CHINA HONGBAO HOLDINGS LIMITED
中國紅包控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8316

2023
ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "**Director(s)**") of China Hongbao Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

BOARD OF DIRECTORS

Executive Directors:
Mr. Cheng Jun *(Chairman)*
(appointed on 19 May 2022)
Mr. Yu Hua *(Chief Executive Officer)*
(appointed on 27 February 2023
as executive Director and
17 May 2023 as Chief Executive Officer)
Mr. Lai Yanjun (resigned on 6 April 2022)
Ms. Xu Zhi (resigned on 6 April 2022)
Mr. Xing Yuan *(former Chairman)*
(resigned on 19 May 2022)
Mr. Ji Zhendong *(former Chief Executive Officer)*
(resigned on 17 May 2023)

Non-executive Director:
Mr. Xing Lei (resigned on 6 April 2022)

Independent non-executive Directors:
Mr. Chow Chun To
Dr. Kung Wai Chiu Marco
Ms. Wong Chi Yan

BOARD COMMITTEES

Audit Committee
Mr. Chow Chun To *(Chairman)*
Dr. Kung Wai Chiu Marco
Ms. Wong Chi Yan

Remuneration Committee
Dr. Kung Wai Chiu Marco *(Chairman)*
Mr. Chow Chun To
Ms. Wong Chi Yan

Nomination Committee
Mr. Cheng Jun *(Chairman)*
(appointed on 19 May 2022)
Ms. Wong Chi Yan
Dr. Kung Wai Chiu Marco
Mr. Chow Chun To
Mr. Xing Yuan *(former Chairman)*
(resigned on 19 May 2022)

COMPANY SECRETARY

Ms. Wong Ka Yan

AUTHORISED REPRESENTATIVES

Mr. Cheng Jun (appointed on 19 May 2022)
Ms. Wong Ka Yan
Mr. Xing Yuan (resigned on 19 May 2022)

COMPLIANCE OFFICER

Mr. Cheng Jun (appointed on 19 May 2022)
Mr. Xing Yuan (resigned on 19 May 2022)

AUDITOR

CCTH CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Unit 1510-1517, 15/F,
Tower 2, Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong
(appointed on 23 February 2023)

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
(resigned on 23 February 2023)

LEGAL ADVISERS AS TO HONG KONG LAWS

Howse Williams
27/F, Alexandra House
18 Chater Road
Central
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

CORPORATE INFORMATION (Continued)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit Nos. 1–3 on Level 9 of
Tower A of Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
G/F, 22 Caine Road
Central, Hong Kong

COMPANY'S WEBSITE

www.quantongkonggu.com

STOCK CODE

8316

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors, I hereby present the annual report of the Group for the year ended 31 March 2023.

REVIEW

The Group has been engaging in foundation works business as a subcontractor and other construction works in Hong Kong for over 10 years. Despite the COVID-19 pandemic has gradually subsided, the Hong Kong economy, including the construction industry, has not fully recovered from the pandemic. During the year ended 31 March 2023, the overall construction industry in Hong Kong was still facing various challenges. During the year ended 31 March 2023, the foundation and other construction works business of the Group generated revenue of approximately HK$60.7 million (2022: HK$72.4 million).

Besides, the Group commenced the business in the supply and installation of new energy charging piles in the People's Republic of China (the "**PRC**") during the year ended 31 March 2022. The Group did not generate any revenue in this business segment for the year ended 31 March 2023 (2022: approximately HK$4.5 million) because of the postponement of the installation and supply of new energy charging piles of the Group's customer due to the COVID-19 pandemic.

During the year ended 31 March 2023, the Group started to engage in supply chain management business in the PRC. Revenue generated by the Group in this business segment amounted to approximately HK$40.7 million for the year ended 31 March 2023 and gross profit was recorded in the same year.

PROSPECT

The uncertain economic and political environment of Hong Kong and around the world under the continuing impact of COVID-19 during the year will undoubtedly continue to pose significant challenges to the construction industry. The foundation construction industry remained highly competitive in the year due to the participation of a large number of active subcontractors in the market, resulting in pressure on the overall bid price and impact on our gross profit margin.

Although the timing of the full recovery of the construction market of Hong Kong is still uncertain, the Directors consider that with the Group's business presence and good market reputation, the Group is able to compete with its competitors and cope with the future challenges that are commonly faced by all industry players. The Group is looking for suitable investment opportunities to diversify business and bring better investment return to the shareholders of the Company.

The Company continues to evaluate areas suitable for the diversification of business with an aim to deliver sustainable returns to its shareholders. As disclosed in the announcement of the Company dated 8 July 2022, the Company has established an indirect wholly-owned subsidiary, Hainan Hongbao Linkage Technology Co. Ltd.* (海南紅包聯動科技有限公司) ("**Hainan Hongbao**"), in the PRC in support of the Group's intention to start a new line of business in the supply chain industry in the PRC. Hainan Hongbao has accumulated expertise and network of channels since the commencement of its supply chain management services in 2022 and has been looking to broaden the services provided. As disclosed in the announcement of the Company dated 1 June 2023, Hainan Hongbao intends to develop a one-stop e-commerce platform (the "**Platform**") to offer wide range of services to suit the day-to-day needs of the general public (the "**New Business**"). The development of the Platform is as an initiative of the Group to tap into a new market in furtherance of its existing supply chain business. The Board are pleased to update that the New Business has been developing well since its commencement. The Board are optimistic about the outlook of the New Business and will continue to put effort to further expand it with an aim to enhancing the Group's revenue and profitability. Looking forward, the Company, as a listed company, will use its resources to (I) adopt a more aggressive approach to deal with tender invitations; (II) expand and diversify the existing operation and revenue stream of business; (III) explore the business opportunities of the supply chain industry in the PRC; and (IV) capture the opportunities from the continuing expanding e-commerce market in the PRC by developing the New Business. The Company will review its business performance in different segments from time to time and allocate its resources appropriately to maximise return to shareholders.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, customers, business partners and suppliers for their continuous support, and to our management and staff members for their commitment and contribution throughout the years.

China Hongbao Holdings Limited
Cheng Jun
Chairman and Executive Director

Hong Kong, 26 June 2023

BUSINESS REVIEW AND OUTLOOK

The Group has been engaging in foundation works business as a subcontractor and other construction works in Hong Kong for over 10 years. Despite the COVID-19 pandemic has gradually subsided, the Hong Kong economy, including the construction industry, has not fully recovered from the pandemic. During the year ended 31 March 2023, the overall construction industry in Hong Kong was still facing various challenges. Furthermore, the construction industry in Hong Kong is fragmented with an increasing number of market players, resulting in keen competitions in the market and unstable and uncertain gross margin of construction projects. After enhancement of cost control made by the Group, for the year ended 31 March 2023, the Group recorded overall gross profit margin of approximately 14.6% as compared to the gross profit margin of approximately 3.9% for the year ended 31 March 2022.

Despite the uncertain economic and political environment of Hong Kong and around the world under the continuing impact of the COVID-19 pandemic and the unfavourable conditions in the construction industry such as keen competition due to the growing number of market players, continuously increasing construction costs due to labour shortage, increasingly stringent regulatory controls and rising construction material and operation costs, the Directors are of the view that the market conditions of the construction industry will start to improve and consider that with the Group's business presence and good reputation in the market, the Group is well-positioned to compete with its competitors under the above-mentioned challenges that are commonly faced by all industry players.

In addition to continuing the existing foundation works and other construction works business, the Group also explores other suitable business opportunities with a view to diversifying its business. Having considered the stable economic growth in the PRC and good prospects in the PRC supply chain market, the Company established an indirect wholly-owned subsidiary, Hainan Hongbao, in Hainan Province, the PRC on 6 July 2022 to start a new line of business in the supply chain industry in the PRC. The Group intends to develop Hainan Hongbao as an integrated supply chain management company that focuses on the livelihood aspects related to the improvement of the quality of life of the general public. Going beyond traditional model of supply chain management, the Group aims to effectively integrate and empower different subjects in the industry chain and strives to realise multi-channel supplier input, such as franchisees, agents, merchants, etc., involving various services covering the day-to-day needs of the general public. Hainan Hongbao has accumulated expertise and network of channels since the commencement of its supply chain management services in 2022 and has been looking to broaden the services provided. During the year ended 31 March 2023, the Group recorded revenue of approximately HK$40.7 million from this business segment.

