions" on page 107 and as set out in Note 26 to the consolidated financial statements of this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or any entity connected with a Director or controlling shareholders of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Period or at any time during the Relevant Period.

REPORT OF THE DIRECTORS

COMPETING INTERESTS

The Directors are not aware of any interest in a business of the Directors, the controlling shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) apart from the business of the Group, that competed or was likely to compete, either directly or indirectly, with the business of the Group during the Relevant Period and up to date of this annual report.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company has made an annual declaration to the Company that during the Relevant Period and up to date of this annual report, he/it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the independent non-executive Directors can ascertain, there is no breach of any of such undertakings.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management of the Company arising from corporate activities.

Pursuant to the Articles, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2024, interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix C3 to the Listing Rules, were as follows:

(i) Long position in the Shares

Name of Director	Capacity/ Nature of interest	Shares held	Approximate number of shareholding percentage
Mr. Chan Siu Cheong (Mr. Chan) (Note)	Interest in a controlled corporation	900,000,000	75%

Note: Oriental Castle Group Limited ("Oriental Castle") is beneficially owned as to 90% by Mr. Chan and 10% by Ms. Chu Wai Ling ("Ms. Chu"). By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Oriental Castle. Ms. Chu is the spouse of Mr. Chan. Accordingly, Ms. Chu is deemed or taken to be interested in the Shares Mr. Chan is interested in under the SFO.

REPORT OF THE DIRECTORS

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

Name of Director	Name of associated corporation	Capacity/Nature	Number of share(s) held	Percentage of interest
Mr. Chan (Note)	Oriental Castle	Beneficial owner	90	90%

Note: Oriental Castle is the direct shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

(iii) Short positions

Other than as disclosed above, as at 31 March 2024, none of the Directors nor chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2024, so far as it is known to or otherwise notified by any Director or the chief executive of the Company, the following persons/entities (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Company

Name	Capacity/Nature of interest	Number of Shares held/ interest in	Percentage of shareholding
Oriental Castle	Beneficial Owner (Note 1)	900,000,000	75%
Ms. Chu	Interest of a spouse (Note 2)	900,000,000	75%

Notes:

- Oriental Castle is the direct shareholder of the Company. Oriental Castle is beneficially owned as to 90% by Mr. Chan and 10% by Ms. Chu. By virtue of the SFO, Mr. Chan is deemed to be interested in all the Shares held by Oriental Castle.
- Ms. Chu is the spouse of Mr. Chan. Accordingly, Ms. Chu is deemed or taken to be interested in the Shares Mr. Chan is interested in under the SFO.

Save as disclosed above, as at 31 March 2024, the Directors and the chief executive of the Company are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO.

REPORT OF THE DIRECTORS

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Relevant Period and up to the date of this annual report was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits through the acquisition of Shares or debentures of the Company or any body corporate.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The approximate percentages of the Group's revenue and cost of services attributable to the major customers, subcontractors and suppliers during the Relevant Period and year ended 31 March 2023 are as follows:

	Year ended 31 March 2024	Year ended 31 March 2023
Approximate % of total revenue:		
from the largest customer	30.1	57.0
from the five largest customers in aggregate	90.1	98.9
Approximate % of total subcontracting charges incurred:		
from the largest subcontractor	58.2	35.5
from the five largest subcontractors in aggregate	99.1	89.2
Approximate % of total purchases (excluding subcontracting charges incurred):		
from the largest supplier	42.3	34.6
from the five largest suppliers in aggregate	77.8	84.7

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the five largest customers nor suppliers during the Relevant Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Relevant Period are set out in Note 26 to the consolidated financial statements of this annual report. The related party transactions are fully exempted from the independent shareholders' approval, annual review and all disclosure requirements pursuant to Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for the Shares as required under the Listing Rules during the Relevant Period and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event occurred subsequent to 31 March 2024 and up to the date of this annual report.

RISKS AND UNCERTAINTIES

The Group's results of operation may vary significantly from time to time depending on, among other factors, the political and economic environment, level of competitiveness, the quality of service and timeliness of subcontractors, and the adequacy and efficiency of internal processes implemented by staff and systems. The Group believes that there are certain risks and uncertainties involved both in the markets and in the operations which can be summarised as below.

Operational Risks

Due to unexpected circumstances such as bad weather and geological issues, the actual time and costs incurred in construction projects may exceed the Group's estimation at the time of tendering submission and the work in progress may be interrupted. As a result, such variation could adversely affect the Group's operations and financial results. In such situations, the Group will implement measures such as re-allocating human resources and recruiting additional manpower including subcontracting the works in order to expedite the work progress.

On the other hand, it is inevitable that there could be a chance of industrial accidents happened. In order to minimise the rate of accidents, the Group has already recruited two qualified safety officers to regularly monitor the work environment, implementation of safety rules and regulations and establishing safety policies. In addition, the Group also appointed a registered safety auditor to conduct corporate safety audit semi-annually to maximise the effectiveness of safety management.

It is quite common in the construction industry that the collection of receivables takes longer time and it may lead to late settlement by customers especially at the times of unexpected crises due to political and economic factors. To mitigate the pressure of financial liquidity, the Group produces aging analysis on regular basis and contacts the management level of the customers so as to get a better understanding of their solvency status.

REPORT OF THE DIRECTORS

Market Risks

Due to the construction industry in Hong Kong is dominantly subject to Hong Kong Government's large-scale infrastructure projects and such projects would require a prolonged process of legislative approval, it is more passive toward the future's prospect of the industry. Nevertheless, the Group will not just rely on participating in projects from the public sector but the Group will also be more involved in projects from the private sectors.

In the meantime, the demand of residential and commercial buildings has been growing continuously. The Group perceived that such demand will sustain the booming in the construction industry and attract more competitive entrants to the industry. In order to grip holding of the market shares, the Group planned to acquire new fleets of machinery to cope with the demand. With its in-depth experience and knowledge in the field, the Group is capable to continue providing one-stop construction machinery service to meet the needs of various customers.

Tax Relief

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

INDEPENDENT AUDITOR

On 27 March 2024, Grant Thornton Hong Kong Limited ("Grant Thornton") resigned as the auditor of the Company. For further details, please refer to the Company's announcement dated 27 March 2024. Yongtuo Fuson CPA Limited ("Yongtuo Fuson") was appointed as the auditor of the Company with effect from 27 March 2024 to fill the casual vacancy following the resignation of Grant Thornton.

The Group's consolidated financial statements for the Relevant Period have been audited by Yongtuo Fuson, which will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting. Having been approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint of Yongtuo Fuson as the auditor of the Company and to authorise the Directors to fix auditor's remuneration will be proposed at the forthcoming annual general meeting.

Save as disclosed above, there were no other changes in the Company's auditor during the past three years (including the Relevant Period).

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules during the Relevant Period and up to the date of this annual report except for the deviation from code provision C.2.1 of the CG Code as explained in the Corporate Governance Report.

The details of the Group's compliance with the CG Code are set out in the Corporate Governance Report from pages 22 to 30 of this annual report.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICY

Sustainability is one of the key factors to the Group's development, as well as for the viability of its business and the welfare of the community. The Group is committed to offering premium products and services to obtain customer satisfaction all round. In recent years, the Group has been looking for ways to minimise the adverse impact of its businesses on the environment (i.e. air and noise pollution) by improving operational efficiencies and implementing eco-friendly measures. The Group will continue to strive for energy-saving and environmental-friendly equipment and materials for its construction projects. The Group will regularly review related policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation, and be more active in involving various community programmes and contributing to the society.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and senior management of the Company are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group during the Relevant Period.

On behalf of the Board

Chan Siu Cheong

Chairman and Chief Executive Officer

Hong Kong, 27 June 2024

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAN Siu Cheong (陳紹昌) (“Mr. Chan”), aged 68, is the chairman of the Board, the chief executive officer of the Company and an executive Director. He was appointed as a Director on 2 June 2017 and was re-designated as an executive Director, the chairman of the Board and the chief executive officer of the Company on 14 May 2018. Mr. Chan is also the chairman of the nomination committee of the Company. Mr. Chan is the founder of our Group and has been a director of HCC Foundations and HCC Transportation since their year of incorporation in 2009 and 1996 respectively. Prior to founding our Group, Mr. Chan worked in the foundation industry as a sub-contractor engaged in foundation works including excavation, concreting and underground drainage works in the early 1980s until he founded HCC Transportation. Mr. Chan has over 30 years of experience in the construction industry. Mr. Chan is responsible for overall management and overseeing and monitoring of projects and machinery of the Group.

Mr. SIN Ka Pong (單家邦) (“Mr. Sin”), aged 66, is an executive Director. He was appointed as a Director on 2 June 2017 and was re-designated as an executive Director on 14 May 2018. Mr. Sin is also a member of the remuneration committee of the Company. Mr. Sin joined the Group in December 2016 with the title of Executive Director of HCC Foundations. Mr. Sin was officially appointed and has been a director of HCC Transportation since March 2017. Mr. Sin is responsible for overall management and business development of the Group.

Mr. Sin has over 30 years of experience in the construction industry. From July 1986 to May 1989, Mr. Sin was employed by Chun Yip Construction Company Limited and his position was a contracts officer at the time of his departure. From June 1989 to November 1994, he was employed as a subletting manager by Sun Fook Kong Construction Limited. From January 1995 to June 1996, he was employed as a senior associate by Wexler Consultants (Hong Kong) Limited. From May 1997 to September 2001, he was employed as a subletting and procurement manager by Win House Industries Limited (a subsidiary of Kerry Properties Ltd. (stock code: 683)). From February 2003 to May 2004, Mr. Sin was employed as a managing quantity surveyor by China Railway Construction Corporation Limited (stock code: 1186). From June 2004 to March 2006, he was employed as a senior project manager by Ming Wah Engineering (Development) Co., Ltd.

From August 2012 to March 2014, he was employed as a manager (budget control) for New World Construction Company Limited (a subsidiary of New World Development Company Limited (stock code: 17)). From March 2014 to November 2016, he was seconded to Paul Y. – Yau Lee Joint Venture, a joint venture established for among others, construction of a Macau studio city project, as a senior commercial manager. Mr. Sin obtained a Bachelor of Quantity Surveying degree from the Polytechnic of Central London, now known as the University of Westminster in July 1983. He was elected as an associate of the Hong Kong Institute of Surveyors in September 1987. He was also a registered professional surveyor in quantity surveying division under the Surveyors Registration Board of Hong Kong in July 1996.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HO Chi Wai (何志威) (“Mr. Ho”), aged 49, was appointed as an independent non-executive Director on 13 May 2018. He is also the chairman of the audit committee and a member of the nomination committee of the Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

Mr. Ho is currently a partner of SRF Partners & Co., CPAs. He obtained a Bachelor of Business Administration degree from Lingnan University (formerly known as Lingnan College) in November 1997 and a Master of Finance degree from Jinan University in December 2012. He is currently a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a chartered tax adviser at the Taxation Institute of Hong Kong, a fellow member of the Taxation Institute of Hong Kong, and a fellow member of the Association of International Accountants. Mr. Ho has over 25 years of experience in audit assurance and business consulting. Prior to his own practice in 2012, Mr. Ho worked as an audit staff in a local accounting firm from 1997 to 2000, where he was promoted to an audit senior assistant in 1999. Mr. Ho joined a sizeable accounting firm as an audit senior in 2000 and from 2010 to 2011 he became a principal of the practice development department of the firm.

Mr. Ho is currently an independent non-executive director of Wai Chi Holdings Company Limited (stock code: 1305), the issued shares of which are listed on the Main Board and is an independent non-executive director of Hyfusin Group Holdings Limited (stock code: 8512), the issued shares of which are listed on GEM of the Stock Exchange. Mr. Ho was an independent non-executive director of Ming Kei Holdings Limited (now known as Capital Finance Holdings Limited) (stock code: 8239, a company listed on GEM of the Stock Exchange) from June 2012 to October 2013.

Mr. CHEUNG Kwok Yan Wilfred (張國仁) (“Mr. Cheung”), aged 44, was appointed as an independent non-executive Director on 13 May 2018. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Mr. Cheung graduated from the University of Buckingham in the United Kingdom with a Bachelor of Science (Economics) in February 2005. Mr. Cheung is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Cheung joined Moores Rowland Mazars in September 2005 as an associate and was later transferred to Mazars CPA Limited after its reorganisation in June 2007. Mr. Cheung left Mazars CPA Limited in October 2007 as an associate and joined Grant Thornton Hong Kong Limited as senior accountant in its China practice division until December 2008. Mr. Cheung then worked for the Royal Bank of Canada Europe Limited as accounts preparer in its CEES UK Department from March 2009 to January 2010. Mr. Cheung was employed by Rainbow Brothers Limited from February 2010 to August 2010 as a senior associate in corporate finance. Mr. Cheung later joined Mega International Food Limited as a financial controller in September 2010 and was appointed as a general manager of its fellow subsidiary, Poly Shining Limited, and Mr. Cheung left the group in March 2013. In August 2013, Mr. Cheung joined The Gate Worldwide Limited, an international advertising and marketing agency, as a senior finance manager and was promoted to a finance director in July 2015. He ceased his employment with The Gate Worldwide Limited in May 2018. Mr. Cheung was employed by Denuo Limited – Starcom Worldwide (星傳媒), a wholly-owned subsidiary of Publicis Groupe (陽獅集團), the world's third largest communications group, as Finance Director from July 2018 to July 2019. He is currently a Director of Sonic Corporate Services Company and a Financial Controller of Stepworks Company Limited, an international branding agency based in Hong Kong.

Mr. Cheung has been an independent non-executive director of HKE Holdings Limited (stock code: 1726), the issued shares of which are listed on the Main Board, since March 2018. He was an independent non-executive director of Chun Sing Engineering Holdings Limited (currently known as Huarong Investment Stock Corporation Limited), the issued shares of which were formerly listed on the Main Board, from December 2014 to June 2016 and was an independent non-executive director of LEAP Holdings Group Limited (stock code: 1499), (currently known as OKG Technology Holdings Limited), the issued shares of which are listed on the Main Board, from August 2015 to November 2017.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. LAU Leong Ho (劉亮豪) (“Mr. Lau”), aged 40, was appointed as an independent non-executive Director on 13 May 2018. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Mr. Lau has over 10 years of experience in the legal industry. He was admitted as a solicitor in Hong Kong in August 2008. He joined Tsang, Chan & Woo Solicitors & Notaries as a trainee solicitor in March 2007, became an assistant solicitor from August 2008 to November 2013 and had been a partner from December 2013 to July 2020. In July 2020, he found his own law firm named Lau & Co, Solicitors and has been the principal of the firm since then. Mr. Lau graduated from City University of Hong Kong with a Bachelor of Laws degree on 8 November 2005 and obtained Postgraduate Certificate in Laws also from City University of Hong Kong on 14 July 2006. He is also a notary public.