With the enhancement of cost control measures adopted by the Group in its foundation and other construction works business and the development of new line of supply chain management business, the Group recorded overall gross profit margin of approximately 14.6% for the year ended 31 March 2023 as compared to the gross profit margin of approximately 3.9% for the year ended 31 March 2022. The Directors consider the above new business was a successful step in the business diversification and expansion of the Group's business portfolio. The Group will proactively explore new opportunities to benefit the Company and its shareholders as a whole in long run.

Meanwhile, the e-commerce market in the PRC has been growing rapidly in recent years. Hainan Hongbao intends to develop a one-stop e-commerce platform with diversified service offerings provided by merchants from different industries, including but not limited to transportation, domestic services, recreation and entertainment, culture and media, property leasing, beauty and wellness, network industry, consultancy and agency, renovation works, education and training, electronics and furniture maintenance and repair. Having considered the growth potential of the e-commerce market in the PRC, the Board believes that the Group's new business presence in the e-commerce market will enable the Group to capture the opportunities from the continuing expanding e-commerce market in the PRC, diversify its existing business portfolio and broaden its revenue stream.

FINANCIAL REVIEW

REVENUE

The Group's revenue for the year ended 31 March 2023 was approximately HK$101.4 million, representing an increase of approximately HK$24.5 million or 31.9% as compared to approximately HK$76.9 million for the year ended 31 March 2022. The increase was attributable to the new line of business in the supply chain industry in the PRC during the year ended 31 March 2023.

COST OF SALES

The Group's cost of sales increased from approximately HK$73.9 million for the year ended 31 March 2022 to approximately HK$86.5 million for the year ended 31 March 2023, representing an increase of approximately HK$12.6 million or 17.1%. Such increase was generally consistent with the increase in revenue for the year ended 31 March 2023.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 March 2023, the Group recorded gross profit of approximately HK$14.9 million (2022: gross profit of approximately HK$3.0 million) and gross profit margin of approximately 14.6% (2022: gross profit margin of approximately 3.9%). The increase in gross profit was due to the gross profit generated from the new line of business in the supply chain industry in the PRC and the increase in gross profit generated from foundation and other construction works business of the Group during the year ended 31 March 2023.

ADMINISTRATIVE EXPENSES

The administrative expenses increased by approximately HK$12.7 million or 95.6% from approximately HK$13.3 million for the year ended 31 March 2022 to approximately HK$26.0 million for the year ended 31 March 2023. The higher administrative expenses was primarily attributable to an increase in the staff costs mainly due to the increase in number of staffs from Hainan Hongbao. In line with the business expansion of the Group, the number of staff increased from 20 as at 31 March 2022 to 74 as at 31 March 2023.

FINANCE COSTS

Finance costs of the Group were approximately HK$2.0 million and approximately HK$1.5 million for the years ended 31 March 2023 and 2022, respectively. Finance costs consist of interest on loans from other borrowings, imputed interest for shareholder loans and interest on lease liabilities. The increase of approximately 33.3% was mainly attributable to the increase in imputed interest for shareholder loans.

IMPAIRMENT LOSS ON CONTRACT ASSETS

Impairment loss of approximately HK$5.5 million (2022: approximately HK$0.4 million) were recognised for contract assets for the year ended 31 March 2023. The increase was primarily attributable to the decrease in business operation of Shaanxi Gaochuang Yuanwei Energy Co., Ltd.* (陝西高創遠為能源有限公司), an indirect wholly-owned subsidiary of the Company, in the provisions of other construction services and supply and installation of new energy charging piles of the Group during the year ended 31 March 2023.

LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net loss for the year ended 31 March 2023 was approximately HK$19.0 million (2022: approximately HK$10.4 million). Such increase in net loss was mainly due to the increase in administrative expenses and impairment loss on contract assets and partially offset by the increase in gross profit as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM on 10 August 2015 (the "**Listing**"). Save as disclosed in the section headed "Management Discussion and Analysis — Capital Structure" below, there has been no change in the capital structure of the Group since the date of the Listing and up to the date of this annual report.

	2023 **HK$'000**	2022 HK$'000
Current assets	**93,458**	64,191
Current liabilities	**126,372**	108,403
Current ratio (times)	**0.74**	0.59

The current ratio of the Group as at 31 March 2023 was approximately 0.74 times as compared to that of approximately 0.59 times as at 31 March 2022.

As at 31 March 2023, the Group had total cash and cash equivalents of approximately HK$20.6 million (2022: approximately HK$2.2 million).

As at 31 March 2023 and 31 March 2022, the Group had other borrowings, amount due to a shareholder, loan from a related party and lease liabilities in total of approximately HK$63.1 million and HK$64.9 million, respectively. The scheduled repayment date of the Group were as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	**59,342**	57,268
Between one and two years	**3,759**	7,627
	63,101	64,895

GEARING RATIO

The Group monitors capital using a gearing ratio, which is net debt divided by total deficit. Net debts are calculated as the total of lease liabilities, amount due to a shareholder, loan from a related party and other borrowings less cash and cash equivalents.

	2023	2022
	HK$'000	HK$'000
Total debts	**63,101**	64,895
Less: Cash and cash equivalents	**(20,574)**	(2,206)
Net debts	**42,527**	62,689
Total deficit	**(24,414)**	(51,839)
Gearing ratio	**(174.19%)**	(120.93%)

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to contract assets, trade receivables and deposits with banks. The credit risk of the Group's contract assets and trade receivables is concentrated since approximately 99.5% of which was derived from five major customers as at 31 March 2023 (2022: approximately 99.9%). As the customers of the Group are reputable corporations, the credit risk is considered to be low. The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from non-performance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 10 August 2015. The share capital of the Group only comprises ordinary shares.

On 16 January 2023, the number of issued share capital of the Company increased from 800,000,000 ordinary shares of the Company (the "**Shares**") to 828,050,000 Shares as a result of the completion of the subscription of new shares under general mandate (the "**Subscription of New Shares A**"). For details of the Subscription of New Shares A, please refer to the announcement of the Company dated 5 January 2023 (the "**Subscription Announcement A**").

On 13 March 2023, the number of issued share capital of the Company further increased from 828,050,000 Shares to 866,400,000 Shares as a result of the completion of the subscription of new shares under general mandate (the "**Subscription of New Shares B**", together with Subscription of New Shares A, collectively as "**Subscriptions of New Shares**"). For details of the Subscription of New Shares B, please refer to the announcement of the Company dated 27 February 2023 (the "**Subscription Announcement B**").

As at 31 March 2023, the Company's issued share capital was approximately HK$8.7 million, representing 866,400,000 issued ordinary shares of HK$0.01 each.

SUBSCRIPTION OF NEW SHARES AND USE OF NET PROCEEDS

Subscription of New Shares A

On 5 January 2023 (after trading hours), the Company (as issuer) entered into the subscription agreement with Hong Kong HaoXingShun Trading Co., Limited (香港豪興順貿易有限公司) ("**Subscriber A**") (an independent third party) (as subscriber), pursuant to which, the Company has conditionally agreed to allot and issue, and Subscriber A has conditionally agreed to subscribe for, a total of 28,050,000 subscription Shares at the subscription price of HK$0.713 per subscription Share. Based on the closing price of the Shares of HK$0.890 per Share on 5 January 2023, being the date of the subscription agreement, the subscription Shares have a market value of approximately HK$25.0 million. The aggregate nominal value of such subscription Shares is HK$280,500. The gross proceeds of the Subscription of New Shares A were approximately HK$20.0 million. After taking into account the expenses related to the Subscription of New Shares A, the net proceeds of the Subscription of New Shares A were approximately HK$19.8 million, representing the net price of approximately HK$0.706 per subscription Share. The Company intended to use the net proceeds of the Subscription of New Shares A of approximately HK$19.8 million as the general working capital of the Group. Completion of the Subscription of New Shares A took place on 16 January 2023.