SENIOR MANAGEMENT

Mr. LAM Tak Keung (林德強) (“Mr. Lam”), aged 59, is project manager of the Company and he is responsible for overall management of site works including quality control and safety supervision. Mr. Lam joined the Group in August 2012. He has over 10 years of experience in the construction industry in Hong Kong.

COMPANY SECRETARY

Mr. WOO Yuen Ping (胡遠平) (“Mr. Woo”), aged 38, joined the Group on 30 April 2019. He serves as the company secretary of the Company (the “Company Secretary”). Mr. Woo is primarily responsible for company secretarial and overall financial management matters of the Group.

Mr. Woo is a member of The Hong Kong Institute of Certified Public Accountants and is a member of CPA Australia. Mr. Woo has over 10 years of experience in auditing, accounting and company secretarial matters. Mr. Woo obtained his bachelor degree of business administration in accountancy from the City University of Hong Kong in November 2008. He has been the managing director of Global Vision CPA Limited from December 2015 to February 2019 and worked with RSM Nelson Wheeler from August 2008 to September 2014 when his last position was an assistant manager.

CORPORATE GOVERNANCE REPORT

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of the shareholders and other stakeholders of the Company. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as set out in Appendix C1 of the Listing Rules. During the Relevant Period and up to the date of this annual report, the Company complied with the code provisions under the CG Code with the exception of code provision C.2.1 of the CG Code.

According to code provision C.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. During the Relevant Period and up to the date of this annual report, the role of the chairman and the chief executive officer of the Company are both performed by Mr. Chan Siu Cheong. In view of the in-depth knowledge and substantial experience of Mr. Chan in the operations of the Group and his solid experience in foundation work, the Board believes that it is more effective and efficient overall business planning and implementation of business decisions and strategies of the Group and in the best interests of the Group if Mr. Chan takes up the dual roles of chairman and chief executive officer of the Company. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance and that there are sufficient checks and balances in place by the operations of the Board, which comprises experienced and high calibre individuals and adequate independent element in the composition of the Board.

The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors are aware that the Company is expected to comply with the CG Code. Any deviation from the CG Code should be carefully considered and disclosed in the interim and annual report. Save as disclosed above, the Company will continue to comply with the CG Code to protect the best interests of the shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors.

The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the Relevant Period.

BOARD OF DIRECTORS

The Board is responsible for formulating business strategies and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are made by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules during the Relevant Period. The Board is constituted of five members, including two executive Directors and three independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (CONTINUED)

The composition of the Board is as follows:

Executive Directors

Mr. Chan Siu Cheong (*Chairman and Chief Executive Officer*)
Mr. Sin Ka Pong

Independent Non-executive Directors

Mr. Ho Chi Wai
Mr. Cheung Kwok Yan Wilfred
Mr. Lau Leong Ho

Biographical details of each Director and relationship between board members are set out on pages 19 to 21 of this annual report.

All independent non-executive Directors have respectively entered into a letter of appointment with the Company for a term of 1 year unless terminated by not less than one month's notice in writing served by either party on the other or subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

Pursuant to article 108(a) of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company has also complied with Rule 3.10(2) of the Listing Rules. One of the independent non-executive Directors possesses the appropriate professional accounting qualifications and financial management expertise.

During the Relevant Period, three Board meetings and one general meeting were held and the attendance record of each Director is set out in the table below:

Directors	Attendance/ Number of Board Meetings
Executive Directors	
Mr. Chan Siu Cheong	4/4
Mr. Sin Ka Pong	4/4
Independent non-executive Directors	
Mr. Ho Chi Wai	4/4
Mr. Cheung Kwok Yan Wilfred	4/4
Mr. Lau Leong Ho	4/4

Every Director is entitled to have access to Board papers and related materials, and the advice and services of the Company Secretary, and has the liberty to seek independent professional advice at the Company's expense if so reasonably required. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge so as to enable them to discharge their duties and responsibilities more effectively. During the Relevant Period, all Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest. Such induction materials and briefing will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors have provided record of their training attendance and the Company will continue to arrange and fund the training in accordance with the CG Code provisions.

BOARD COMMITTEES

The Board has established three committees, namely the audit committee (the "Audit Committee"), the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee"). All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, there are procedures in place for the Directors to seek independent professional advice in appropriate circumstance, at the Company's expense, if required. The table below provides the membership information of these committees on which certain Board members served:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Chan Siu Cheong	–	C	–
Mr. Sin Ka Pong	–	M	M
Mr. Ho Chi Wai	C	–	–
Mr. Cheung Kwok Yan Wilfred	M	–	C
Mr. Lau Leong Ho	M	M	M

Notes:

C – Chairman of the relevant Committee
M – Member of the relevant Committee

AUDIT COMMITTEE

The Company established the Audit Committee on 14 May 2018 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph D.3.3 of the CG Code. The primary duties of the Audit Committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing the Company's financial statements, the annual report and accounts and the half-year report and significant financial reporting judgments contained therein; and (c) reviewing the Company's financial controls, internal control and risk management systems. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ho Chi Wai, Mr. Cheung Kwok Yan Wilfred and Mr. Lau Leong Ho. Mr. Ho Chi Wai is the chairman of the Audit Committee.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (CONTINUED)

During the Relevant Period, the Audit Committee has held two meetings to (i) review the accounting principles and practices adopted by the Group; (ii) review the financial results for the six months ended 30 September 2023 and the year ended 31 March 2023; (iii) assess if there are any significant issues on financial reporting, internal control and risk management systems; and (iv) the re-appointment and remuneration of external auditor. The individual attendance record of each member at the meeting of Audit Committee is set out below:

Name of member of the Audit Committee	Attendance/ Number of Meetings
Mr. Ho Chi Wai	2/2
Mr. Cheung Kwok Yan Wilfred	2/2
Mr. Lau Leong Ho	2/2

NOMINATION COMMITTEE

The Company established the Nomination Committee on 14 May 2018 with written terms of reference in compliance with paragraph B.3.1 of the CG Code. The primary duties of the Nomination Committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; (d) making recommendations to the Board on the appointment and succession planning for the Directors; and (e) reviewing the board diversity policy of the Company ("Board Diversity Policy") concerning the diversity of the Board and the measurable objectives that the Board has adopted for implementing the Policy and to make the relevant disclosure on the progress of achieving those objectives in the corporate governance report of the Company. Nomination Committee comprises two independent non-executive Directors, namely Mr. Ho Chi Wai and Mr. Lau Leong Ho, and one executive Director and chairman of the Board, namely Mr. Chan. Mr. Chan is the chairman of the Nomination Committee.

During the Relevant Period, one Nomination Committee meeting was held to (i) review the structure, size and composition of the Board; (ii) assess the independence of independent non-executive Directors; and (iii) make recommendation to the Board on the appointment or re-appointment of Directors. The individual attendance record of each member at the meeting of Nomination Committee is set out below:

Name of member of the Nomination Committee	Attendance/ Number of Meetings
Mr. Chan Siu Cheong	1/1
Mr. Lau Leong Ho	1/1
Mr. Ho Chi Wai	1/1

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

The Board has adopted the Board Diversity Policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, the Board has been considering from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Board Diversity Policy provides that the Board shall take opportunities to balance our Board members' gender diversity over time when selecting and making recommendations on suitable candidates for Board appointments, with the ultimate goal of bringing our Board to gender parity. Currently, all members of the Board are male. To achieve gender diversity on the Board, the Board will appoint a female member no later than 31 December 2024.

In order to develop a pipeline of potential female successors to the Board, the Company takes necessary steps to identify and maintain a list of women candidates with a diverse range of skills, experience and knowledge in different fields by emphasising on training and providing career opportunities for the senior female employees who have long and relevant experience with our business, so as to equip them with the capability to lead the Group. The list of female candidates would be reviewed by the Nomination Committee on a yearly basis.

NOMINATION POLICY

The Company has adopted nomination policy (the "Nomination Policy") for the purpose to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders of the Company for election as a Director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- Reputation for integrity;
- Accomplishment, experience and reputation in the relevant industry and other relevant sectors;
- Commitment in respect of sufficient time, interest and attention to the Company's business;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;
- The ability to assist and support management and make significant contributions to the Company's success;
- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
- Any other relevant factors as may be determined by the Committee or the Board from time to time.

Each proposed new appointment, election or re-election of a director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the shareholders of the Company for consideration and determination.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company has adopted dividend policy (the "Dividend Policy") in compliance with code provision F.1.1 of the CG Code. It is the policy of the Company, in considering the payments of dividends and to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for future growth of the Group.

Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, *inter alia*:

- the general financial condition of the Group;
- capital and debt level of the Group;
- future cash requirements and availability for business operations, business strategies and future development needs;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the general market conditions; and
- any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the companies law of the Cayman Islands and any other applicable laws, rule and regulations and the Articles. The Policy will be reviewed by the Board from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 14 May 2018 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph E.1.2 of the CG Code. The primary duties of the Remuneration Committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to the Board on (a) the remuneration policy and structure for all of the Directors and senior management of the Company; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of the executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of the non-executive Directors. The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Cheung Kwok Yan Wilfred and Mr. Lau Leong Ho, and one executive Director, namely Mr. Sin Ka Pong. Mr. Cheung Kwok Yan Wilfred is the chairman of the Remuneration Committee.

During the Relevant Period, one Remuneration Committee meeting was held for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management of the Company. No material matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the Relevant Period. The individual attendance record of each member at the meeting of remuneration committee is set out below:

Name of member of the Remuneration Committee	Attendance/ Number of Meetings
Mr. Cheung Kwok Yan Wilfred	1/1
Mr. Sin Ka Pong	1/1
Mr. Lau Leong Ho	1/1

No Director takes part in any discussion about his own remuneration. Full details of remuneration of the Directors and the five highest paid employees are provided in Note 13 to the consolidated financial statements of this annual report.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Woo Yuen Ping, was appointed as the Company Secretary on 30 April 2019. Please refer to the section headed "Biographies of the Directors and Senior Management" in this annual report for his biographical information. During the Relevant Period, Mr. Woo has undertaken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the Relevant Period. The Directors aim to present a clear and understandable assessment of the Group's financial position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group. The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules, and reports to the regulators.

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

One of the major functions of the Board is to maintain an adequate risk management and internal control systems to safeguard the Company's shareholders' investments and the Group's assets, and reviewing their effectiveness annually through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board.

Policies and procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The policies and procedures provide a reasonable assurance that material misstatements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the Relevant Period, the Company engaged an external independent consulting firm to review the effectiveness of certain of the Group's risk management and internal controls systems. Relevant recommendations made by the consultant have already been implemented in stages by the Group to further enhance its internal control policies, procedures and practices. The Board considered that the Group's risk management and internal control systems were effective during the Relevant Period.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the Relevant Period, the statement of the auditor of the Company about their reporting responsibilities on the Group's consolidated financial statements for the Relevant Period is set out in the Independent Auditor's Report of this annual report while the remuneration paid or payable to the Company's auditor, Yongtuo Fuson, in respect of its audit services was as follows:

	Service Fee HK\$'000
Audit services	750

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group during the Relevant Period.

HUMAN RESOURCES

The Group is committed to promoting a sound corporate culture by setting out culture values including (but not limited to) lawful; discipline; ethics and integrity; responsibly; trust; and prudence. The culture values are articulated in policies, procedures and processes that are relevant to the day-to-day or routine business/supporting operations, training and performance appraisal of the Group's staff.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with all shareholders of the Company. The Company believes that maintaining a high level of transparency is a key to enhance investor relations.

The Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders of the Company to communicate effectively with the Board; (b) corporate communications such as annual reports, interim reports and circulars are issued in printed form for mailing to shareholders of the Company and are available on the Stock Exchange's website and the Company's website; (c) periodic announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange; and (d) the Company's website providing up-to-date information and updates on the Company's financial information, corporate governance practices and other related information.

The Board has reviewed the implementation and effectiveness of the Company's Shareholders' Communication Policy including steps taken at the general meetings and the multiple channels of communication and engagement in place, and considered that the Shareholders' Communication Policy has been properly implemented during the Relevant Period under review and is effective.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

How Shareholder can Convene an Extraordinary General Meeting

The following procedures for the shareholders of the Company to convene an extraordinary general meeting ("EGM") are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

- (a) Pursuant to article 64 of the Articles, any one or more 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 (the "Eligible Shareholder(s)") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;
- (b) The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business at Unit 903-905, 9/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;
- (c) The requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders of the Company concerned in accordance with the statutory requirements to all the registered shareholders of the Company;
- (d) The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders of the Company. On the contrary, if the requisition has been verified as not in order or the shareholders of the Company concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and
- (e) If within 21 days of such deposit the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Procedures by which Enquiries may be put to the Board

Shareholders of the Company may, at any time, direct enquiries to the Board. Such enquiries can be addressed to the Company Secretary in writing by mail to the Company's principal place of business in Hong Kong at Unit 903-905, 9/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

Procedures for Putting Forward Proposals at Shareholders' Meeting

There are no provisions in the Articles or the companies law of the Cayman Islands for the shareholders of the Company to put forward new resolutions at general meetings. Shareholders of the Company who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph heading "How Shareholder can Convene an Extraordinary General Meeting".

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There were no changes made to the constitutional documents of the Company during the year ended 31 March 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 1: INTRODUCTION

Affluent Foundation Holdings Limited (the “Company” or, together with its subsidiaries, the “Group”) is a subcontractor engaged in the provision of services related to foundation works in Hong Kong including excavation and lateral support works, pile caps construction, and other services, such as demolition works, underground drainage works, earthworks and structural steel works. To a lesser extent, the Group is also engaged in leasing machinery to other construction companies.

Section 1.1: ESG Statement of the Board

The board of directors of the Company (the “Board”) is pleased to present the Environmental, Social and Governance Report (“ESG Report”) for the year ended 31 March 2024 (the “Reporting Period”) in the following to illustrate and highlight our efforts and performance in achieving sustainable development in various ESG-related aspects.

ESG Governance Structure: The Board and ESG Management Team

The Group understands its responsibility and is committed to protecting and enhancing long-term shareholder value, leading and stewarding the Group with the aim to achieve long-term returns and generate a positive impact on the society and the environment. To achieve this goal, the Group has developed various ESG-related management systems to ensure its governance is aligned with its ESG strategic growth, while advocating for the integration of ESG into its business operations.

The Board acknowledges its responsibility for the management of the Group and is collectively responsible to ensure the sustainability of the Group’s development. The Board is responsible for formulating the ESG strategies of the Group, monitoring the ESG performance of its operation, reviewing the effectiveness of the ESG management system and determining the ESG policies of the Group. The chairman of the Board is responsible for overseeing the strategic planning and leadership of the Group, while senior management is responsible for effective implementation of the strategies formulated by the Board.

The departments designated for managing ESG-related matters (the “ESG Management Team”) are responsible for effective implementation of the strategies formulated by the Board. It comprises of core members from different departments of the Group with relevant expertise for effective oversight on ESG-related matters, including but not limited to:

- Financial expertise: understand the financial implication of ESG issues, analyze the financial impact of ESG risks and opportunities, assess the financial performance of sustainability initiatives, and ensure the ESG risks are integrated into financial reporting.
- Risk management expertise: identify and assess ESG risks, develop risk mitigation strategies, and ensure that ESG risks are appropriately monitored and reported.
- Human resource expertise: manage people and foster a positive workplace culture to ensure that the Group has effective diversity, equity, and inclusion policies to monitor labour practices and support employee well-being.

The ESG Management Team facilitates the Board’s oversight of ESG-related matters through a formalized communication protocol and has the responsibility for collecting and analysing ESG data, monitoring and evaluating the Group’s ESG performance, and preparing ESG reports. The ESG Management Team arranges meetings to discuss and review ESG-related matters, including but not limited to the Group’s ESG-related performance, ESG-related policies, and procedures, as well as the Group’s strategic goals in terms of sustainable development. The ESG Management Team reports to the Board annually and assists the Board to discharge its oversight responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 1: INTRODUCTION (CONTINUED)

Section 1.1: ESG Statement of the Board (CONTINUED)

ESG Governance Structure: The Board and ESG Management Team (CONTINUED)

To effectively monitor the progress against ESG-related targets, the Board works with the ESG Management Team to establish clear qualitative and quantitative ESG metrics to facilitate the Board's evaluation of the Group's ESG performance. These metrics cover environmental, social, and governance aspects of the Group's operations and would be monitored and reported to the Board on a regular basis with comparison with the historical data and selection of baseline as target. In the meantime, the Board and ESG Management Team would continuously review and enhance the Group's ESG-related practices to identify areas for enhancement. Where targets are not achieved, the ESG Management Team will report the reasons to the Board, further assess what can be done to achieve and/or whether any adjustments should be made to the targets.

For details of the metric monitoring and targets set, please refer to the following sections of this ESG Report which summarises the related ESG key performance indicator ("KPI") data and targets of the Group's major operating revenue activities.

Stakeholder Engagement

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. To achieve sustainable development, the Group maintains close relationships and continuously communication with its key stakeholders. This communication enables the Group to accurately assess the potential impact of its business activities on ESG.

In formulating operational strategies and ESG measures, the Group takes into account its stakeholders' expectations and concerns and strives to improve its performance through mutual cooperation with stakeholders. The Group has utilized diversified key communication channels, shown as below:

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	Shareholders	Corporate website Annual financial report Seminars Conference call
Employees	Senior management Employees Potential recruits	Training, seminars Face-to-face meetings Conference call Independent focus groups and interviews Corporate social responsibility and volunteering activities
Customers	Real estate developers Main contractors	Interviews Face-to-face meetings
Suppliers/Contractors	Materials suppliers Contractors	Supplier assessments Daily work reviews Site inspection/meeting with contractors
Government	Government Regulatory authorities	Written or electronic correspondence

Through collaborating with the stakeholders, the Group strives to further improve its ESG initiatives to create greater value for the community on a continuous basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 1: INTRODUCTION (CONTINUED)

Section 1.1: ESG Statement of the Board (CONTINUED)

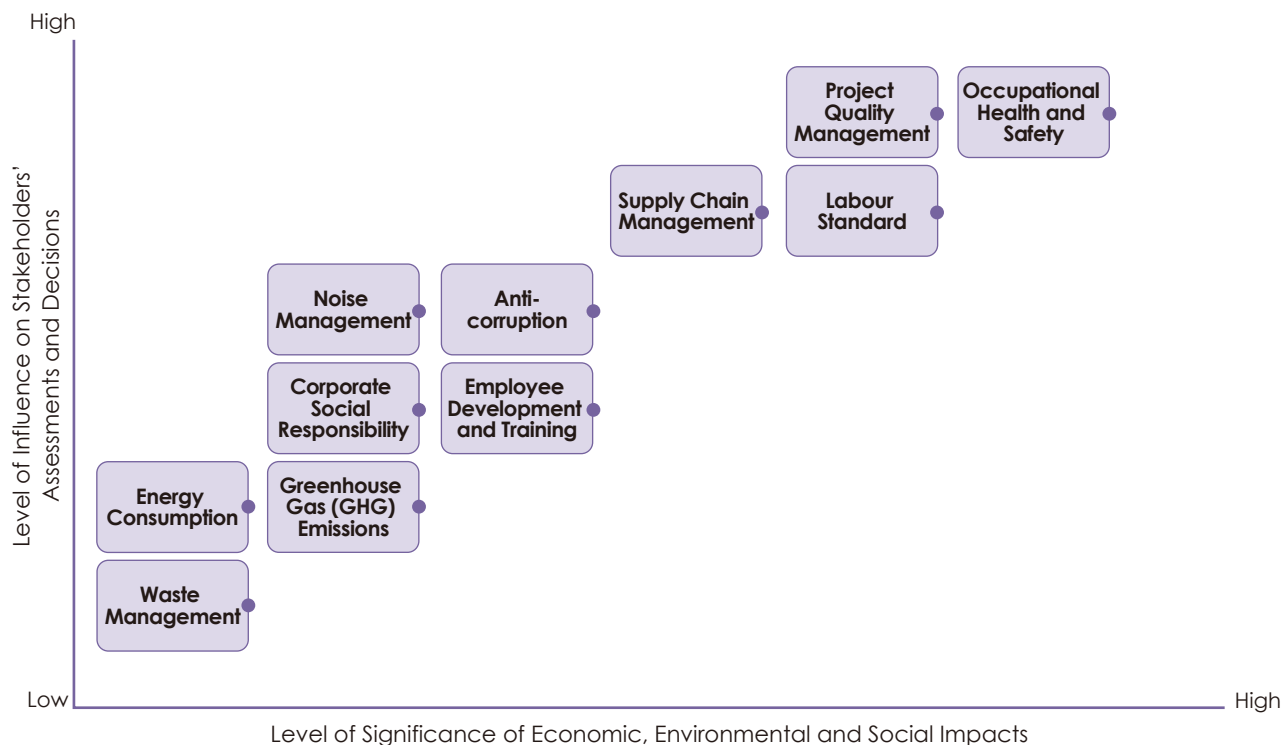
Materiality Assessment

The Group engaged with various stakeholders throughout the Reporting Period to identify and prioritise the issues which the Board believes would have significant impact on the Group's businesses and its stakeholders. The ESG Management Team has participated in preparing the ESG Report, assisted the Group in reviewing its operations, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. Key stages include:

- Identification: Selected of ESG issues that may reasonably be considered important for the Group and its stakeholders from various sources, including the industry trends and internal policies.
- Prioritisation: Conducted surveys to rate the level of influence on stakeholders, assessments and decisions, and the level of significance of economic, environmental, and social impacts of each issue and the Group using a scale of 1 to 5. Developed the materiality matrix based on the scores of the surveys, set the threshold for materiality (i.e. at a score of average) and prioritised a list of sustainability issues.
- Validation: ESG Management Team reviewed the materiality matrix and the threshold for materiality. ESG issues, with a score of average or above were prioritised as the important sustainability issues for the Group to consider and address.

The Group's material sustainability aspects will be covered in the ESG Report, and the materiality matrix is as follow:

THE GROUP'S MATERIALITY MATRIX FOR 2023/24



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 1: INTRODUCTION (CONTINUED)

Section 1.1: ESG Statement of the Board (CONTINUED)

Confirmation and Approval

Information in the ESG Report was sourced from the official documents, statistical data and management and operational information of and collected by the Group. The ESG Report has undergone the internal review process of the Group and was approved by the Board.

Opinion and Feedback

Comments and suggestions are welcome from our stakeholders. You may provide comments on the ESG Report or towards our performance in respect of sustainable development via the following channels:

Address: Affluent Foundation Holdings Limited
Unit 903–905, 9/F
The Octagon
No. 6 Sha Tsui Road, Tsuen Wan
New Territories, Hong Kong
Email: info@hcho.com.hk
Telephone: (852) 2593-5900

Section 1.2: About this ESG Report

Reporting Framework

The ESG report is prepared based on the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) in Appendix C2 to the Rules Governing the Listing of Securities (the “Listing Rules”) on Main Board of the Stock Exchange with the aim to inform relevant parties and stakeholders of our policies, measures and performance regarding environmental, social and governance issues. To ensure a comprehensive ESG reporting, we would continuously take note of different ESG issues and assess their relevance to our ESG reporting.

The Group attaches great importance to materiality, quantitative, balance and consistency during the preparation of the ESG Report. The Group has applied these reporting principles in the ESG Reporting Guide as the following:

- **Materiality:** We continuously collect opinions from stakeholders and determine the ESG issues to be covered and key points to be reported in the ESG Report based on the materiality assessment which was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the Board and the ESG Management Team. Please refer to the section headed “Materiality Assessment” for further details.
- **Quantitative:** We measured the key performance indicators with reference to the principles listed in the ESG Reporting Guide, including collecting environmental and social data from various departments, verifying documents, calculating, and disclosing data, and finally submitting the ESG Report to the Board for review after being verified by the ESG Management Team. The standards and methodologies used in calculation of relevant data in the ESG Report, as well as the applicable assumptions were disclosed. The KPIs were supplemented by explanatory notes to establish benchmarks where feasible.
- **Balance:** The ESG Report was prepared based on an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall ESG performance of the Group.
- **Consistency:** The statistical methodologies applied to this ESG Report were substantially consistent with the previous reporting periods, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies. If there are any changes that may affect comparison with previous reports, the Group will add comments to the corresponding content of this ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 1: INTRODUCTION (CONTINUED)

Section 1.2: About this ESG Report (CONTINUED)

Scope of the Reporting

The operating subsidiary of the Group currently focuses on providing a high standard of work and satisfying services related to foundation works in Hong Kong. To a lesser extent, the Group is also engaged in leasing of machineries to other construction companies.

The ESG report covers the Group's major operations in Hong Kong, namely the provision of services in relation to foundation works in Hong Kong, which is the key area of focus for our ESG management.

Documentation, statistics as well as other information available in relation to the Group was taken into account when extracting information, data and content for the ESG report. Details of our ESG strategies, policies and measures with regard to the different factors are stipulated below.

Reporting Period

The ESG Report specifies the ESG activities, challenges and measures being taken by the Group during the financial year ended 31 March 2024.

SECTION 2: ENVIRONMENTAL

A1. Emissions

The Group mainly undertakes foundation works in the construction industry and strictly complies with the environmental protection laws and regulations in Hong Kong, including the Air Pollution Control Ordinance (Cap. 311), Waste Disposal Ordinance (Cap. 354) and Noise Control Ordinance (Cap. 400). The Group implements various measures to avoid, minimise and control the impact on the environment at its construction sites.

With regard to air quality control, the Group stores sand, debris, or other dusty materials outside of construction sites. The construction materials are covered or wetted on site. Construction works are also enclosed with impervious dust screens, and working areas are wet prior to, during and after works execution. Haul roads are wet using water sprinklers or water bowsers. Construction vehicles are washed, and any dusty materials are removed before leaving a site.

In terms of environmental management for waste control, excavated materials or pure construction and demolition inert materials (e.g., hard rock, sand, soil, and broken concrete) shall be sorted on site for reuse on the site or disposed of at a designated outlet (e.g., Public Fill Reception Facility). In addition, cardboard, and paper packaging (for plant, equipment, and material) shall be sorted onsite and sold to recycling companies by the main contractor. They shall be stockpiled appropriately in dry conditions and covered to prevent cross contamination with other construction and demolition waste.

The nature of our business inevitably leads to noise pollution, and our procedures are set up to regulate the time and the specific types of equipment permitted for conducting percussive piling works. Noise barriers and hoarding are erected along the site boundary to lessen the impact of both dust and noise.

To the best of the Group's knowledge, there were no material non-compliances with environmental laws and regulations during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 2: ENVIRONMENTAL (CONTINUED)

A1. Emissions (CONTINUED)

A1.1: Exhaust Gas Emissions

The office did not generate direct air emissions. The works carried out by sub-contractors may generate some air pollutants, and the liability shall be borne by the sub-contractors. However, the Group still strives to mitigate the exhaust gas generated from our business as much as possible. The relevant staff have been deployed at the site to supervise subcontractors' work.

A1.2: Greenhouse Gas (GHG) Emissions

The Group is committed to maintaining the quality of the environment, using clean energy, reducing pollution and waste during operation to reduce and even eliminate the adverse impact on the environment from operating activities and emissions. Over the years, the Group has been committed to environmental protection and has adopted a number of measures and monitoring methods to mitigate emissions and ensure that its responsibility for environmental protection has been fulfilled. In accordance with the "Air Pollution Control Ordinance" laid down by the Environmental Protection Department (EPD), all of the Group's machinery uses fuel with a sulphur content not exceeding 0.005% during industrial processes.

During the Reporting Period, the Group did not use any liquefied petroleum gas or gas and did not produce any hazardous waste from its operations. Therefore, it has no relevant GHG emissions to report.

The following presents the Group's GHG emissions for the Reporting Period:

GHG emissions from use of vehicles

	Unit	2024	2023
Nitrogen oxides	gram	19,420.81	151,320.91
Sulphur oxides	gram	502.52	365.69
Respiratory suspended particles	gram	13,839.23	10,494.87

GHG emissions from mobile combustion sources

	Unit: kg (CO ₂ equivalent)	2024	2023
Scope 1			
Carbon dioxide	kg	96,626.17	74,320.60
Methane	kg	138.51	124.68
Nitrous oxide	kg	100.20	12.38

Indirect GHG emission resulting from the generation of purchased electricity and water processing

	Unit	2024	2023
Scope 2			
Indirect GHG emissions	kg (CO ₂ equivalent)	22,925.57	23,022.88
Indirect GHG emissions intensity	kg (CO ₂ equivalent)/office	4,585.11	4,604.58

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 2: ENVIRONMENTAL (CONTINUED)

A1. Emissions (CONTINUED)

A1.3: Hazardous Waste

The Group did not generate a significant amount of hazardous waste due to its business nature. Thus, no data was recorded, and no policy has been formulated.

A1.4: Non-hazardous Waste

During the Reporting Period, the Group complied with the Waste Disposal Ordinance. Due to the nature of the Group's business, certain construction waste is generated in our construction process. The major category of non-hazardous waste generated includes construction and demolition (C&D) waste. The construction waste is disposed of at landfills or sold for recycling purposes.