Subscription of New Shares B

On 27 February 2023 (after trading hours), the Company (as issuer) entered into another subscription agreement with Ms. Chen Chunyu (陳春宇) ("**Subscriber B**") (an independent third party) (as subscriber), pursuant to which, the Company has conditionally agreed to allot and issue, and Subscriber B has conditionally agreed to subscribe for, a total of 38,350,000 subscription Shares at the subscription price of HK$0.730 per subscription Share. Based on the closing price of the Shares of HK$0.900 per Share on 27 February 2023, being the date of the subscription agreement, the subscription Shares have a market value of approximately HK$34.5 million. The aggregate nominal value of such subscription Shares is HK$383,500. The gross proceeds of the Subscription of New Shares B were approximately HK$28.0 million. After taking into account the expenses related to the Subscription of New Shares B, the net proceeds of the Subscription of New Shares B were approximately HK$27.9 million, representing the net price of approximately HK$0.728 per subscription Share. The Company intended to use the net proceeds of the Subscription of New Shares B of approximately HK$27.9 million as the general working capital of the Group (including for the repayment of indebtedness). Completion of the Subscription of New Shares B took place on 13 March 2023.

Use of Net Proceeds

The Directors considered that the Subscriptions represented an opportunity to raise capital for the business operations of the Group while broadening the shareholder base of the Company.

From the completion of the Subscriptions of New Shares to 31 March 2023, the net proceeds from the Subscriptions of New Shares had been applied as follows:

Planned and actual usage of the net proceeds	Planned use of proceeds as stated in the Subscription Announcement A/ Subscription Announcement B HK$ million	Actual use of proceeds during the year ended 31 March 2023 HK$ million	Unutilised proceeds as at 31 March 2023 HK$ million	Expected timeline for utilisation of the unutilised proceeds as at 31 March 2023
Subscription of New Shares A:				
General working capital of the Group (including for the repayment of indebtedness)	19.8	19.8	Nil	N/A
Subscription of New Shares B:				
General working capital of the Group (including for the repayment of indebtedness)	27.9	13.8	14.1	28 February 2024

During the year ended 31 March 2023, the net proceeds from the Subscriptions of New Shares have been applied in the manner set out in the disclosure in the Subscription Announcement A and the Subscription Announcement B. The Group has utilised approximately HK$33.6 million as general working capital of the Group (including approximately HK$10.0 million used for repayment of indebtedness). The remaining balance of net proceeds of approximately HK$14.1 million from the Subscription of New Shares B were placed as deposits with licensed banks in Hong Kong. Such amounts are expected to be fully utilised by 28 February 2024.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed in Note 6 to the consolidated financial statements.

DIVIDEND

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2023.

CHARGE ON GROUP ASSETS

As at 31 March 2023, the Group had no assets charged for bank borrowings or for other purpose.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have other significant capital commitments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 March 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 March 2023, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any concrete plan for material investments or capital assets as at 31 March 2023.

FOREIGN CURRENCY EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed a total of 74 staff (2022: 20 staff). The total employees remuneration, including remuneration of the Directors, for the year ended 31 March 2023 amounted to approximately HK$18.4 million (2022: approximately HK$8.9 million).

The Group entered into separate labour contracts with each of the employees in accordance with the applicable labour laws in Hong Kong and the PRC. The Group provides its staff with various benefits including discretionary bonus, contributory provident fund and medical insurance. The Group also provides and sponsors various types of training to employees and offer options that may be granted to employees under the share option scheme.

EVENTS AFTER THE REPORTING PERIOD

On 26 June 2023, the Company announced that board lot size of the Shares for trading on GEM of the Stock Exchange will be changed from 10,000 Shares to 2,000 Shares with effect from 9:00 a.m. on Monday, 17 July 2023. The change in board lot size will not result in any change in the relative rights of the shareholders of the Company. The Board expects that the reduction in board lot size will lower the threshold for investors to purchase the Shares, thus facilitating the trading and improving the liquidity of the Shares, which will enable the Company to attract more investors and therefore broaden the shareholders' base of the Company. For further details, please refer to the announcement of the Company dated 26 June 2023.

Excepted as disclosed in this annual report, there is no other material subsequent event undertaken by the Company or by the Group after 31 March 2023 and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group:

(i) The Group's past revenue and profit margin may not be indicative of the Group's future revenue and profit margin.

(ii) The Group determined the project price based on estimated time and costs involved in a project, which may deviate from actual time and cost incurred. Inaccurate estimation may adversely affect the Group's financial results.

(iii) The Group's business operations depend on the expertise and continuing performance of the key management personnel and there is no assurance that the Group can hire and retain them.

(iv) Failure to invest in suitable machinery may adversely affect the Group's market competitiveness.

(v) Acquiring machinery may result in an increase in depreciation expenses, machine operation costs, repair and maintenance costs and cash flow used in investing activities and may adversely affect the Group's operating results and financial position.

(vi) As the Group from time to time engages subcontractors, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the subcontractors.

(vii) The Group is exposed to possible environmental liability.

(viii) Adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots and other disasters which are beyond the Group's control may reduce the number of workdays and may incur additional operational costs.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong and the PRC, including primarily those in relation to air pollution control, noise control, waste disposal and waste water disposal.

Area	Measures
Air pollution control	(i) Dust suppression by use of water (ii) Installation of dust screens as required (iii) Conduct vehicle inspections and maintenance regularly to phase out substandard vehicles (iv) Encourage workers to turn off engines when they are idle and plan routes in advance
Noise control	(i) Installation of acoustic barriers as required (ii) Works to be undertaken in accordance with the permitted work hours as specified by the Group's customers

Area	Measures
Waste disposal	(i) Engage qualified waste collectors to handle hazardous waste (ii) Construction waste materials such as timber, plywood, metal, and plastic are classified and separated for recycling (iii) Adhere to the 5Rs principle (reduce, renew, reuse, recycle and replace)
Waste water disposal	(i) Use of sewage treatment system to filter wastewater before discharging to public sewers (ii) Reusing waste water for dust control measures

The Directors consider that the measures and work procedures adopted are appropriate and adequate. During the year ended 31 March 2023, the Group was not in violation of applicable environmental laws and regulations which would have a material adverse impact on the business, financial condition or results of operations of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the year ended 31 March 2023.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group's customers in the segment of foundation and other construction works are principally main contractors and subcontractors of construction projects in the private and public sectors. For the supply chain business, we are selling a diversified portfolio of products to our diverse range of customers through online sales platform. During the year ended 31 March 2023, the Group's five largest customers accounted for approximately 58.9% (2022: 98.0%) of the total revenue for the year ended 31 March 2023, and the Group's largest customer accounted for approximately 40.5% (2022: 24.1%) of the total revenue for the year ended 31 March 2023. The Group has had good business relationship with most of the top customers which the Directors believe to imply that the Group is one of the selected subcontractors on such customers' approved lists of subcontractors and the Group being invited to tender or quote from time to time.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in the Group's five largest customers.

Suppliers

The Group's suppliers primarily supply (i) construction materials (such as cement, machinery spare parts and loose tools, diesel fuel and/or steel pile and casing) and/or services which primarily include machinery rental and machinery repair and maintenance for the segment of foundation and other construction works; and (ii) wide range of consumer products for the segment of supply chain management. The Group's largest and five largest suppliers accounted for not exceeding 30% of the total costs of sales for the years ended 31 March 2023 and 2022.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in the Group's five largest suppliers.

Subcontractors

During the year ended 31 March 2023, the Group subcontracted a portion of the works which primarily consisted of drilling, grouting and geotechnical works to other parties with an aim to utilise the Group's own manpower and machinery in a more cost efficient manner. The Group's subcontracting fees represented approximately 45.8% and 55.0% of the total costs of sales for the years ended 31 March 2023 and 2022 respectively. The Group's largest subcontractor accounted for approximately 29.9% of the total costs of sales for the year ended 31 March 2023 (2022: 23.6%). The Group's five largest subcontractors accounted for approximately 45.4% of the total costs of services for the year ended 31 March 2023 (2022: 52.3%).

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in the Group's five largest subcontractors.

The Group selected subcontractors on a project-by-project basis, based on the Group's assessment of their (i) service quality; (ii) timeliness on delivery; (iii) price; and (iv) whether they have a quality assurance system that meets the Group's works requirements. The Group regularly reviews and updates the internal approved list of subcontractors according to the Group's evaluation.

Employees

The Group recognises employees as valuable assets of the Group and during the year ended 31 March 2023, the Group endeavored to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continual basis and will determine whether additional personnel are required to cope with the business development of the Group.

The Directors consider that the Group has maintained good relationship with its employees. The Group was not involved in any labour disputes nor did the Group experience any difficulties in recruiting and retaining experienced or skilled staff members which would have a material impact on the Group business, financial condition or results of operations. The Group has not set up any trade union for its employees.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Mr. Cheng Jun (程俊) ("**Mr. Cheng**"), aged 60, was appointed as the chairman of the Board (the "**Chairman**"), an executive Director, the compliance officer and authorised representative of the Company and the chairman of the nomination committee of the Board (the "**Nomination Committee**") on 19 May 2022.

Mr. Cheng obtained a bachelor's degree in business administration from Beijing University of Arts and Sciences in July 1998 and has over 30 years of experience in finance and business administration.

Mr. Cheng has been the chairman of Beijing Sousou Kuaipao Technology Co., Ltd.* (北京嗖嗖快跑科技有限公司) since 2015, a company of which Mr. Yu Hua (an executive Director and the chief executive officer of the Company) is the chief executive officer. He has also been an executive director of Nanchang Woai Wojia Technology Co., Ltd.* (南昌我愛我家科技有限公司) since 2018. From 2002 to 2014, Mr. Cheng was the chairman and chief executive officer of Jiangxi Mytophome Property Co., Ltd.* (江西省滿堂紅置業有限公司). Mr. Cheng was the chairman and executive director of S&S Intervalue China Limited (formerly known as China Futex Holdings Limited) (stock code: 8506, the shares of which were delisted from GEM of the Stock Exchange on 7 June 2022), from December 2020 to May 2022.

Mr. Yu Hua (于華) ("**Mr. Yu**"), aged 38, was appointed as an executive Director on 27 February 2023 and the chief executive officer of the Company on 17 May 2023.

Mr. Yu obtained a master's degree in software engineering from Peking University in July 2011 and has over 7 years of experience in finance and business administration. Mr. Yu has been the chief executive officer of Beijing Sousou Kuaipao Technology Co., Ltd.* (北京嗖嗖快跑科技有限公司) since October 2015, a company of which Mr. Cheng (the chairman of the Board and an executive Director) is the chairman and a shareholder. He has also been a chief executive officer and the executive director, general manager and legal representative of Hainan Hongbao Linkage Technology Co. Ltd.* (海南紅包聯動科技有限公司), an indirect wholly-owned subsidiary of the Company, since July 2022. He is also directors of the following subsidiaries of the Company:

Name of the subsidiaries	Nature of control of the Company	Appointment date
Mega Benefit Corporation Limited 澤萬有限公司	An indirect wholly-owned subsidiary	June 2022
Grand Goal Group Limited 巨志集圜有限公司	A direct wholly-owned subsidiary	November 2022
Glorious Leap Limited 榮躍有限公司	A direct wholly-owned subsidiary	November 2022
Star Creation Global Limited	A direct wholly-owned subsidiary	November 2022
Fortune Elite Investments Limited 幸傑投資有限公司	A direct wholly-owned subsidiary	November 2022
State Charm Developments Limited 國昌發展有限公司	A direct wholly-owned subsidiary	November 2022
Jovial Elite Holdings Limited 喜傑控股有限公司	A direct wholly-owned subsidiary	November 2022
Quantong Globe Limited 全通環宇有限公司	An indirect wholly-owned subsidiary	December 2022
Ambitious Achievement New Materials Holding Limited 遠為新材料控股有限公司	An indirect wholly-owned subsidiary	December 2022

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Chun To (鄒振濤) ("**Mr. Chow**"), aged 40, was appointed as an independent non-executive Director on 28 January 2022. He is also the chairman of the audit committee of the Board (the "**Audit Committee**") and a member of each of the remuneration committee of the Board (the "**Remuneration Committee**") and the Nomination Committee.

Mr. Chow has more than 16 years of experience in accounting and auditing. Mr. Chow worked at PCP CPA Limited as an accountant III from June 2006 to June 2007. He then joined HLB Hodgson Impey Cheng (currently known as HLB Hodgson Impey Cheng Limited) as an accountant I in June 2007 until December 2007. In February 2008, Mr. Chow joined Deloitte Touche Tohmatsu as an associate and was promoted to a senior in October 2008 until he left the company in April 2011. Mr. Chow worked as a financial manager at Chiho-Tiande (HK) Limited, a wholly-owned subsidiary of Chiho-Tiande Group Limited (currently known as Chiho Environmental Group Limited) (stock code: 976), the issued shares of which are listed on the Stock Exchange, between May 2011 and May 2013. He then worked as a financial controller at JC Group Holdings Limited (currently known as Tonking New Energy Group Holdings Limited) (stock code: 8326), the issued shares of which are listed on the Stock Exchange, from May 2013 to September 2014. Mr. Chow worked as the financial controller at In Construction Holdings Limited (stock code: 1500), the issued shares of which are listed on the Stock Exchange, between September 2014 and February 2017. He was an independent non-executive director of Geotech Holdings Ltd. (stock code: 1707) and AV Promotions Holdings Limited (stock code: 8419) from September 2017 to January 2019 and from December 2017 to July 2019 respectively. Mr. Chow was the company secretary of K Group Holdings Limited (stock code: 8475), the issued shares of which are listed on GEM of the Stock Exchange from September 2019 to October 2020. He has also been an independent non-executive director of Kingland Group Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1751) since November 2016 and a company secretary of S&S Intervalue China Limited (stock code: 8506, the shares of which were delisted from GEM of the Stock Exchange on 7 June 2022) since May 2021.

Dr. Kung Wai Chiu Marco (孔維釗) ("**Dr. Kung**"), aged 49, was appointed as an independent non-executive Director on 20 January 2021. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Dr. Kung has over 25 years of experience in the business advisory and auditing field in Hong Kong. Since March 2020, he has been a director and co-founder of WinPark CPA Company Limited (永栢和豐會計師事務所有限公司), Certified Public Accountants (Practising), in Hong Kong, where he is primarily responsible for the overall management of its business.

Dr. Kung also possesses experience in compliance, company secretary and financial management for listed companies. He worked at Sanai Health Industry Group Company Limited (former name adopted by the company since August 2006 being Wuyi International Pharmaceutical Company Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1889), from August 2006 to June 2016, in which he had been the financial controller and his last position was company secretary and authorised representative. He was the chief financial officer of Alpha Professional Holdings Limited (former name adopted by the company since April 2017 being Z-Obee Holdings Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 948), from April 2017 to January 2019. He was appointed as the company secretary and authorised representative of the same company from November 2017 to January 2020 and as an advisor from January 2020 to March 2020. He also served as the company secretary and authorized representative of Hailan Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2278) from September 2018 to March 2019. Dr. Kung has been an independent non-executive director of CTR Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1416), since November 2019.

Dr. Kung graduated from Lingnan College (currently known as the Lingnan University) in Hong Kong with a bachelor of business administration degree in November 1997. He also obtained a master's degree in business administration from The University of Wollongong in Australia in August 2005 and a master's degree in corporate governance from The Hong Kong Polytechnic University in Hong Kong in October 2008. Dr. Kung has obtained a doctor's degree in business administration from The Hong Kong Polytechnic University in Hong Kong in July 2022. He was admitted as a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong in September 2005, February 2008 and July 2010, respectively. In addition, Dr. Kung was admitted as an associate of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries in February 2009. Dr. Kung was registered as a Certified Public Accountant (Practising) in January 2007 and was also registered as a Certified Tax Adviser (Non-Practising) in Hong Kong in July 2010. In September 2018, Dr. Kung became a Chartered Governance Professional of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries (now known as The Hong Kong Chartered Governance Institute).

Ms. Wong Chi Yan (黃志恩) ("**Ms. Wong**"), aged 41, was appointed as an independent non-executive Director on 20 January 2021. She is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Ms. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries (now known as The Hong Kong Chartered Governance Institute) and the Chartered Governance Institute. Ms. Wong has extensive experiences in auditing, accounting and financing as well as merger and acquisition.

Ms. Wong is currently an independent non-executive director of each of (i) Success Dragon International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1182); and (ii) GET Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8100). Ms. Wong is also the company secretary and authorised representative of China Properties Investment Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 736).

Ms. Wong was an independent non-executive director of (i) Huiyin Holdings Group Limited (former name adopted by the company since October 2017 being Share Economy Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1178), from October 2017 to June 2020; (ii) Bay Area Gold Group Limited, the shares of which are listed on Main Board of the Stock Exchange (stock code: 1194), from March 2019 to July 2021; and (iii) Asia Television Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 707) from January 2019 to December 2022. Ms. Wong served as the company secretary and authorised representative of Flyke International Holdings Limited (stock code: 1998, the shares of which were delisted from the Main Board of the Stock Exchange on 29 January 2021), from March 2017 to December 2020.