The following presents the Group's non-hazardous waste for the Reporting Period:

	Unit	2024	2023
Non-hazardous waste disposal	tonnes	1,919.09	1,906.94
Non-hazardous waste intensity	tonnes/construction project	213.23	635.65

A1.5: Measures to Mitigate Emissions

The Group always endeavours to recycle practicable construction material in our design and construction process. The Group has set a 5-year target to reduce 5% of GHG emissions and non-hazardous waste intensity in FY2022. To reduce emissions from vehicles, employees are encouraged to take public transports. The Group plans schedule and arranges the route of its vehicles to avoid unnecessary travel and/or congestion. To reduce its emissions relating to business travel, the Group avoids non-essential business travel and encourages employees to take low-emissions travelling methods. The Board will conduct a comprehensive review at the end of the period to assess the achievement of said target.

In summary, to the best of knowledge of the directors of the Company (the "Directors"), there were no material non-compliances with the applicable local rules and regulations relating to air emissions, GHG emissions, water and land discharges, and generation of hazardous and non-hazardous waste in all material aspects during the Reporting Period.

A1.6: Wastes Reduction and Initiatives

The Group has developed Green Office Practice to encourage wise use of resources while promoting waste reduction at source. The Group promotes paperless office – documents and information are transmitted electronically to avoid paper consumption. When printing is inevitable, paper should be printed on both sides whenever possible. The Group also encourages employees to recycle paper, plastic bottle and tin can. No formal policy on waste reduction has been established to regulate its sub-contractors. Nevertheless, they are encouraged to reduce waste and reuse resources to minimize the environmental impacts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 2: ENVIRONMENTAL (CONTINUED)

A2. Use of Resources

The Group has implemented a series of measures to enhance the awareness of environmental protection among employees with the aim of saving energy, fully utilising resources and recycling waste in the Group's operations.

The Group encourages employees to use recycled paper for printing and other operational use, and to consider the necessity of printed copies of electronic files during work. At its office, the Group has adopted LED lighting and requires employees to turn off the lights whenever vacating the office area.

Most of the electrical appliances at the Group's office are energy efficient. When using air conditioning, employees are advised to set the temperature at an eco-friendly level of 25.5 degrees Celsius.

As the Group's operations are based in Hong Kong, we believe that there is no material issue in sourcing water that is fit for purpose. In addition, as the Group is not involved in any production process, it does not consume packaging materials, hence this aspect is considered as irrelevant to the Group.

A2.1: Energy Consumption

The following presents the Group's direct energy consumption for the Reporting Period:

	Unit	2024	2023
Electricity usage	kWh	61,961.00	62,224.00
Electricity usage intensity	kWh/office	12,392.20	12,444.80

A2.2: Water Consumption

The following presents the Group's water consumption for the Reporting Period:

	Unit	2024	2023
Water consumption	cubic metre	2,635.01	2,318.00
Water consumption intensity	cubic metre/office	878.34	1,159.00

A2.3: Energy and A2.4: Water Use Efficiency Initiatives

The Group has set a 5-year target of reducing 5% of the direct energy usage and water consumption intensity in FY2022. The Group believes that reducing energy use could be mutually beneficial to the environment and the Group by reducing the operating costs and creating long-term value to its stakeholders. The Group encourages employees to switch off electrical appliances whenever not in use and all unnecessary lighting, air conditioners, and electrical appliances before they leave the office. The Group also selects energy-efficient equipment where applicable and will adopt immediate maintenance once damage is reported. With such measures implemented, employees' awareness of energy conservation has been enhanced. The Board will conduct a comprehensive review at the end of the period to assess the achievement of said target.

A2.5: Packaging Material

Owing to the nature of our operations, there is an absence of packing materials involved in our operations. As such, these aspects are considered as irrelevant to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 2: ENVIRONMENTAL (CONTINUED)

A3. The Environment and Natural Resources

The Group pursues best practices with the environment and focuses on the impact of its operations on the environment and natural resources. The Group has also integrated the concept of environmental protection into its internal management and daily operation activities and is committed to achieving the goal of environmental sustainability.

The main resources used by the Group in its daily operations are electricity and diesel which have been described in the section headed "Use of Resources". Apart from that, the Group will not use other natural resources in large quantities. The Group's environmental impact and the use of natural resources have always been highly valued, and it hopes to identify and mitigate the impact by considering sustainable development in all of its affairs.

Noise Management

The Group recognises that noise pollution may be generated due to our business nature. Therefore, the Group has implemented a number of measures to reduce noise level and ensured that the quality of life of the neighbourhood would not be severely disrupted. Whenever the noise level exceeds the prescribed level regulated by the Noise Control Ordinance and other relevant guidelines issued by the Environmental Protection Department, the Group will investigate the underlying factors and make respective arrangements. Silent equipment will be used where available and will be maintained regularly. With the relevant measures, the Group aims to minimise the impact brought to our neighbourhood.

Indoor Air Quality

Good indoor air quality is important for employees who work in the office. Indoor air quality in our workplace is regularly monitored. The Group has adopted several measures to ensure a good indoor air quality at the office, which include but not limited to conducting regular cleaning of air conditioning system. With such measures, indoor air quality is maintained.

A4. Climate Change

The Group recognises the importance of the identification and mitigation of significant climate related matters; therefore, the Group is committed to managing the potential climate-related risks which may impact the Group's business activities. The Group has established risk management policy in identifying and mitigating different risks including climate-related risks. The Board meets regularly and cooperates closely with key management to identify and evaluate climate-related risks and to formulate strategies to manage the identified risks.

A4.1: Climate-related Matters

Through the above method, the Group identified the material impacts on the Group's business arising from the following risks:

Physical Risks

The increased frequency and severity of extreme weather such as typhoons, storms and heavy rains can disrupt the Group's operations by damaging the power grid and communication infrastructures, and injuring its employees during their work, leading to reduced capacity and decreased productivity, or expose the Group to risks associated with non-performance and delayed performance. To minimise the potential risks and hazards, the Group has flexible working arrangements and precautionary measures during bad or extreme weather conditions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 2: ENVIRONMENTAL (CONTINUED)

A4. Climate Change (CONTINUED)

A4.1: Climate-related Matters (CONTINUED)

Transition Risks

The Group anticipates that there will be more stringent climate legislations and regulations to support the global vision of carbon neutrality. From a listed company's perspective, we acknowledge the increasing requirements of climate-related information disclosures. One example is the update of the Stock Exchange's ESG Reporting Guide in respect to significant climate-related impact disclosures of an issuer. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. The company's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as reputation risks, the Group regularly monitors existing and emerging trends, policies, and regulations relevant to climate and be prepared to alert the top management where necessary to avoid cost increments, non-compliance fines and/or reputational risks due to delayed response.

SECTION 3: SOCIAL

B1. Employment and Labor Standards

Our employees are our invaluable assets. The human resources policies of the Group are in line with the employment laws in Hong Kong. The policies cover the Group's standards in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare. The Directors and senior management of the Company participate in formulating remuneration packages for the entire workforce, which reflect positions, job nature, qualifications and experience. Remuneration is subject to annual review and shall be adjusted appropriately based on performance appraisals. Internal promotions are prioritised over external recruitment whenever there are development opportunities within the Group.

The Group fully complies with laws and regulations prohibiting unfair discrimination, including the Sex Discrimination Ordinance (Cap. 480), the Race Discrimination Ordinance (Cap. 602) and the Disability Discrimination Ordinance (Cap. 487). As an equal opportunity employer, the Group treats all employees on an equal footing in matters related to recruitment, promotion, appraisals, discipline, remuneration and benefits. An employee's age, gender, family status, sexual orientation, physical disability, ethnicity and religion shall not affect his or her career with us.

To prevent any hiring of child labour or illegal labour, the Group's human resources department is instructed to pay particular attention to such illegal practices and follow the Group's standardized recruitment procedures. The interviewer is responsible for checking the personnel identification documents of the job applicant to ensure the applicant is over the legally authorised working age.

To prevent forced labour practices, sufficient rest days are assigned to employees according to the Employment Ordinance (Cap. 57).

To the best knowledge of the Directors, during the Reporting Period, the Group did not identify any material breaches of relevant laws and regulations relating to prevention of child and forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 3: SOCIAL (CONTINUED)

B1. Employment and Labor Standards (CONTINUED)

B1.1: Workforce

The Group had 113 employees as at 31 March 2024 (FY2023: 112 employees), all of whom are from Hong Kong, including 40 full time employees (FY2023: 39 employees), 1 part time employee (FY2023: 1 employee), and 72 contractors or short term staff (FY2023: 72 employees). Out of the total number of employees, 104 of our employees were male (FY2023: 103 male employees) and 9 of them were female (FY2023: 9 female employees). Majority of the workforce were within the 51–70 age group, accounting for 69 of our employees (FY2023: 71 employees), while 35 employees were within the 31–50 age group (FY2023: 36 employees), 3 employees were under 30 years old (FY2023: 2 employees) and 6 employees were over 70 years old (FY2023: 3 employees).

During the Reporting Period, the Group's overall employee turnover rate was approximately 26.5% (FY2023: 39.3%). The employee turnover rate for male and female were approximately 26.9% (FY2023: 35.9%) and 22.2% (FY2023: 77.8%) respectively.

The Group maintains high standards of business ethics and requires its employees and subcontractors to abide by the Group's code of conduct.

During the Reporting Period, to the best of the Group's knowledge, there were no non-compliance cases regarding violation of any employment related laws and regulations, including, but not limited to:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong); and
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

B2. Employees' Health and Safety

The Group is committed to providing both its employees and subcontractors with a safe and healthy working environment.

For each construction project, sufficient risk assessments and a safety plan shall be implemented to ensure the safety of personnel working at the project site.

Specifically, the following safety measures are adopted:

- establishing an induction scheme in which new construction workers undertake induction safety training provided by the main contractor or the Group within the first day at the respective construction site to equip them with adequate knowledge with regards to safety and their work and/or relevant risks and hazards on the work site;
- providing sponsorship for employees to attend seminars and training sessions with respect to safety and skills development;
- arranging talks with construction workers after the occurrence of industrial accidents during which workers are allowed to express their opinions in relation to the safety topics in the respective toolbox talks;
- promoting workers' safety awareness in terms of manual lifting, preventing falls from height and falling objects and preventing "slip and trip" incidents, and improving on site cleanliness and tidiness; and
- setting up a drill program involving the execution of emergency drills from time to time to maintain workers' safety awareness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 3: SOCIAL (CONTINUED)

B2. Employees' Health and Safety (CONTINUED)

Although the Group has implemented a safety plan to mitigate safety risks, the occurrence of accidents at construction sites cannot be eliminated due to the nature of work in the construction industry.

The work injury statistics for the Group were as follows:

Aspects 2.1 and 2.2	Unit	2024	2023
Number of work-related fatalities	case(s)	–	–
Rate of work-related fatalities	percentage	–	–
Number of reported accidents (Sick leave > 3 days)	case(s)	6	13
Days lost due to work injury	day(s)	914	1,296

The Group was not aware of any material non-compliance with the health and safety laws and regulations during the Reporting Period.

B3. Training and Development

To allow employees to excel at their career, while at the same time to ensure their safety at work, the Group provides them with adequate support and on-site training.

The Group arranges training workshops or courses for its employees in relation to the skills and techniques required for carrying out the Group's construction services, as well as knowledge on occupational health and safety, which are to be conducted either through internal training or by external parties such as other training authorities through sponsorship of admission fees.

In particular, the Group ensures sufficient safety training shall be provided to employees. Total hours for safety training organised for employees during the Reporting Period amounted to 1,757 (FY2023: 1,113). The following presents the statistics for hours of safety training attended by employees based on gender and employment categories:

	2024		2023	
	Percentage of employees trained (%)	Average training hours per employee (hours)	Percentage of employees trained (%)	Average training hours per employee (hours)
By Gender				
• Female	100	2.22	100	4.00
• Male	100	16.70	100	10.46
By Employment Category				
• Senior Management	100	1.00	100	1.00
• Middle Management	100	16.00	100	8.80
• Junior Management	100	6.80	100	13.60
• Contractor or Short-Term Staff	100	17.61	100	10.44

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 3: SOCIAL (CONTINUED)

B4. Labor Standards

The Group strictly complies with relevant laws and regulations such as Employment Ordinance and the Disability Discrimination Ordinance of the Laws of Hong Kong. Background checks were conducted for new employees to ensure that no teenagers under the statutory minimum working age would be employed. All employees must provide their personal identity documents to prove their ages and identities. During the Reporting Period, no material case of non-compliance with local child and forced labor related laws and regulations were noted.

B5. Supply Chain Management

To support the Group's commitment to delivering the best services to customers and adding value to the Group's stakeholders in terms of ESG, the Group's operations department practices thorough supply chain management. Specifically, approved lists of suppliers and subcontractors are maintained.

The Group's suppliers are selected based on the following factors:

- Environmental compliance of products supplied;
- Quality of materials; and
- Any background issues concerning potential conflict of interests in supplying goods to the Group.

The Group shall only purchase from approved suppliers to ensure quality of its purchases. Further, with reference to the quality requirement of its construction projects, the responsible project team or the directors shall communicate with suppliers the quality requirements. At reception of goods at project sites, the foremen shall be responsible for inspecting the delivered goods to ensure they conform to quality requirements.

For subcontractors, the following factors shall be considered:

- Past safety records;
- Quality of work delivered to customers;
- Environmental compliance;
- Records of complaints from customers;
- Labor practices, in particular the hiring of illegal labor; and
- Any background issues concerning potential conflict of interests in providing services to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 3: SOCIAL (CONTINUED)

B5. Supply Chain Management (CONTINUED)

Regular inspection on the quality and progress delivered by subcontractors shall be performed by the responsible project team. The Group has made it clear to subcontractors that it is essential that they comply with related laws and regulations when handling safety and employment matters at construction sites.

During the Reporting Period, the Group had engaged 115 suppliers and subcontractors while all of them were in Hong Kong (FY2023: 129).

Service Pledge to Customers

The cornerstone to the Group's success has been the trust built between itself and its customers. Accordingly, customer communication channels have been set up, including an office hotline and construction site representatives for handling customers enquiries and complaints. The Group pledges to resolve any enquiries and complaints to the satisfaction of its customers and deliver the best construction services available.

During the Reporting Period, legal liabilities arising from defective construction works, disputes with customers, or customer data protection issues were not noted.

B6. Product Responsibility

Achieving and maintaining high quality standard for projects are the most important for the sustainable growth of the Group. Our direct customers include main contractors and subcontractors of various construction projects in Hong Kong. As a subcontractor, the Group mainly secures our projects from contractors through tenders by invitation. The Group strives to maintain good relationship with our major customers to establish good reputation and to gain future business opportunity.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in Hong Kong related to product health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress including but not limited to, the Trade Descriptions Ordinance and Personal Data (Privacy) Ordinance, that would have a significant impact to the Group. There was no complaint received during the Reporting Period. Given the Group's business nature, the Group was not involved in the sale of products, therefore disclosure on product recall procedures and number of products recalled are not applicable.

Project Quality Management

The Group commits to fulfilling our customers' satisfaction with high quality construction service to ensure our clients' requirements and expectations are fully understood and documented. The designated staff are responsible to monitor the project progress and job workmanship as per contractual and other requirements and will then review all documents referenced in the tender received by the Group. The designated department prepares preliminaries tender notes after the review to record the project details, specific contract payment terms and conditions, and the information required to be submitted. Such information will be brought to the Board for their acceptance or rejection of tender.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 3: SOCIAL (CONTINUED)

B6. Product Responsibility (CONTINUED)

Privacy Protection

Despite that the Group has limited access to our customers' personal data due to our business nature, as a responsible service provider, the Group has formulated internal policy to regulate the handling of confidential information while protecting customers' privacy. All confidential data related to the Group's business and customer information are securely protected and only used for internal purpose. Any leakage of confidential information to the third parties is strictly prohibited. As such, in carrying out our operations, the Group adheres to the Personal Data (Privacy) Ordinance and expressly reiterates confidentiality obligations.

The Group is determined to strengthen the protection of customers' privacy. Our employees are trained to maintain the confidentiality of our customers' information which they may have access to during work. The Group also standardises procedures for filing to protect confidential information.

Intellectual Property Rights

The Group has established relevant guidelines to govern the information technology management within the Group. Besides, the IT Department is responsible for obtaining proper licenses for software, hardware, and information the Group uses in its business operation. Duplication or downloading of information, software, and images from the internet must be approved by relevant departments. Furthermore, the Group closely monitor the infringement actions in the market and prevent infringement behavior, such as counterfeit trademarks.

Advertising and Labelling

As a subcontractor who provides wet trades works and other wet trades related ancillary works, the Group does not have any significant issues on advertising and labelling. Nevertheless, in the Group's dealings with its clients, information provided should be complete, true, accurate, clear, and comply with all relevant laws and regulations regarding the proper advertising, including but not limited to the Trade Descriptions Ordinance.

B7. Anti-corruption

Over the years, the Group has not witnessed any suspected or actual bribery, extortion, fraud and money laundering activities occurring within the Group. The Group stands firmly by its anti-corruption policies and procurement practices as stated in its internal manuals. Acceptance of kickbacks, commissions or any forms of benefits are strictly prohibited during any procurement, contract negotiations or other business dealings.

Conflict of Interest Management

In order to prevent employees from not taking corresponding measures because of their personal interests, the Group has formulated the manuals which provide outline guidance over conflicts of interest, intellectual property rights, privacy and information confidentiality, bribery and corruption, and equal opportunities to employees in exercising their utmost good faith and honesty in all transactions involving their duties and under no circumstances use their positions or knowledge gained for their own personal benefits. Employees must ensure that there is no conflict of interest between their personal interests and their duties, obligations and responsibilities to the Group. Those who have or have had a personal relationship with related person where a conflict of interest is perceived should provide written declarations at the earliest possible opportunity.

There is also a gift policy in the Group's internal manuals which clearly states the required process and procedure for handling and accepting gifts and advantages.

To the best knowledge of the Directors, no material breaches of relevant laws and regulations relating to bribery, extortion, fraud and money laundering were identified during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 3: SOCIAL (CONTINUED)

B7. Anti-corruption (CONTINUED)

Whistleblowing Mechanism

Committed to the highest possible standards of openness, probity and accountability, the Group expects and encourages our employees who have concerns about any suspected misconduct or malpractice within the Group to come forward and voice those concerns. Therefore, the Group adopts a “Whistleblowing Policy” for all levels and operations. Complainants are assured of protection against unfair dismissal, victimisation or unwarranted disciplinary action, even if the concerns turn out to be unsubstantiated. The Audit Committee is responsible for monitoring and reviewing the effectiveness of the “Whistleblowing Policy” and make recommendations for further improvement based on investigation results.

B8. Community Involvement

The Group promotes community involvement by encouraging its employees to engage in charitable activities. Understanding the importance of giving back, the Group facilitates the employee participation in various charity events whenever possible, reflecting its commitment to fostering a positive impact within the communities it operates. This approach underscores the Group's dedication to social responsibility and its proactive efforts to support and uplift the local communities through sustained charitable involvement.

SECTION 4: FUTURE APPROACH TO SUSTAINABLE DEVELOPMENT

In the future, the Group will:

- Continue to raise our staff and subcontractors' awareness in relation to environmental protection;
- Maintain the highest standards for occupational health and safety to protect our staff members and the communities located in the vicinity of our operations; and
- Further extend our care to the community by participating in more charity services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Mandatory Disclosure Requirements		Section
Governance Structure		Section 1.1: ESG Statement of the Board
Reporting Principles		Section 1.2: About this Report
Reporting Boundary		Section 1.2: About this Report
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
A. Environmental		
<i>Aspect A1: Emissions</i>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Section 2: Environmental – A1. Emissions
KPI A1.1	The types of emissions and respective emissions data	Section 2: Environmental – A1. Emissions – A1.1: Exhaust Gas Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Section 2: Environmental – A1. Emissions – A1.1: Exhaust Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Section 2: Environmental – A1. Emissions – A1.3: Hazardous Waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Section 2: Environmental – A1. Emissions – A1.4: Non-hazardous Waste
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	Section 2: Environmental – A1. Emissions – A1.5: Measures to Mitigate Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Section 2: Environmental – A1. Emissions – A1.6: Wastes Reduction and Initiatives

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
<i>Aspect A2: Use of Resources</i> General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Section 2: Environmental – A2. Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Section 2: Environmental – A2. Use of Resources – A2.1: Energy Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Section 2: Environmental – A2. Use of Resources – A2.2: Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Section 2: Environmental – A2. Use of Resources – A2.3: Energy Use Efficiency Initiatives
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Section 2: Environmental – A2. Use of Resources – A2.4: Water Use Efficiency Initiatives
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Section 2: Environmental – A2. Use of Resources – A2.5: Packaging Material
<i>Aspect A3: The Environment and Natural Resources</i> General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources	Section 2: Environmental – A2. Use of Resources – A3: The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Section 2: Environmental – A2. Use of Resources – A3: The Environment and Natural Resources
<i>Aspect A4: Climate Change</i> General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Section 2: Environmental – A2. Use of Resources – A4: Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Section 2: Environmental – A2. Use of Resources – A4.1: Climate-related Matters

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs

Description

Section

B. Social

Aspect B1: Employment

General Disclosure

Information on:

- (a) the policies; and
- (b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare

Section 3: Social – B1.
Employment and Labor
Standards

KPI B1.1

Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region

Section 3: Social – B1.
Employment and Labor
Standards – B1.1 Workforce

KPI B1.2

Employee turnover rate by gender, age group and geographical region

Section 3: Social – B1.
Employment and Labor
Standards – B1.1 Workforce

Aspect B2: Health and Safety

General Disclosure

Information on:

- (a) the policies; and
- (b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to providing a safe working environment and protecting employees from occupational hazards

Section 3: Social – B2.
Employees' Health and Safety

KPI B2.1

Number and rate of work-related fatalities occurred in each of the past three years including the reporting year

Section 3: Social – B2.
Employees' Health and Safety

KPI B2.2

Lost days due to work injury

Section 3: Social – B2.
Employees' Health and Safety

KPI B2.3

Description of occupational health and safety measures adopted, and how they are implemented and monitored

Section 3: Social – B2.
Employees' Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
<i>Aspect B3: Development and Training</i>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Section 3: Social – B3. Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Section 3: Social – B3. Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category	Section 3: Social – B3. Training and Development
<i>Aspect B4: Labour Standards</i>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Section 3: Social – B4. Labor Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Section 3: Social – B4. Labor Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Section 3: Social – B4. Labor Standards
<i>Aspect B5: Supply Chain Management</i>		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Section 3: Social – B5. Supply Chain Management
KPI B5.1	Number of suppliers by geographical region	Section 3: Social – B5. Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Section 3: Social – B5. Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Section 3: Social – B5. Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Section 3: Social – B5. Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
<i>Aspect B6: Product Responsibility</i>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Section 3: Social – B6. Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Section 3: Social – B6. Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Section 3: Social – B6. Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Section 3: Social – B6. Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures	Section 3: Social – B6. Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Section 3: Social – B6. Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
<i>Aspect B7: Anti-corruption</i> General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Section 3: Social – B7. Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Section 3: Social – B7. Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Section 3: Social – B7. Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff	Section 3: Social – B7. Anti-corruption
<i>Aspect B8: Community Investment</i> General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Section 3: Social – B8. Community Involvement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Section 3: Social – B8. Community Involvement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Section 3: Social – B8. Community Involvement

INDEPENDENT AUDITOR'S REPORT



永拓富信會計師事務所有限公司
YONGTUO FUSON CPA LIMITED

To the members of Affluent Foundation Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Affluent Foundation Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 117, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Accounting for construction contracts

The key audit matter

As described in Notes 6, 9, and 17, to the consolidated financial statements, the Group recognised construction contracts revenue and costs amounted to approximately HK\$199,344,000 and HK\$194,775,000 for the year ended 31 March 2024, and as at 31 March 2024, the Group recorded contract assets (net of ECL allowance) and contract liabilities of approximately HK\$86,549,000 and HK\$6,870,000, respectively.

The Group's construction contracts revenue and costs are recognised based on output method by reference to the direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract. The value of the services transferred to customer to date is measured according to the progress certificates (by reference to the construction works certified by the customers or their agents). When the outcome of a construction contracts cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

These transactions require the management's estimation and judgement of the contract revenue, the contract costs and any variation works which may have an impact on the construction contracts and the corresponding profit taken.

We identified the accounting for construction contracts as a key audit matter because of its significance to the consolidated financial statements as a whole and the significant management judgement and estimation involved.

How the matter was addressed in our audit

Our audit procedures in relation to accounting for construction contracts included, among others, the following:

- Understanding the basis of estimation of the budgets through discussion with the management who is responsible for the budgeting of the construction contracts, and evaluating the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects;
- Inspecting the key terms and conditions of construction contracts and verified the total contract revenue;
- Assessing and checking, on a sample basis, the accuracy of the budgeted construction revenue by agreeing to contract sum or any variation orders as set out in the construction contracts or the agreements entered with customers;
- Selecting, on a sample basis, the construction contracts to examine project managers' budget of the cost components to actual cost incurred, such as cost of materials, subcontracting charges and labour costs, etc. and also comparing the budgeted construction costs to supporting documents including but not limited to invoices, quotations and rate of labour costs, etc.; and
- Evaluating the management's assessment on the revenue recognised of the construction contracts, on a sample basis, based on the latest progress certificates issued by the customers or their agents, including the certified contract work and variation orders, if any, and discussing with management and the respective project managers about the progress of the projects and cost incurred for work performed but not certified.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Estimation of expected credit loss ("ECL") allowances on trade and other receivables and contract assets

The key audit matter

As described in Notes 16 and 17.1 to the consolidated financial statements, at 31 March 2024, the Group's trade and other receivables and contract assets, net of ECL allowances, amounted to approximately HK\$104,098,000 and HK\$86,549,000, respectively.

Management performed periodic review on the status of construction projects and individual credit evaluations on significant customers. These evaluations focused on the customer's settlement history and current and future ability to pay, and took into account the information specific to the customer as well as pertaining to the current and future economic environment in which the customer operates.

For trade and other receivables and contract assets which were not subject to individual evaluations or those that have been individually assessed as not impaired, management collectively assessed ECL taking into account of the nature of customers, the ageing analysis and historical bad debt losses incurred in respect of those group of customers. ECL are estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

We identified the ECL allowances on trade and other receivables and contract assets as a key audit matter because of its significance to the consolidated financial statements as a whole and the significant management judgements and estimates involved in the ECL assessment.

How the matter was addressed in our audit

Our audit procedures in relation to estimation of ECL allowances on trade and other receivables and contract assets included, among others, the following:

- Understanding, evaluating and validating the Group's internal control regarding impairment assessment of trade and other receivables and contract assets, those controls related to the identification of events that triggered the provision for impairment of receivables from construction contracts and estimation of the impairment provisions;
- Obtaining management's assessment on the collectability of individual significant customers, and corroborating management's assessment against relevant supporting evidence, including credit history and financial capability of these customers;
- Assessing, on a sample, the basis the individual significant customer which had not been identified by management as potentially impaired and performed audit procedures to assess the recoverability and also reviewing construction progress, independent research on public available information and examination of payment records in the past and current years; and
- Reviewing the underlying information referenced by management through validation of the aging reports and comparison with the collection records and average industry provision rate in respect of the collective assessment and also evaluating whether the historical loss rates were appropriately adjusted based on current and forward-looking information, with the assistance of our specialists.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 28 June 2023.

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, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND 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 of the Company 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 of the Company 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 of the Company 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 over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

From the matters communicated with 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 Mr. Lee Yan Fai.

Yongtuo Fuson CPA Limited
Certified Public Accountants
Lee Yan Fai
Practising Certificate Number: P06078

Hong Kong, 27 June 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	6	199,344	326,492
Construction contracts costs		(194,775)	(322,505)
Gross profit		4,569	3,987
Other income	7	15,549	17,478
Administrative expenses		(21,456)	(22,328)
Reversal of impairment loss under expected credit loss model, net	9	3,067	1,900
Finance costs	8	(1,486)	(824)
Profit before income tax	9	243	213
Income tax credit	10	2,179	597
Profit and total comprehensive income for the year attributable to equity holders of the Company		2,422	810
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company			
Basic and diluted	12	0.20	0.07

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	14	24,390	26,075
Right-of-use assets	15	5,177	2,128
		29,567	28,203
Current assets			
Trade and other receivables	16	104,098	74,184
Contract assets	17.1	86,549	94,561
Cash and cash equivalents	18	3,869	17,221
		194,516	185,966
Current liabilities			
Trade and other payables	19	81,702	78,815
Amount due to a director	20	9,623	12,196
Lease liabilities	21	3,250	1,822
Contract liabilities	17.2	6,870	1,891
Tax payables		–	1,789
		101,445	96,513
Net current assets		93,071	89,453
Total assets less current liabilities		122,638	117,656
Non-current liabilities			
Amount due to a director	20	29,483	28,124
Lease liabilities	21	1,916	325
Deferred tax liabilities	22	3,154	3,544
		34,553	31,993
Net assets		88,085	85,663
Capital and reserves			
Share capital	23	12,000	12,000
Reserves		76,085	73,663
Equity attributable to equity holders of the Company		88,085	85,663

The consolidated financial statements from pages 6 to 57 were approved and authorised for issue by the board of directors on 27 June 2024.