Ms. Wong obtained a bachelor of business administration degree in accounting from Hong Kong Baptist University in Hong Kong in December 2003 and a master of laws degree in international corporate and financial law from The University of Wolverhampton in the United Kingdom in November 2016.

COMPANY SECRETARY

Ms. Wong Ka Yan (黃嘉茵) ("**Ms. Wong K Y**"), aged 37, has been appointed as the company secretary of the Company (the "**Company Secretary**") since 24 May 2021. Ms. Wong K Y has over 13 years of experience in auditing, accounting and financial reporting. She is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services. Ms. Wong K Y obtained a degree of Bachelor of Business Administration (Honours) in Accountancy from The Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT OVERVIEW

This Environmental, Social and Governance Report ("**ESG Report**") summarises the environmental, social and governance ("**ESG**") initiatives, plans and performances of China Hongbao Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**" or "**We**"), and demonstrates our commitment to environmental protection and sustainable development.

REPORTING PERIOD

This ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2023 (the "**Reporting Period**" or "**2023**").

REPORTING SCOPE

This ESG Report aims to provide a balanced representation of the efforts made by the Group on corporate social responsibility and mainly covers the Group's ESG performance of its office in Hong Kong and the People's Republic of China (the "**PRC**") for the Reporting Period, representing major operating revenue activities under direct management control which include (i) the provision of foundation and other construction works and supply; and (ii) the provision of supply chain management. The Group's ESG performance in the provision of supply chain management was not included in the ESG report for the year ended 31 March 2022 since the Group commenced its business in supply chain management in 2023.

REPORTING FRAMEWORK

This ESG Report has been prepared in compliance with all the applicable provisions as set out in the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") under Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. During the preparation for this ESG Report, the Group applied the reporting principles stipulated in the ESG Reporting Guide as follows:

Materiality	The materiality assessment 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 ESG Taskforce (as defined below). Please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment" for further details.
Quantitative	Supplementary notes are added along with quantitative data disclosed in the ESG Report to explain any standards, methodologies, and sources of conversion factors used during the calculation of emissions and energy consumption. Comparative data are also disclosed where appropriate.
Balance	The Report impartially describes the Group's performance during the Reporting Period to avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the reader of this ESG Report.
Consistency	The preparation approach of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

BOARD STATEMENT — THE ESG GOVERNANCE STRUCTURE

Board of Directors
- Evaluate ESG-related risks and opportunities
- Formulate ESG management approaches, strategies, priorities and goals
- Review the disclosures in the ESG Report
- Oversee all ESG issues

ESG Taskforce
- Oversee the development of ESG-related strategies, goals, policies and practices
- Identify the Group's ESG-related issues and risks
- Flag emerging ESG-related risks and opportunities
- Implement sustainability policies, procedure and initiatives
- Collect ESG information and data for ESG disclosures

Oversight of ESG Issues

The board of directors of the Company (the "**Board**") holds the ultimate responsibility for monitoring the Group's ESG issues, including ESG management approaches, strategies and policies. To better manage the Group's ESG performance and identify potential risks, the Board conducts materiality assessments with the assistance of the ESG Taskforce to draw up, prioritises and manages material ESG-related issues with reference to the opinions of our stakeholders. The Board sets up a general direction for the Group's ESG strategies to ensure effectiveness in the control of ESG risks and internal control mechanisms.

Establishment of ESG Taskforce

The Group has established an ESG Taskforce (the "**ESG Taskforce**"). This ESG Taskforce comprises core members from different departments and is responsible for systematically managing ESG issues. The designated personnel are responsible for collecting relevant information on ESG aspects for the preparation of the ESG Report. It periodically reports to the Board, assists in identifying and assessing the Group's ESG risks, and evaluates the implementation and effectiveness of the internal control mechanism, taking into account the business the Group operates in. It also examines and evaluates the performance in different aspects such as environment, labour practices and other ESG aspects against ESG-related goals and targets.

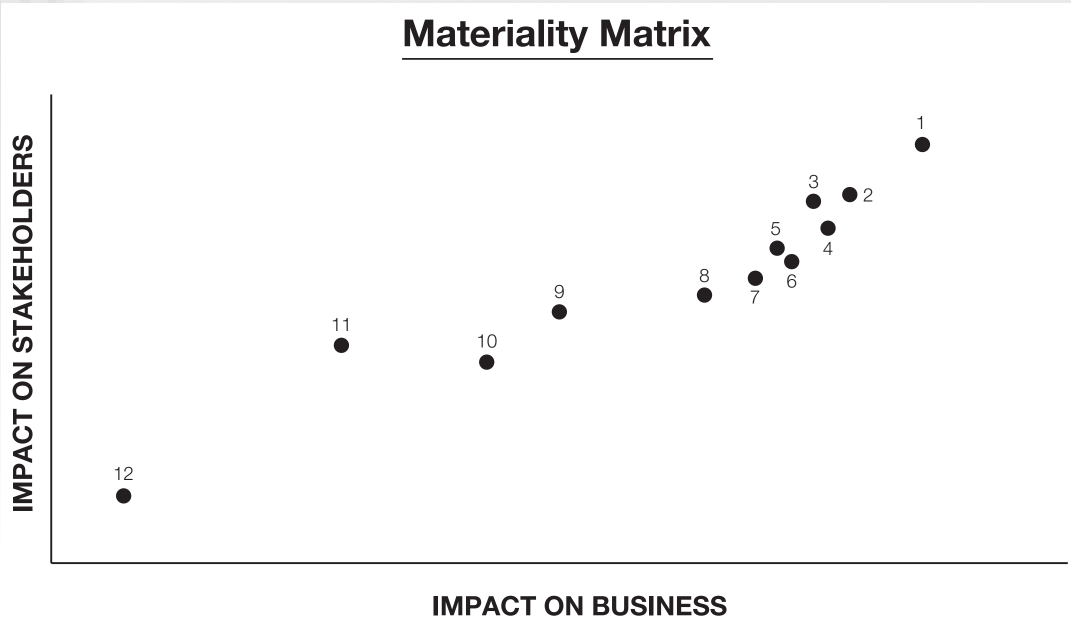
STAKEHOLDER ENGAGEMENT

The Group recognises the responsibility and accountability of all our stakeholders. It aims to collaborate with its stakeholders to improve its ESG performance and create greater value for the wider community on a continuous basis. To understand and address their key concerns, the Group has maintained close communication with its key stakeholders. The Group takes stakeholders' expectations into consideration in formulating its businesses and ESG strategies by utilising diversified engagement methods and communication channels as shown below:

Major Stakeholders	Engagement Channels	Expectations
Investors and Shareholders	• Annual General Meeting and Other General Meeting • Financial Statements • Announcements and Circulars • Company Website • Seminars	• Compliant Operation • Information Disclosure • Financial Performance • Corporate Governance
Customers	• Company Website • Corporate Reports and Announcements • Hotline and Emails	• Project Quality • Personal Safety • Business Ethics • Privacy Protection
Suppliers	• Supplier Meetings and Interviews • Periodic Assessments • Open Tendering • Regular Meetings • Circulars and Manuals • Company Website	• Contract Performance • Business Ethics • Win-win Cooperation • Information Resources Sharing • Long-term Partnership
Employees	• Regular Meetings • Performance Appraisal • Employee Activities • Professional Training	• Health and Safety • Equal Opportunities • Welfare and Benefits • Career Development • Legal Rights and Interests
Government/Regulators	• Corporate Reports and Announcements • On-site Inspections • Field Trips • Tax Payments	• Taxation Compliance • Employment Growth • Regulatory Compliance • Security Operations • Business Ethics
Community and the Public	• Community Involvement • Community Investment Programs • News Media	• Community Contributions • Environmental Protection • Ethical Operation