Chan Siu Cheong
Director

Sin Ka Pong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Share capital HK\$'000	Share premium HK\$'000 (Note (i) below)	Capital reserve HK\$'000 (Note (ii) below)	Other reserve HK\$'000 (Note (iii) below)	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2022	12,000	77,625	301	–	(9,138)	80,788
Profit and total comprehensive income for the year	–	–	–	–	810	810
Transactions with owners: Deemed contribution from a shareholder (Note 20)	–	–	–	4,065	–	4,065
Balance at 31 March 2023 and 1 April 2023	12,000	77,625	301	4,065	(8,328)	85,663
Profit and total comprehensive income for the year	–	–	–	–	2,422	2,422
At 31 March 2024	12,000	77,625	301	4,065	(5,906)	88,085

Notes:

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

(ii) Capital reserve

Capital reserve represents the aggregate of the paid-up share capital of the subsidiaries comprising the Group as at 31 March 2018 and 31 March 2017 arising from the reorganisation for the purpose of listing of the Company's shares on the Stock Exchange.

(iii) Other reserve

Other reserve represents the difference of the principal and the fair value of the loan granted by a director of the Company at initial recognition amounting to approximately HK\$4,065,000 which was credited as deemed contribution from a shareholder in equity during the year ended 31 March 2023 and details of which are set out in Note 20 to the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
Cash flow from operating activities		
Profit before income tax	243	213
Adjustments for:		
Depreciation of property, plant and equipment	5,479	12,319
Depreciation of right-of-use assets	2,863	2,462
Gain on disposal of property, plant and equipment	(303)	(348)
Reversal of impairment loss under expected credit loss model, net	(3,067)	(1,900)
Finance costs	1,486	824
Operating profit before working capital changes	6,701	13,570
Increase in trade and other receivables	(29,896)	(32,478)
Decrease in contract assets	11,061	42,483
Increase (decrease) in trade and other payables	2,887	(11,917)
Increased in contract liabilities	4,979	–
<i>Net cash (used in) generated from operating activities</i>	(4,268)	11,658
Cash flow from investing activities		
Purchase of property, plant and equipment	(4,626)	(8,161)
Proceeds from disposal of property, plant and equipment	1,135	423
<i>Net cash used in investing activities</i>	(3,491)	(7,738)
Cash flow from financing activities		
Capital element of lease rentals paid	(2,893)	(2,509)
Interest element of lease rentals paid	(128)	(134)
Amount advance from a director	12,233	4,590
Amount repaid to a director	(14,805)	(527)
<i>Net cash (used in) generated from financing activities</i>	(5,593)	1,420
Net (decrease) increase in cash and cash equivalents	(13,352)	5,340
Cash and cash equivalent at beginning of the year	17,221	11,881
Cash and cash equivalents at end of the year	3,869	17,221

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. GENERAL INFORMATION

Affluent Foundation Holdings Limited (the “Company”) is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

As at 31 March 2024 and 31 March 2023, the Company’s immediate and ultimate holding company is Oriental Castle Group Limited (“Oriental Castle”), a company incorporated in the British Virgin Islands (the “BVI”) and owned by Mr. Chan Siu Cheong (“Mr. Chan”) and Ms. Chu Wai Ling (“Ms. Chu”). Mr. Chan, Ms. Chu and Oriental Castle are collectively referred to as the controlling shareholders of the Company.

The Company is an investment holding company and its subsidiaries (together referred to as the “Group”) are acting as subcontractor in the provision of services related to foundation works in Hong Kong.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) AND CHANGES IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (CONTINUED)

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3.2 to the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employer’s MPF contributions was allowed under the Employment Ordinance (Cap. 57). In June 2022, the Government of the HKSAR gazetted the *Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022* (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “*Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong*” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (CONTINUED)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong (CONTINUED)

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee's service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19 *Employee Benefits*. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 *Employee Benefits* before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 *Employee Benefits* after the Abolition.

The directors of the Company consider that the changes in the Group's accounting policy in the current year had no material impact on the consolidated financial statements.

Amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

Revenue recognition

Revenue arises mainly from the provision of services related to foundation works in Hong Kong.

To determine whether to recognise revenue, the Group follows a 5-step process:

- Step 1: Identifying the contract with a customer
- Step 2: Identifying the performance obligations
- Step 3: Determining the transaction price
- Step 4: Allocating the transaction price to the performance obligations
- Step 5: Recognising revenue when/as performance obligation(s) are satisfied

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Revenue recognition (CONTINUED)

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Contract assets

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit loss ("ECL") and are reclassified to receivables when the right to the consideration has become unconditional in accordance with the Company's accounting as described below.

Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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

Output method

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

The Company's construction contracts revenue is recognised under output method. Output method is used when determining progress towards complete satisfaction of the performance obligation of the courses and programs, which is to recognise revenue on the basis of direct measurements of the value of services transferred to the customers to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Further information about the Group's accounting policies relating to revenue from contracts with customers is provided in Note 6 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone prices of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Leases (CONTINUED)

The Group as a lessee (CONTINUED)

Right-of-use assets (CONTINUED)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as 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 the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Leases (CONTINUED)

The Group as a lessee (CONTINUED)

Lease liabilities (CONTINUED)

The Group remeasures lease liabilities (and make a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group did not make any such adjustments during the periods presented.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Leases (CONTINUED)

The Group as a lessor (CONTINUED)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 *Financial Instruments* and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income" in the consolidated statement of profit or loss and other comprehensive income.

Employee benefits

Retirement benefit costs

Payments made to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Employee benefits (CONTINUED)

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurement are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Taxation (CONTINUED)

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

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

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

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

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 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Property, plant and equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Impairment on property, plant and equipment and right-of-use assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Impairment on property, plant and equipment and right-of-use assets (CONTINUED)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units.

The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Provisions

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

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

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Financial instruments (CONTINUED)

Financial assets

Classification and subsequent measurement of financial assets

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

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

Amortised cost and interest income

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

Impairment of financial assets under HKFRS 9 Financial Instruments

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including trade receivables and other receivables, and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Financial instruments (CONTINUED)

Financial assets (CONTINUED)

Impairment of financial assets under HKFRS 9 Financial Instruments (CONTINUED)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations; and
- irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Financial instruments (CONTINUED)

Financial assets (CONTINUED)

Impairment of financial assets under HKFRS 9 Financial Instruments (CONTINUED)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Financial instruments (CONTINUED)

Financial assets (CONTINUED)

Impairment of financial assets under HKFRS 9 Financial Instruments (CONTINUED)

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for certain trade and other receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Financial instruments (CONTINUED)

Financial assets (CONTINUED)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss as part of the net foreign exchange gains/(losses).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Financial instruments (CONTINUED)

Financial liabilities and equity (CONTINUED)

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "General and administrative expenses" line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (CONTINUED)

Related parties

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Critical judgements in applying accounting policies

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

Construction contracts

As explained in Notes 3.2 and 6, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers and their agents. The Group reviews and revises the estimates of contract revenue, contract costs and any variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred. When the outcome of a construction contract (including any variable orders) cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Significant judgement is required in estimating the contract revenue, contract costs and variation works, if any, which may have an impact on progress of the construction contracts and the corresponding profit taken.

Management exercised their judgements and estimated based on contract costs and revenues with reference to the latest available information, which includes detailed contract sum and works performed. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any uncertified work and unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

Details of the Company's contract assets and liabilities are disclosed in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty

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

Estimation of impairment of trade and other receivables and contract assets within the scope of ECL under HKFRS 9

Under HKFRS 9, the Group makes allowances on items subject to ECL (including trade and other receivables and contract assets) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out above.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other receivables and contract assets within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

As at 31 March 2024, details of the Company's trade and other receivables and contract assets are set out in Notes 16 and 17.1, respectively.

Impairment of property, plant and equipment and right-of-use assets

If circumstances indicate that the carrying amounts of property, plant and equipment and right-of-use assets may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 *Impairment of Assets*. The carrying amounts of property, plant and equipment and right-of-use assets are reviewed yearly in order to assess whether the recoverable amounts have declined below the carrying amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use.

In determining the value in use, expected cash flows generated by the asset which requires significant estimation relating to the contract revenue, contract costs and variation works, if any, which may have an impact on progress of the construction contracts and the corresponding profit taken, are discounted to their present values. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of contract revenue, contract costs and any variation works. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 March 2024, details of the Company's property, plant and equipment and right-of use assets are set out in Notes 14 and 15, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. The directors of the Company regard the Group's business of foundation works as a single operating and reportable segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

Geographical information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2024 HK\$'000	2023 HK\$'000
Customer A	59,947	103,685
Customer B	50,782	N/A*
Customer C	33,568	186,087
Customer D	29,173	N/A*

* The corresponding revenue does not contribute over 10% of total revenue of the Group.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

The Group is principally engaged as subcontractor in the provision of services related to foundation works in Hong Kong.

(i) The Group derives revenue from the transfer of goods and services by categorise of major product lines and business

	2024 HK\$'000	2023 HK\$'000
Revenue from contracts with customers within the scope of IFRS 15		
Contracting revenue analysed by types of projects:		
– Private sector projects	53,752	11,485
– Public sector projects	145,592	315,007
	199,344	326,492

(ii) The Group derives revenue from the transfer of goods and services by timing of revenue recognition

All revenue represents the contracting revenue arising from provision of services related to foundation works and is recognised over time.

(iii) The Group derives revenue from the transfer of goods and services by geographical markets

Information regarding the Group's revenue from the transfer of goods and services by geographical markets is set out in Note 5 above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(b) Contract balances

	Notes	As at 31 March		As at 1 April
		2024 HK\$'000	2023 HK\$'000	2022 HK\$'000
Trade receivables	16	26,358	14,556	14,632
Less: ECL allowance		(460)	(578)	(542)
		25,898	13,978	14,090
Contract assets	17.1			
– Unbilled revenue		53,184	45,612	82,811
– Retention receivables		34,231	52,864	58,078
		87,415	98,476	140,889
Less: ECL allowance		(866)	(3,915)	(5,632)
		86,549	94,561	135,257
Contract liabilities	17.2	6,870	1,891	1,891

Information regarding the trade receivables, contract assets and contract liabilities is set out in respective notes.

(c) Performance obligations for contracts with customers and revenue and other income recognition policies

The Group is primarily engaged in the provision of services related to foundation works in Hong Kong.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

The Group recognises revenue when the significant risks and rewards of ownership of any goods and services have been transferred, and the Group's performance obligations for contracts with customers and revenue recognition policies are as follows:

(i) Construction contracts revenue

Revenue from construction contracts are recognised over time as the Group's performance creates and enhances an asset that the customer controls. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(c) Performance obligations for contracts with customers and revenue and other income recognition policies (CONTINUED)

(i) Construction contracts revenue (CONTINUED)

The value of the services transferred to customer to date is measured according to the progress certificates (by reference to the construction works certified by the customers or their agents). In general, the Group makes application to the customer for progress payment normally on a monthly basis or upon the completion of the project, if appropriate. After examination by the customer or its agent, a payment certificate will be issued to the Group certifying the portion of works completed during the period for which progress payment is applied, which normally takes around one month from the date of application, and therefore the stage of completion for the period is established by reference to the payment certificate issued to the Group. However, progress certifications might not necessarily take place as at the financial year-end. In case where progress certifications do not take place as at the financial year-end or where the last progress certificate for a works contract during a financial year does not cover a period up to the financial year-end, the revenue for the period from the last progress certification up to the financial year-end is estimated based on the estimated stage of completion with reference to the actual amounts of works performed during such period as indicated by the relevant site records as well as the rates for the relevant works items as agreed between the customer and the Group.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

(ii) Machinery rental income

Rental income receivable from leasing of machinery is recognised in profit or loss on a straight-line basis over the periods covered by the lease term.

(iii) Income from sales of construction wastes

Income from sales of construction wastes is recognised a fixed fee when the Group transfers control to the customer.

(iv) Transportation income

Transportation income is recognised when the services are rendered.

(v) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Further information about the Group's accounting policies relating to revenue from contracts with customers is provided in Note 3.2 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(d) Transaction price allocated to remaining performance obligation

Performance obligations satisfied in previous periods

The following table includes revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

	2024 HK\$'000	2023 HK\$'000
Performance obligations satisfied in previous periods	102,068	231,865

Further information regarding the transaction price allocated to remaining performance obligation is set out in Note 17.

7. OTHER INCOME

	2024 HK\$'000	2023 HK\$'000
Gain on disposal of property, plant and equipment, net	303	348
Government grant (Note below)	–	5,588
Income from sales of construction wastes	5,527	8,199
Machinery rental and transportation income	6,112	2,681
Sundry income	3,607	662
	15,549	17,478

Note: During the year ended 31 March 2023, the grants from the Employment Support Scheme ("ESS") under the COVID-19 Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government"). There were neither conditions nor other contingencies attached to the receipts of those grants.

During the year ended 31 March 2024, the Group did not receive such government grant.

8. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Finance charge on lease liabilities	128	134
Effective interest in amount due to a director	1,358	690
	1,486	824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

9. PROFIT BEFORE INCOME TAX

	2024 HK\$'000	2023 HK\$'000
Profit before income tax is stated after charging (crediting):		
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	70,758	86,814
– Contributions to defined contribution retirement plans	1,372	1,932
	72,130	88,746
Staff costs included in:		
– Construction contracts costs	57,851	75,886
– Administrative expenses	14,279	12,860
	72,130	88,746
Depreciation of property, plant and equipment and right-of-use assets, included in:		
– Construction contracts costs		
– Owned assets	4,987	11,463
– Right-of-use assets	2,408	2,006
– Administrative expenses		
– Owned assets	492	856
– Right-of-use assets	455	456
	8,342	14,781
Reversal of impairment loss under expected credit loss model, net		
– Trade and other receivables	(18)	(183)
– Contract assets	(3,049)	(1,717)
	(3,067)	(1,900)
Construction contracts costs	194,775	322,505
– Including subcontracting charges	69,303	103,620
Others:		
Auditor's remuneration	750	906
Services charged paid for machinery	3,085	4,093
Short term leases	1,113	872

During the year ended 31 March 2024, the Group had no forfeited contributions under the MPF Scheme which may be used by the Group to reduce the existing levels of contributions (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

10. INCOME TAX CREDIT

Income tax credit in the consolidated statement of profit or loss and other comprehensive income represents:

	2024 HK\$'000	2023 HK\$'000
Provision for Hong Kong Profits Tax		
– Over provision in prior years	(1,789)	–
Deferred tax (Note 22)	(390)	(597)
	(2,179)	597

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities will be taxed at 8.25%, and the profits above HK\$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will be taxed at 16.5%. Hong Kong Profits Tax has not been provided as the Group incurred tax losses for the years ended 31 March 2024 and 31 March 2023.