MATERIALITY ASSESSMENT

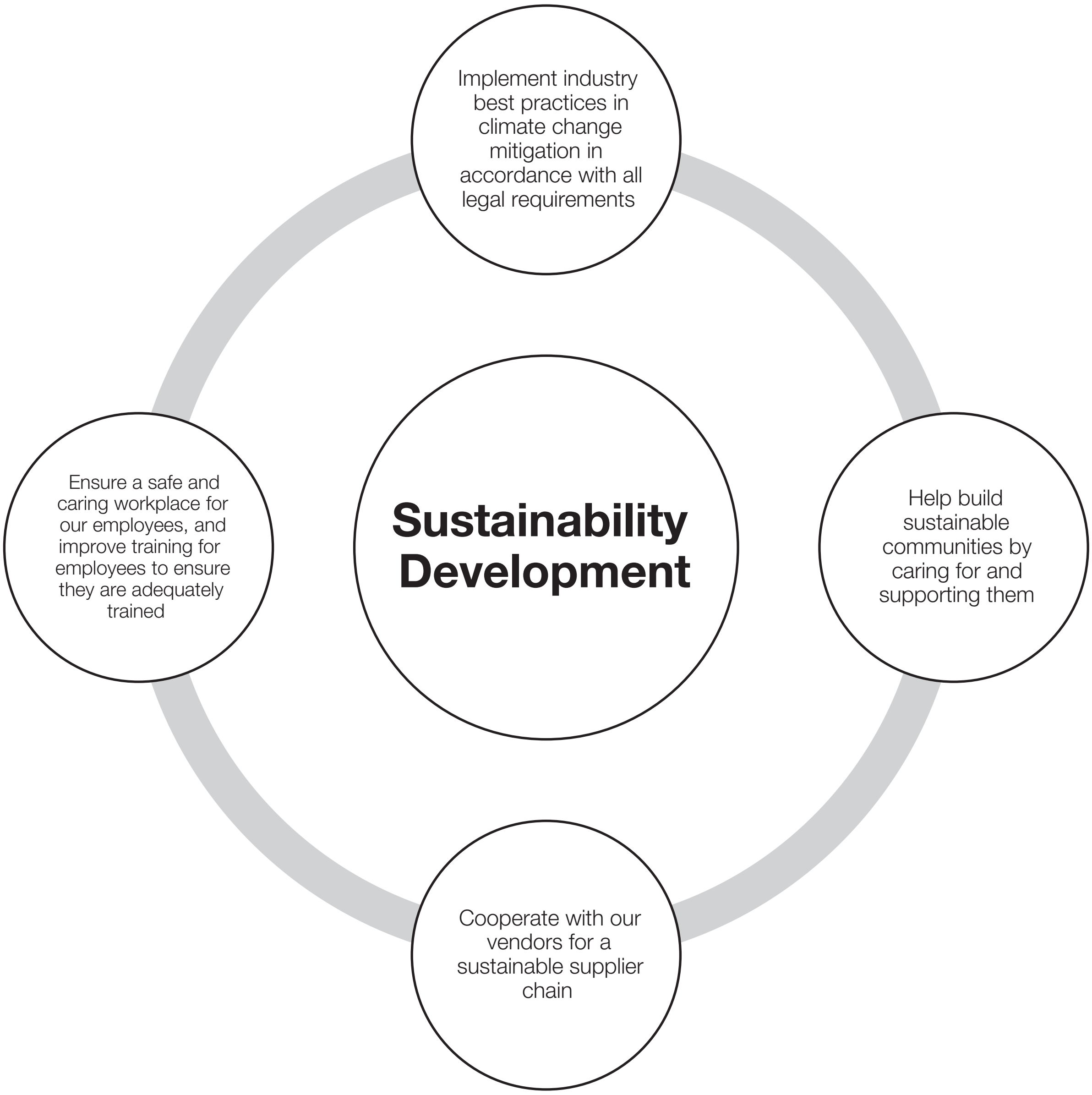
The ESG Taskforce of the Group is responsible for the preparation of this ESG Report. By reviewing the Group's operations and identifying relevant ESG issues, the ESG Taskforce assesses the importance of related matters to the Group's businesses and stakeholders. Based on the material ESG issues identified, feedback is collected from the relevant internal and external stakeholders of the Group. The result of the assessment is as below.



No.	Material Topics	No.	Material Topics
1.	Quality Management	2.	Health and Safety
3.	Emissions	4.	Customer Service
5.	Energy Management	6.	Anti-corruption
7.	Development and Training	8.	Labour Practices
9.	Data & Privacy Protection	10.	Community Investment
11.	Supply Chain Management	12.	Green Working Environment

OUR SUSTAINABILITY APPROACH

We are committed to integrating sustainability into our business strategy. Various factors are considered by the Group, such as business-related challenges, work ethics, global trends, applicable laws, and regulations. We are continually seeking opportunities to grow our businesses that will benefit both our stakeholders and the environment. We have formulated a Sustainability Policy that aims to integrate sustainability into all business segments, promote green operating cultures, and fulfil corporate environmental and social responsibilities, thus achieving a balance between corporate development and environmental and social development as well as creating long-term value for stakeholders.



FORWARD-LOOKING STATEMENTS

This ESG Report contains forward-looking statements which are based on the current expectations, estimates, projections, beliefs, and assumptions of the Group about the businesses and the markets in which it operates. These forward-looking statements are not guarantees of future performance and are subject to market risk, uncertainties, and factors beyond the control of the Group. Therefore, actual outcomes and returns may differ from the assumptions made and the statements contained in this ESG Report.

ENDORSEMENT AND APPROVAL

This ESG Report was compiled, endorsed by the ESG Taskforce, and approved by the Board.

FEEDBACK AND CONTACT US

The Group welcomes all feedback and opinions from its stakeholders. If you have any advice or suggestions, we welcome you to contact us at info@quantongkonggu.com.

A. ENVIRONMENTAL

Environmental protection and sustainable development rely on concerted efforts from all industries and society. Rooted in the foundation industry in Hong Kong, we strive to integrate environmental sustainability into our business operations and are committed to reducing our environmental footprint. The Group has established environmental policies and integrated the concept of sustainable development into its operation. The environmental management system has been implemented in accordance with ISO 14001 to ensure that its standards are in line with international standards.

During the Reporting Period, the Group is not aware of any material non-compliance with relevant laws and regulations relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group, including but not limited to the Environmental Protection Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, Prevention and Control of Environmental Pollution by Solid Wastes of the PRC, Air Pollution Control Ordinance of Hong Kong, Waste Disposal Ordinance of Hong Kong, Noise Control Ordinance of Hong Kong, and Environmental Impact Assessment Ordinance of Hong Kong.

The Group has included in its scope of work the measures in pollution control, conservation of resources and waste reduction by reuse, recovery, and recycling of used materials to minimise the adverse impact caused by the operations. To support global efforts to address climate change and to facilitate the assessment of the effectiveness of the Group's strategies and measures to mitigate the impacts of climate change, environmental objectives are set at the Group level.

Our Environmental Targets	**Electricity Consumption**	⬇	**4%**
The targets, using 2021/2022 as a base year, aim to reduce intensity by 2030.	**Water Consumption**	⬇	**5%**
	Non-hazardous Waste	⬇	**5%**
	Greenhouse Gas Emissions	⬇	**8%**

For the steps taken to achieve the above environmental targets, please refer to the sections headed "Air Emissions", "Sewage Discharge" and "Waste Management" under aspect A1, and "Energy Management" and "Water Management" under aspect A2.

A1. Emissions Control

Air Emissions

The Group's air emissions were generated from mobile sources and construction sites. It includes fuel consumption by Group vehicles as well as machineries such as air breakers and air compressors. The exhaust gas generated by the Group includes nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and particulate matter ("**PM**").

Types of Air Emissions	**Unit**	**FY2023**	FY2022
Nitrogen Oxides (NO_x)	kg	**8.52**	14.73
Sulphur Oxides (SO_x)	kg	**0.90**	0.34
Particulate Matter (PM)	kg	**0.63**	1.08

To mitigate air pollution generated by construction works, the Group adopts appropriate dust reduction measures. Screens and other barriers are used to suppress dust. Demolition areas and areas with surplus dusty materials are sprayed with water immediately prior to, during, and after construction activities.

To reduce exhaust gas from mobile sources, vehicle inspections and maintenance are conducted on company vehicles regularly to enhance their efficiency. Substandard vehicles have been phased out. Additionally, workers are encouraged to turn off engines whenever they are idle and plan routes in advance to reduce route repetition. The Group prefers local suppliers and contractors, thus reducing exhaust gas and GHG emissions resulting from transportation. Environmentally friendly unleaded petrol is adopted to comply with the latest emissions standards.

GHG Emissions

The Group's GHG emissions are primarily caused by petrol and diesel for vehicles and mobile machinery (Scope 1) on construction sites and the consumption of electricity (Scope 2) at the office. The Group's GHG emissions performance was as follows:

Indicators[1]	**Unit**	**FY2023**	FY2022
Direct GHG Emissions (Scope 1)			
• Petrol and Diesel Consumption	tCO_2e	**156.78**	454.66
Energy Indirect GHG Emissions (Scope 2)			
• Electricity Consumption	tCO_2e	**11.25**	3.13
Total GHG Emissions (Scope 1 and Scope 2)	tCO_2e	**168.03**	457.79
Total GHG Emission Intensity[2]	tCO_2e/mil revenue	**1.66**	5.95

Remarks:

1. GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the "2022 Sustainability Report" published by the CLP Power Hong Kong, the latest published Baseline Emission Factors for Regional Power Grids in China.

2. For the Reporting Period, the Group recorded revenue of HK$101 mil (2022: HK$76.9 mil). The data is also used for calculating other intensity data.

The Group has formulated internal policies and control systems to reduce GHG emissions generated from the Group's business activities. The measures taken for reducing GHG from vehicles (Scope 1) were described under the above section headed "Air Emissions". Consumption of electricity is accounted as the major source of indirect energy and indirect GHG emissions (Scope 2). The Group has implemented measures as described under "Energy Management" in aspect A2 to reduce energy consumption, thereby minimising carbon footprint.

Sewage Discharge

Due to the Group's business nature, wastewater will be generated and discharged at construction sites. To fully utilise water resources, wastewater is collected and preceded for reuse, such as reusing for dust control measures. A sewage treatment system is also installed on every construction site to filter the wastewater before discharging it to public sewers. More water-saving initiatives will be described in the section headed "Water Management" under aspect A2.

Waste Management

Hazardous Waste

Since the Group's primary businesses are foundation services and the provision of supply chain management, it does not produce a significant number of hazardous wastes during our operation. Nevertheless, the Group has established guidelines which detail the steps in governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group will engage qualified waste collectors to handle the waste to comply with the relevant environmental regulations and rules.

Non-hazardous Waste

The non-hazardous wastes generated by the Group's operations mainly consist of office paper and construction wastes. For construction wastes, as the Group did not operate as the main contractor for any projects during the Reporting Period, construction waste was passed to the main contractors for handling. Therefore, no data are available. The Group, however, integrates sustainability into its operations and uses eco-friendly materials in its projects.

Indicators	**Unit**	**FY2023**	FY2022
Total Non-hazardous Waste Produced	tonnes	**1.10**	0.23
• Office Paper		**1.05**	0.23
• Office Waste		**0.05**	–
Non-hazardous Waste Produced Intensity	tonnes/mil revenue	**0.011**	0.003

We adhere to the 5Rs principle (reduce, renew, reuse, recycle and replace) for waste management and strive to maximise the usage of resources during the course of our business operations. Different waste reduction initiatives have been launched in different working areas of the Group to manage different types of waste. We monitor the consumption of paper to prevent abnormal paper usage. To create a paperless workplace, double-sided printers are used and electronic means for document circulation are adopted. Recycling bins are placed beside the printer to encourage paper recycling. Apart from paper, employees are also encouraged to bring their own lunch and avoid takeaway to reduce foam lunch box disposal.

A2. Use of Resources

The Group is committed to becoming a resource-saving and environmentally friendly enterprise to promote environmental protection. We continue to introduce resource efficiency and eco-friendly measures to the Group's operations and optimise the use of resources in all our business operations. During our operation, fuel and electricity are consumed. The Group has established relevant policies and procedures governing the efficient use of resources with reference to the objective of achieving higher energy efficiency and reducing the unnecessary use of resources.

Energy Management

Energy consumption of the Group includes diesel consumed by mobile machinery at the construction sites, petrol consumed by Company's vehicles, and electricity used at the office. As compared to the previous year, total energy consumption decreased by 65%, from 1,703.51 MWh to 600.26 MWh. It was due to the fact that during the Reporting Period, the Group used fewer vehicles and mobile machinery.

Indicators	**Unit**	**FY2023**	FY2022
Total Direct Energy Consumption	MWh	**600.26**	1,703.51
• Petrol	MWh	**145.37**	244.89
• Diesel	MWh	**454.89**	1,458.62
Total Indirect Energy Consumption	MWh	**14.70**	4.00
• Purchased Electricity	MWh	**14.70**	4.00
Total Energy Consumption	MWh	**614.96**	1,707.51
Total Energy Consumption Intensity	MWh/mil revenue	**6.09**	22.21

Since transportation accounted for most of the energy consumption, the Group has also implemented corresponding measures to reduce fuel consumption in Aspect A1. Besides that, to achieve a better energy efficiency performance, the Group has implemented the below policies:

- Encourage employees to turn off idle equipment, computers, and lighting;
- Utilise natural light where possible;
- Adopt power-saving features for office equipment and computers;
- Maintain an average indoor temperature between 24-26°C during the summer period; and
- Procure energy-efficient appliances only upon replacement of old appliances or due to new business needs.

Water Management

The Group does not consume a significant amount of water in its business activities due to its business nature. Water was mainly used in offices and construction sites. The Group actively promotes the importance of water conservation to its employees. Apart from posting reminders next to water taps, the Group also regularly inspects water taps to prevent leakage. Through these water-saving measures, our employees' awareness was enhanced. The Group will continue to save water resources through different measures in the forthcoming year. Due to the Group's business nature and geographical region, in which the Group's operation is located, the Group did not encounter any problem in sourcing water that is fit for purpose.

Use of Packaging Materials

Due to the Group's business nature, it does not consume a significant amount of packaging materials.

A3. The Environment and Natural Resources

The Group pursues the best practices in environment protection and focuses on its impact on the environment and natural resources. The Group has integrated the concept of environmental protection into its daily operations with the aim of achieving environmental sustainability.

Noise Control

The construction work performed by the Group may generate noise and disturb the surrounding neighbourhood. Controlling noise during construction is important to minimise disturbances to nearby residents, ensure compliance with regulations, and maintain a safe working environment. Our Group and our subcontractors strictly adhere to the environmental protection laws stipulated by the Department of Environmental Protection and only conduct construction work during the authorised times and days. The construction sites are protected by temporary acoustic barriers. Vibrations are absorbed, and noise transmission is reduced with the use of noise-damping pads such as rubber or foam. In the case of non-compliance with environmental protection laws, our safety officers and on-site staff would take immediate corrective action.

Construction Waste Control

The construction work performed by the Group may generate construction wastes and contaminate the environment. Construction waste control is crucial for environmental sustainability and efficient project management. When planning a project, the Group considers waste reduction strategies and optimises formwork design to reduce material consumption and waste generation. We have implemented a recycling program on the construction sites. Waste materials such as timber, plywood, metal, and plastic are classified and separated for recycling. As part of our waste management program, we develop a waste management plan that details the procedures for handling, storing, and disposing of waste. We ensure that the plan is clearly communicated to all workers and subcontractors involved in the projects. By implementing these strategies, the Group can effectively control and reduce construction waste during construction. This has a positive impact on the environment as well as the efficiency and cost-effectiveness of projects.

A4. Climate Change

In recent years, the weather has become less predictable as a result of climate change. The entire construction industry is at risk when weather patterns cannot be predicted, which increases the difficulty in developing emergency plans. To combat climate change, our goal is to mitigate the related risks, adapt to them, and manage the risks associated with climate change in our operations. Our Board oversees the implementation of ESG strategies and goals, including climate risk management and carbon neutrality.

Physical Risks

According to the reporting framework developed by the Task Force on Climate-Related Financial Disclosures, climate-related risks are divided into physical and transition risks. The Group has identified climate change-related risks and incorporated them into enterprise risk management.

As the frequency and severity of extreme weather events such as typhoons, storms, heavy rains, extreme cold, and extreme heat increase, the Group's business is exposed to acute and chronic risks of physical damage.

Physical Risks	Description
Drought	Drought can prevent our construction sites from getting enough water to complete vital tasks.
Flooding	Flooding can cause a shortage in the raw ingredients used to make construction materials. It also poses a threat to the safety of our employees and customers.
Persistent Heatwave	The high temperatures on the construction sites during the summer may cause our workers to suffer from sunstroke. Construction may be delayed if the heat wave persists.