Reconciliation between income tax credit and accounting profit at applicable tax rate:

	2024 HK\$'000	2023 HK\$'000
Profit before taxation	243	213
Tax at Hong Kong Profits Tax rate of 16.5% (2023: 16.5%)	40	35
Tax effect of non-taxable income	(556)	(1,300)
Tax effect of non-deductible expenses	669	606
Over provision in respect of prior years	(1,789)	–
Tax effect of unrecognised temporary differences	(337)	278
Tax effect of unrecognised tax losses	224	904
Tax effect of tax loss utilised	(430)	(1,120)
Income tax credit	(2,179)	(597)

11. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the years ended 31 March 2024 and 31 March 2023, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

12. EARNINGS PER SHARE

12.1 Basic earnings per share

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

	2024 HK\$'000	2023 HK\$'000
Earnings		
Profit for the year attributable to equity holders of the Company	2,422	810
	2024	2023
Number of shares		
Weight average number of ordinary shares	1,200,000,000	1,200,000,000

12.2 Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 March 2024 and 31 March 2023 and therefore, diluted earnings per share equals to basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

- (a) Directors' and Chief Executive Officer's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2024					
Executive directors:					
Mr. Chan (Chairman and Chief Executive Officer)	1,300	57	–	–	1,357
Mr. Sin Ka Pong	1,020	–	85	18	1,123
Independent non-executive directors:					
Mr. Cheung Kwok Yan Wilfred	180	–	–	–	180
Mr. Lau Leong Ho	180	–	–	–	180
Mr. Ho Chi Wai	180	–	–	–	180
	2,860	57	85	18	3,020
Year ended 31 March 2023					
Executive directors:					
Mr. Chan (Chairman and Chief Executive Officer)	1,300	57	–	–	1,357
Mr. Sin Ka Pong	1,020	–	85	18	1,123
Independent non-executive directors:					
Mr. Cheung Kwok Yan Wilfred	180	–	–	–	180
Mr. Lau Leong Ho	180	–	–	–	180
Mr. Ho Chi Wai	180	–	–	–	180
	2,860	57	85	18	3,020

The Chief Executive Officer's and executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

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

The remunerations of directors and the Chief Executive Officer were reviewed by the remuneration committee of the Company having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2023: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2023: three) individuals during the year are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries, fee and allowances	3,109	2,941
Retirements scheme contributions	36	43
	3,145	2,984

The emoluments fell within the following bands:

	2024 No. of employee	2023 No. of employee
Emolument bands:		
Nil – HK\$1,000,000	1	1
HK\$1,000,001 to HK\$2,000,000	2	2

For the years ended 31 March 2024 and 31 March 2023, no emoluments were paid by the Group to any of the directors of the Company or the Chief Executive Officer of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

For the years ended 31 March 2024 and 31 March 2023, there were no arrangements under which a director or the Chief Executive Officer or any of the five highest paid employees waived or agreed to waive any remuneration for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 April 2022					
Cost	828	92,602	8,701	401	102,532
Accumulated depreciation	(544)	(63,961)	(6,895)	(401)	(71,801)
Net book amount	284	28,641	1,806	–	30,731
Year ended 31 March 2023					
Opening net book amount	284	28,641	1,806	–	30,731
Additions	62	8,099	–	–	8,161
Disposals	–	(498)	–	–	(498)
Depreciation	(82)	(11,463)	(774)	–	(12,319)
Net book amount	264	24,779	1,032	–	26,075
At 31 March 2023 and 1 April 2023					
Cost	819	98,364	8,701	401	108,285
Accumulated depreciation	(555)	(73,585)	(7,669)	(401)	(82,210)
Net book amount	264	24,779	1,032	–	26,075
Year ended 31 March 2024					
Opening net book amount	264	24,779	1,032	–	26,075
Additions	–	4,078	548	–	4,626
Disposals	–	(644)	(188)	–	(832)
Depreciation	(78)	(4,958)	(443)	–	(5,479)
Net book amount	186	23,255	949	–	24,390
At 31 March 2024					
Cost	819	97,972	8,958	401	108,150
Accumulated depreciation	(633)	(74,717)	(8,009)	(401)	(83,760)
Net book amount	186	23,255	949	–	24,390

The above items of property, plant and equipment after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures and equipment	15%
Plant and machinery	20% to 33 $\frac{1}{3}$ %
Motor vehicles	25%
Leasehold improvements	Over the term of lease or 20%, whichever is shorter

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

15. RIGHT-OF-USE ASSETS

	Office premises HK\$'000	Warehouse HK\$'000	Total HK\$'000
At 1 April 2022			
Cost	1,367	3,951	5,318
Accumulated depreciation	(417)	(1,573)	(1,990)
Net book amount	950	2,378	3,328
Year ended 31 March 2023			
Opening net book amount	950	2,378	3,328
Lease modification	–	1,262	1,262
Depreciation	(456)	(2,006)	(2,462)
Net book amount	494	1,634	2,128
At 31 March 2023 and 1 April 2023			
Cost	1,367	4,073	5,440
Accumulated depreciation	(873)	(2,439)	(3,312)
Net book amount	494	1,634	2,128
Year ended 31 March 2024			
Opening net book amount	494	1,634	2,128
Additions	–	5,912	5,912
Depreciation	(455)	(2,408)	(2,863)
Net book amount	39	5,138	5,177
At 31 March 2024			
Cost	1,367	8,823	10,190
Accumulated depreciation	(1,328)	(3,685)	(5,013)
Net book amount	39	5,138	5,177
		2024 HK\$'000	2023 HK\$'000
Expense relating to short-term leases		1,113	872

Details of the lease contracts are set out in Note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

16. TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	26,358	14,556
Less: ECL allowance	(460)	(578)
	25,898	13,978
Other receivables and prepayments	1,391	1,931
Paid in advance to sub-contractors	68,074	49,781
Occupational injury receivables	7,867	7,860
Utility and other deposits	1,414	1,080
	78,746	60,652
Less: ECL allowance	(546)	(446)
	78,200	60,206
	104,098	74,184

The directors of the Company consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

As at 31 March 2024, the occupational injury receivables which are expected to be recovered over one year are approximately HK\$7,867,000 (2023: HK\$7,860,000). The Group classifies these occupational injury receivables as current because the Group expects to realise them in its normal operating cycle.

Trade receivables

The Group usually provide customers with a credit term of 30 to 45 days. For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	2024 HK\$'000	2023 HK\$'000
0–30 days	14,634	7,028
31–60 days	11,510	6,053
61–90 days	–	–
Over 90 days	214	1,475
	26,358	14,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

ECL allowances for trade and other receivables

The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The movements in the ECL allowance of trade and other receivables are as follows:

	Trade receivables HK\$'000	Other receivables HK\$'000	Total HK\$'000
As at 1 April 2022	542	665	1,207
ECL allowance recognised during the year	36	120	156
Reversal of ECL allowance during the year	–	(339)	(339)
As at 31 March 2023 and 1 April 2023	578	446	1,024
ECL allowance recognised during the year	–	100	100
Reversal of ECL allowance during the year	(118)	–	(118)
As at 31 March 2024	460	546	1,006

Details of impairment assessment of trade and other receivables for the years ended 31 March 2024 and 31 March 2023 are set out in Note 30.3.

17. CONTRACT ASSETS AND CONTRACT LIABILITIES

17.1 Contract assets

	Notes	2024 HK\$'000	2023 HK\$'000
Unbilled revenue	(a)	53,184	45,612
Retention receivables	(b)	34,231	52,864
Less: ECL allowance	(c)	87,415 (866)	98,476 (3,915)
		86,549	94,561

Notes:

(a) Unbilled revenue

Unbilled revenue represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables

Retention receivables included in contract assets represents the Group's right to consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

17. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

17.1 Contract assets (CONTINUED)

Notes: (Continued)

(c) ECL allowance

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Details of impairment assessment of contract assets for the years ended 31 March 2024 and 31 March 2023 are set out in Note 30.3.

The movements in the ECL allowance of contract assets are as follows:

	2024 HK\$'000	2023 HK\$'000
At beginning of the year	3,915	5,632
ECL allowance reversed during the year	(3,049)	(1,717)
At end of the year	866	3,915

As at 31 March 2024, the gross amount of contract assets are expected to be recovered within one year is approximately HK\$62,338,000 (2023: HK\$54,727,000), whereas amounts expected to be recovered over one year is approximately HK\$25,077,000 (2023: HK\$43,749,000). The Group classifies its contract assets as current because the Group expects to realise them in its normal operating cycle.

During the year ended 31 March 2024, transfers from contract assets recognised at the beginning of the year to receivables are approximately HK\$33,804,000 (2023: HK\$60,188,000). Decrease in the carrying amount of the contract asset during the year ended 31 March 2024 is mainly due to conclusion of several projects.

17.2 Contract liabilities

	2024 HK\$'000	2023 HK\$'000
Contract liabilities arising from construction wastes disposal contracts from billings in advance of performance	6,870	1,891

All of the contract liabilities are expected to be recovered/settled within one year.

Contract liabilities outstanding at the beginning of the year amounting to approximately Nil (2023: Nil) have been recognised as revenue during the year.

Unsatisfied long-term construction contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 March 2024 and 31 March 2023 are as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	148,916	91,745
More than one year	172,864	68,255
	321,780	160,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at floating rates based on daily bank deposit rates.

19. TRADE AND OTHER PAYABLES

	Notes	2024 HK\$'000	2023 HK\$'000
Trade payables	(a)	34,563	41,827
Retention payables	(b)	23,951	24,329
Accruals and other payables	(c)	23,188	12,659
		81,702	78,815

All amounts are short-term and hence, the carrying values of the Group's trade payables and accruals and other payables are considered to be a reasonable approximation of fair value.

Notes:

(a) Trade payables

The Group is usually granted by suppliers with a credit term of 30 days.

As at 31 March 2024, included in trade payable of approximately HK\$1,734,000 (2023: HK\$1,734,000) was related party balance due to Kam Lung Transport Co., which is a sole proprietorship established by Mr. Tsang Leung Lung, who is also the brother-in-law of Mr. Chan.

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

	2024 HK\$'000	2023 HK\$'000
0–30 days	5,953	15,286
31–60 days	6,991	4,131
61–90 days	5,052	2,239
Over 90 days	16,567	20,171
	34,563	41,827

(b) Retention payables

As at 31 March 2024, the retention payables of approximately HK\$12,903,000 (2023: HK\$20,848,000) were expected to be repayable over one year. The Group classifies them as current because the Group expects to realise them in its normal operating cycle.

(c) Accruals and other payables

As at 31 March 2024, included in accruals and other payables of approximately HK\$1,974,000 (2023: HK\$1,887,000) was related to the purchase of property, plant and equipment and contra costs recharged by the subcontractors of approximately HK\$10,865,000 (2023: HK\$819,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

20. AMOUNT DUE TO A DIRECTOR

	2024 HK\$'000	2023 HK\$'000
Mr. Chan		
Carrying amount repayable		
– Within one year	9,623	12,196
– In the second year	29,483	–
– In the third to fifth years	–	28,124
	39,106	40,320
Less: Amount due within one year	(9,623)	(12,196)
Carrying amount shown under non-current liabilities	29,483	28,124

As at 31 March 2024, the loan from a director amounting approximately HK\$9,623,000 (2023: HK\$12,196,000) is classified as current liabilities represented a non-trade in nature, unsecured, interest-free and repayable on demand. The remaining amount due to a director represented a non-trade in nature, unsecured, interest-free with principal amount of HK\$31,500,000 (the "Loan") which is repayable by September 2025. Mr. Chan is also one of the controlling shareholders of the Company. The Loan was carried at amortised cost using the effective interest method. The effective interest rate applied was 4.62% per annum. The difference of the principal and the fair value of the Loan at initial recognition amounting to approximately HK\$4,065,000 was credited as deemed contribution from a shareholder in equity during the year ended 31 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

21. LEASE LIABILITIES

The analysis of the Group's lease liabilities is as follows:

	2024 HK\$'000	2023 HK\$'000
Total minimum lease payments:		
– Due within one year	3,426	1,881
– Due in the second to fifth years	1,956	330
Future finance charges	5,382 (216)	2,211 (64)
Present value of lease obligations	5,166	2,147
Present value of minimum lease payment:		
– Due within one year	3,250	1,822
– Due in the second to fifth years	1,916	325
Less: Portion due within one year included under current liabilities	5,166 (3,250)	2,147 (1,822)
Portion due after one year included under non-current liabilities	1,916	325

As at 31 March 2024, the Group leases office premise and warehouses (2023: office premise and warehouses) to operate its business. These lease periods are for three and two years (2023: three and two years) respectively. At the end of the lease term, lease liabilities were effectively secured by the related underlying assets as the rights to the lease asset would be converted to the lessor in the event of default by repayment by the Group. None of its leases including contingent rentals. The effective interest rate on these leases was 4.62% to 4.88% for the year ended 31 March 2024 (2023: 4.88% to 5.13%).

During the year ended 31 March 2024, the total cash outflows for the leases are approximately HK\$4,134,000 (2023: HK\$3,515,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

22. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% in Hong Kong.

The movements in deferred tax liabilities and recognised in the consolidated statement of the financial position during the years ended 31 March 2024 and 31 March 2023 are as follows:

	Accelerated tax depreciation HK\$'000
As at 1 April 2022	4,141
Charged to profit or loss (Note 10)	(597)
As at 31 March 2023 and 1 April 2023	3,544
Charged to profit or loss (Note 10)	(390)
As at 31 March 2024	3,154

As at 31 March 2024, the unrecognised temporary differences on tax losses are approximately HK\$73,583,000 (2023: HK\$77,655,000).

As at 31 March 2024, the deferred tax assets of unrecognised temporary differences on depreciation are approximately HK\$2,940,000 (2023: HK\$4,864,000).

23. SHARE CAPITAL

	2024		2023	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised: Ordinary shares of HK\$0.01 each				
As at 31 March	4,000,000,000	40,000	4,000,000,000	40,000
Issued and fully paid: Ordinary share of HK\$0.01 each				
As at 31 March	1,200,000,000	12,000	1,200,000,000	12,000

There were no movements of the authorised and issued share capital of the Company for the years ended 31 March 2023 and 31 March 2024.

24. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 100% of relevant payroll costs to the Scheme, which contributions is matched by employees.

The total expense recognised in profit or loss of HK\$1,372,000 (2023: HK\$1,932,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2024 HK\$'000	2023 HK\$'000
Non-current asset			
Investment in a subsidiary		—*	—*
Current assets			
Prepayments and other receivables		236	256
Amounts due from subsidiaries		50,487	52,918
Cash and cash equivalents		98	72
		50,821	53,246
Current liability			
Accruals		886	814
Net current assets			
		49,935	52,432
Net assets			
		49,935	52,432
EQUITY			
Share capital	23	12,000	12,000
Reserves		37,935	40,432
		49,935	52,432

* The balance represented an amount less than HK\$1,000

The movements of the Company's reserves are as follows:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2022	77,625	(34,381)	43,244
Loss and total comprehensive expenses for the year	—	(2,812)	(2,812)
Balance at 31 March 2023 and 1 April 2023	77,625	(37,193)	40,432
Loss and total comprehensive expenses for the year	—	(2,497)	(2,497)
Balance at 31 March 2024	77,625	(39,690)	37,935

As at 31 March 2024, the distributable reserves of the Company amounting to approximately HK\$37,935,000 (2023: HK\$40,432,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

26. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the years ended 31 March 2024 and 31 March 2023.

(a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the years ended 31 March 2024 and 31 March 2023 are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries, fee and allowances	3,975	3,802
Discretionary bonuses	330	330
Retirement benefit scheme contributions	24	43
	4,329	4,175

(b) Material related party transactions

Name of related party	Nature	Notes	2024 HK\$'000	2023 HK\$'000
Ms. Chan Sze Nga	Salary and allowances	(a)	1,078	1,151
Ms. Chan Mei Po	Salary and allowances	(b)	750	750
Mr. Tsang Ue Sum	Salary and allowances	(c)	390	378
Ms. Chan Mei Lei	Salary and allowances	(d)	455	455

Notes:

- (a) Ms. Chan Sze Nga is the daughter of Mr. Chan and the niece of Mr. Tsang Leung Lung.
- (b) Ms. Chan Mei Po is the niece of Mr. Chan.
- (c) Mr. Tsang Ue Sum is the nephew of Mr. Chan and the son of Mr. Tsang Leung Lung.
- (d) Ms. Chan Mei Lei is the niece of Mr. Chan.

27. LEASE COMMITMENTS

At the end of the reporting period, the warehouse of lease commitments for short-term leases are as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	30	121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

28. CONTINGENT LIABILITIES

As at 31 March 2024 and 31 March 2023, the Group has been involved in a number of claims, litigations and potential claims against the Group, as a subcontractor, in relation to work-related injuries and non-compliance. The potential claims and litigations against the Group are insured by main contractor's insurance policy. The directors of the Company are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made as at 31 March 2024 and 31 March 2023 and during the years ended 31 March 2024 and 31 March 2023.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities are as follows:

	Lease liabilities HK\$'000	Amount due to a director HK\$'000	Total HK\$'000
As at 1 April 2023	2,147	40,320	42,467
Cash flows:			
Proceeds	–	12,233	12,233
Repayment	–	(14,805)	(14,805)
Capital element of lease rentals paid	(2,893)	–	(2,893)
Interest element of lease rentals paid	(128)	–	(128)
Non-cash:			
New lease entered	5,912	–	5,912
Interest expenses	128	1,358	1,486
As at 31 March 2024	5,166	39,106	44,272
As at 1 April 2022	3,394	39,632	43,026
Cash flows:			
Proceeds	–	4,590	4,590
Repayment	–	(527)	(527)
Capital element of lease rentals paid	(2,509)	–	(2,509)
Interest element of lease rentals paid	(134)	–	(134)
Non-cash:			
Lease modification	1,262	–	1,262
Deemed contribution from a shareholder	–	(4,065)	(4,065)
Interest expenses	134	690	824
As at 31 March 2023	2,147	40,320	42,467

(b) Non-cash transactions

- (i) During the year ended 31 March 2024, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to approximately HK\$5,912,000 (2023: Nil) was recognised.
- (ii) During the year ended 31 March 2023, the proceeds from disposal of property, plant and equipment have been net-off with other payables at approximately HK\$423,000 as the plant and machineries were returned to the machinery vendor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial statements in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

30.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities.

	2024 HK\$'000	2023 HK\$'000
Financial assets		
At amortised cost:		
– Trade and other receivables	38,769	27,821
– Cash and bank balances	3,869	17,221
	42,638	45,042
Financial liabilities		
At amortised cost:		
– Trade and other payables	81,702	78,815
– Amount due to a director	39,106	40,320
– Lease liabilities	5,166	2,147
	125,974	121,282

30.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Lease liabilities bearing fixed rates expose the Group to fair value interest rate risk.

The Group does not have any significant exposure to interest rate risk as the Group bank balances is considered immaterial.

30.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group's maximum exposure to credit risk is limited to the carrying amounts of the financial assets at each reporting date as detailed in Note 30.1.

At 31 March 2024, the Group has concentration of credit risk as 61% and 99% (2023: 21% and 90%) of the total trade receivables were due from the Group's largest customer and five largest customers respectively. At 31 March 2024, the aggregate gross amounts of trade receivables from the Group's largest customer and five largest customers amounted to approximately HK\$16,004,000 and HK\$26,057,000 respectively (2023: HK\$3,010,000 and HK\$13,082,000 respectively). The Group does not hold any collateral from its debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.3 Credit risk (CONTINUED)

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable and contract asset balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Internal credit rating, actual or expected significant adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant change to the borrower's ability to meet its obligations, actual or expected significant changes in the operating results of the borrower and significant changes in the expected performance and behavior of the borrower including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower are indicators to be incorporated.

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash and cash equivalents.

The carrying amounts of trade and other receivables, contract assets and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets and detail are set out in Note 30.1 above.

The Group performs impairment assessment under ECL model on financial assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included trade receivables, contract assets and other financial assets measured at amortised cost.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Stage 1 – financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk.
- Stage 2 – financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.
- Stage 3 – financial instruments that have objective evidence of impairment at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.3 Credit risk (CONTINUED)

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL – not credit-impaired" are recognised for the Stage 2 category and "lifetime ECL – credit-impaired" are recognised for the Stage 3 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables and contract assets.

To measure the ECL of trade receivables and contract assets, individual credit evaluation on significant customers is performed by management. These evaluations focused on the customer payment history and current and future ability for payment taking into account the information specific to the customer as well as pertaining to the current and future general economic environment in which the customer operated.

For those not subject to individual credit evaluation or those that have been individually assessed as not impaired, management collectively assessed the ECL taking into account the ageing analysis and historical observed default rates over the expected life of the debtors in respect of those groups of customers. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers and debtors to settle the receivables.

In addition, the Group assesses ECL under HKFRS 9 on trade receivables collectively based on the analysis of credit risk with customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. ECL rate of 0.99% (2023: Nil) applied for balances due less than one year, with loss allowance amounting to HK\$146,000 (2023: Nil) at 31 March 2024. ECL rate of 0.99% (2023: Nil) applied for balances due over one year but within two years, with loss allowance amounting to approximately HK\$114,000 (2023: Nil) at 31 March 2024. ECL rate of 100% (2023: 60.8%) applied for balance due over two years, with loss allowance amounting to approximately HK\$200,000 (2023: HK\$578,000) at 31 March 2024.

Contract assets are related to unbilled revenue and retention receivables which have substantially the same risk characteristics as the trade receivables for the same type of contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Contract assets are assessed for ECL which are based on customers which share common risk characteristics, with ECL rate of 0.99% (2023: 3.97%) applied for and loss allowance amounting to approximately HK\$866,000 (2023: HK\$3,915,000) at 31 March 2024. Contract assets are also assessed for ECL which are based on customers individually adjusted for factors specific to the debtors relating to the latest negotiation with the debtors, historical credit loss experience versus the expected collectability of the debtors, and poor economic environment as at 31 March 2024, and loss allowance amount to approximately Nil (2023: HK\$3,000) for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.3 Credit risk (CONTINUED)

(i) Trade receivables and contract assets (CONTINUED)

ECL allowance of trade receivables

As at 31 March 2024 and 31 March 2023, the credit loss allowance of trade receivables is as follow:

	Less than 1 year	1 year to 2 years	Over 2 years	Total
As at 31 March 2024				
Collectively assessed:				
– ECL rate	0.99%	0.99%	100%	–
– Gross carrying amount (HK\$'000)	14,648	11,510	200	26,358
– Loss allowance (HK\$'000)	(146)	(114)	(200)	(460)
	14,502	11,396	–	25,898
	Less than 1 year	1 year to 2 years	Over 2 years	Total
As at 31 March 2023				
Collectively assessed:				
– ECL rate	–	–	60.8%	–
– Gross carrying amount (HK\$'000)	13,081	–	1,475	14,556
– Loss allowance (HK\$'000)	–	–	(578)	(578)
	13,081	–	897	13,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.3 Credit risk (CONTINUED)

(i) Trade receivables and contract assets (CONTINUED)

ECL allowance of contract assets

As at 31 March 2024 and 31 March 2023, the credit loss allowance of contract assets is as follow:

	Collectively assessed	Individually assessed	Total
As at 31 March 2024			
– ECL rate	0.99%	–	–
– Gross carrying amount (HK\$'000)	87,415	–	87,415
– Loss allowance (HK\$'000)	(866)	–	(866)
	86,549	–	86,549
	Collectively assessed	Individually assessed	Total
As at 31 March 2023			
– ECL rate	3.97%	100%	–
– Gross carrying amount (HK\$'000)	98,473	3	98,476
– Loss allowance (HK\$'000)	(3,912)	(3)	(3,915)
	94,561	–	94,561

(ii) Other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward-looking information. The Group assessed that some of other receivables have deteriorated significantly in credit quality since initial recognition after considering the factors as set out in Note 3.2. The ECL assessment of other receivables are based on customers which share common risk characteristics or individually, with ECL rate 0.09% (2023: 1.9%) for stage 1 and 9.99% (2023: 5.6%) for stage 2 applied and loss allowance amounting to approximately HK\$546,000 (2023: HK\$446,000) at 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.3 Credit risk (CONTINUED)

(ii) Other receivables (CONTINUED)

ECL allowance of other receivables

The movements in the gross amount of other receivables are as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 April 2022	8,933	5,938	–	14,871
Additions	3,132	–	–	3,132
Amounts recovered during the year	(2,131)	(1,583)	–	(3,714)
Transfers	(283)	283	–	–
As at 31 March 2023 and 1 April 2023	9,651	4,638	–	14,289
Additions	2,898	–	–	2,898
Amounts recovered during the year	(2,891)	(879)	–	(3,770)
Transfer	(1,791)	1,791	–	–
As at 31 March 2024	7,867	5,550	–	13,417

The movements in the ECL allowance of other receivables are as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 April 2022	224	441	–	665
ECL allowance	50	70	–	120
Reversal of ECL allowance	(78)	(261)	–	(339)
Transfers	(9)	9	–	–
As at 31 March 2023 and 1 April 2023	187	259	–	446
ECL allowance	1	280	–	281
Reversal of ECL allowance	(181)	–	–	(181)
As at 31 March 2024	7	539	–	546

The Group's ECL movements of other receivables are disclosed in Note 16.

(iii) Cash and cash equivalents

Cash and cash equivalents are placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

30.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, its lease liabilities and amount due to a director, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities at the end of each reporting period. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within one year HK\$'000	Over 1 year but within 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
As at 31 March 2024				
Trade and other payables	68,799	12,903	81,702	81,702
Amount due to a director	9,623	31,500	41,123	39,106
Lease liabilities	3,426	1,956	5,382	5,166
	81,848	46,359	128,207	125,974
As at 31 March 2023				
Trade and other payables	50,034	28,781	78,815	78,815
Amount due to a director	12,196	31,500	43,696	40,320
Lease liabilities	1,881	330	2,211	2,147
	64,111	60,611	124,722	121,282

30.5 Fair value measurements

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values at 31 March 2024 and 31 March 2023 due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

31. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. For this purpose, gearing ratio is calculated based on total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings include amount due to a director and lease liabilities. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The gearing ratio at the 31 March 2024 and 31 March 2023 was as follows:

	2024 HK\$'000	2023 HK\$'000
Total borrowings		
– Amount due to a director	39,106	40,320
– Lease liabilities	5,166	2,147
	44,272	42,467
Total equity	88,085	85,663
Gearing ratio	50.3%	49.6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

32. INTEREST IN SUBSIDIARIES

Particulars of the Company's subsidiaries of 31 March 2024 and 31 March 2023 are as follows:

Name of Company	Place of incorporation	Date of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest		Principal activities
				2024	2023	
Directly held by the Company						
Affluent Century Investments Limited	The BVI	16 March 2017	1 ordinary share	100%	100%	Investment holding
Indirectly held by the Company						
Art Ventures Worldwide Limited	The BVI	20 March 2017	2 ordinary shares	100%	100%	Investment holding
Luxury Golden Worldwide Limited	The BVI	20 March 2017	2 ordinary shares	100%	100%	Investment holding
Hong Chang Construction Foundations (Holdings) Limited ("HCC Foundations")	Hong Kong	14 April 2009	1,000 ordinary shares	100%	100%	Undertaking foundation works in Hong Kong
Hong Chang Construction Transportation Engineering Company Limited ("HCC Transportation")	Hong Kong	15 October 1996	100,000 ordinary shares	100%	100%	Provision of equipment rental in Hong Kong

FINANCIAL SUMMARY

	For the year ended 31 March				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Results					
Revenue	199,344	326,492	511,568	446,846	213,121
Direct costs	(194,775)	(322,505)	(492,696)	(437,990)	(197,088)
Gross profit/(loss)	4,569	3,987	18,872	8,856	16,033
Other income	15,549	17,478	5,836	5,526	3,369
Administrative expenses	(21,456)	(22,328)	(21,823)	(21,635)	(24,495)
Reversal/(Provision) of expected credit loss, net	3,067	1,900	232	10,505	(15,849)
Finance costs	(1,486)	(824)	(444)	(1,866)	(1,972)
Profit/(Loss) before income tax	243	213	2,673	1,386	(22,914)
Income tax credit/(expense)	2,179	597	283	(734)	(2,832)
Profit/(Loss) and total comprehensive income/(expenses) for the year attributable to equity holders of the Company	2,422	810	2,956	652	(25,746)
Earnings/(Loss) per share attributable to equity holders of the Company Basic and diluted (HK cents)	0.20	0.07	0.25	0.05	(2.15)
	As at 31 March				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Assets and Liabilities					
Current assets	194,516	185,966	188,731	166,853	155,135
Non-current assets	29,567	28,203	34,059	35,115	30,656
Current liabilities	101,445	96,513	136,668	119,404	103,180
Non-current liabilities	34,553	31,993	5,334	4,732	5,431
Total equity	88,085	85,663	80,788	77,832	77,180

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