To minimise the potential hazards, the Group has established mitigation plans, including flexible working arrangements during extreme weather conditions, such as typhoons and black rainstorms. Workers in construction sites are provided with rest areas, ventilation facilities, rest periods, potable water, relevant training, and additional protection. The Group will explore emergency plans to further reduce the vulnerability of our installations to extreme weather events to enhance business stability.

Transition Risks

The Group anticipates climate change will lead to changes in the regulatory, technological, and market landscape, including tightening national policies, introducing environmental related taxes, and shifting customers' preferences toward eco-friendly business practices to achieve its global vision of carbon neutrality.

Transition Risks	Description
Policy and Legal Risk	To meet the carbon neutrality targets set by the Chinese government and Hong Kong government, tight regulations, policies, and initiatives will be implemented to reduce GHGs.
Technology Risk	If old equipment and lighting systems are required to be upgraded, the investment cost will increase, and revenue will potentially be impacted due to the temporary shutdown of production.
Market Risk	Consumer preferences and behaviours may also pose a risk to the market, as customers might be sensitive to greener products and production methods.

The Group constantly monitors any changes in laws or regulations and global trends on climate change to avoid cost increments, fines non-compliance or reputational risks due to delayed response.

B. SOCIAL

B1. Employment

The Group attaches great importance to its employees' contribution and dedication to sustainable business development. Employment policies are formally documented in the Employee Handbook, covering recruitment, compensation, remuneration, diversity, equal opportunities, etc. The Group periodically reviews existing policies and employment practices to ensure continuous improvement of its employment standards and competitiveness in the industry.

During the Reporting Period, the Group is not aware of any material non-compliance with employment and labour practices-related laws and regulations that would have a significant adverse impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including but not limited to the Employment Ordinance of Hong Kong, the Labour Law of the PRC, and the Labour Contract Law of the PRC.

As of 31 March 2023, the Group's employee size breakdown was as below. Since the new business of supply chain management began in the Reporting Period, there has been an increase in number of employees.

Breakdown of Employees	FY2023	FY2022
Total	**74**	20
By Gender		
Male	**46**	12
Female	**28**	8
By Age		
Below 30	**16**	4
30-50	**43**	13
Above 50	**15**	3
By Geographical Location		
PRC	**34**	8
Hong Kong	**40**	12
By Employment Type		
Full-time	**73**	20
Part-time	**1**	0

During the Reporting Period, the overall employee turnover rate was approximately 7% (2022: 86%). The table below shows the employee turnover rate breakdown by gender, age group and geographical region:

Indicators	FY2023[1]	FY2022[2]
By Gender		
Male	**7%**	109%
Female	**7%**	12%
By Age		
Below 30	**6%**	22%
30-50	**9%**	63%
Above 50	**0%**	139%
By Geographical Location		
PRC	**6%**	0%
Hong Kong	**8%**	123%

Remarks:

1. The employee turnover rate during the Reporting Period is calculated by the number of employees left in their specific categories during the Reporting Period/total number of employees in their specific categories as of 31 March 2023 × 100%.

2. Employee turnover rate in 2022 is calculated by (difference in the number of employees in their specific categories during the year ended 31 March 2022/average number of employees in their specific categories during the year ended 31 March 2022) x 100%.

Recruitment, Promotion and Dismissal

The Group hires employees by open recruitment, and all employees are subjected to a fair, open, objective, and non-discriminatory selection process. Job applicants are assessed based on their suitability for the positions and potential to fulfil the Group's current and future needs, regardless of their race, gender, religion, physical disability, marital status, sexual orientation, etc.

The promotion of employees is determined by appraisals that are conducted regularly by the Group's management to evaluate staff's work performance. Performance reviews are conducted annually, and employees are provided with the opportunity to openly discuss with their supervisors on their performance and career development.

The Group has no tolerance for unfair and illegitimate dismissals and makes sure the dismissal procedure is fair and open. Any termination of the employment contract would be based on reasonable and lawful grounds. Exit interviews will also be conducted with leaving employees to help us better understand the needs of our employees and to improve the overall working environment.

Diversity, Equal Opportunity and Anti-discrimination

The Group recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. The Group provides equal opportunities in all aspects of employment and maintains a workplace that is free from discrimination, physical or verbal harassment against any individual based on race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. We have established and implemented policies that promote a fair and respectful workplace.

Compensation and Remuneration

The Group offers a comprehensive remuneration package for our employees who are remunerated according to their contributions with reference to the market practice. A remuneration committee is established to make appropriate updates on the Group's remuneration standards annually. Remuneration packages of the Group include basic salary, leaves as stipulated by relevant laws and regulations, as well as discretionary bonuses. The Group also provides a variety of leaves to cater to the needs of its employee, such as marriage leave, study leave, etc. Employees' salaries and year-end bonuses are determined based on qualifications, work performance, performance appraisal results and market trends. The Group pays "five social insurances and one housing fund" for employees in accordance with the Social Insurance Law of the PRC, namely, endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund to ensure employees are covered by social insurance. The Group also contributes to the Mandatory Provident Fund for employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance of Hong Kong.

Engaging with Employees

To foster a sense of belonging, the Group organised diverse entertainment and employee engagement activities, including team-building activities, staff birthday parties, and festival celebration activities throughout the year. The Group upholds the values of healthy work-life balance, well-being, and personal growth for its employees.

The Group also makes use of a number of channels to facilitate transparent and effective communication between the management and other employees, including emails, employee questionnaires, internal meetings, etc. The Group states that employees shall report any irregularities to their supervisors or the Human Resources Department and that all cases will be investigated and handled confidentially.

B2. Health and Safety

Employees' safety is regarded as the top priority of the Group. The Group is committed to providing a healthy and safe working environment for all employees and contractors and strives to achieve zero tolerance towards hazards, incidents, non-compliance, and accidents. The Group has achieved zero work-related fatalities for three consecutive years (including the Reporting Period). During the Reporting Period, the Group had not lost any working days due to work injury.

During the Reporting Period, the Group is not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. The relevant laws and regulations include but are not limited to the Labour Law of the PRC and the Prevention and Treatment of Occupational Diseases Law of the PRC, the Occupational Safety and Health Ordinance of Hong Kong and the Employees' Compensation Ordinance of Hong Kong.

Occupational Health and Safety Management Systems

To maintain a safe work environment, the Group has established an occupational health and safety management system and relevant procedures for the prevention and remediation of safety accidents in projects. The occupational health and safety management system has been implemented in compliance with the requirements of ISO 14001 international standards and reviewed regularly. A safety committee has been established to identify, recommend, and review measures to improve workers' health and safety. Besides, the Group has acquired staff medical insurance, which reimburses employees for any unexpected medical costs. The insurance plan is closely monitored and adjusted according to the headcounts of the year.

Safety Training and Inspection

Employees should attend the training courses organised by the Group on occupational safety and environmental control. Emergency and evacuation procedures have been established for the employees to respond to major safety accidents timely and orderly. The safety officer conducts regular safety training for the Group's employees and workers arranged by subcontractors to ensure their competency to perform specifically assigned tasks and that a proper training record is kept. Employees are also free to provide feedback on improving workplace safety.

COVID-19 Pandemic Preventive Measures

The Group has taken proactive measures to protect its employees and business partners from the new virus variants in accordance with public health measures by the local authorities. Group management is highly aware of the potential health and safety impacts for its employees and has taken precautions at its offices and construction sites. All employees are required to wear face masks at the office as well as at construction sites and check their body temperature prior to work every day. Besides, the Group has reminded its employees to maintain personal hygiene and flexible working timeslot if they or their closely related persons have been infected. We provide masks and alcohol-based hand rubs to all employees.

B3. Development and Training

The Group recognises its staff as the most precious asset. Staff's development and training contribute to the continuing success of the Group. The Group holds a firm belief that the provision of training opportunities and continuous career development to its employees, which strengthens the professional capabilities and growth of the employees and retains high-calibre talent, provides a solid foundation for the Group's continuing success. The Group provides a wide range of training to its employees. Induction training is provided to all newly recruited employees, while regular on-job training is provided to all employees of the Group. The Group also encourages its employees to attend external training. Training subsidies are provided to employees who attend training courses relating to job requirements.

During the Reporting Period, the Group achieved a 42% overall training rate and a total training hour of 20.5 hours. The table below shows the employee training data by gender and employee category:

Indicators	Average Training Hours[1] (hours)	Breakdown of Employees Trained[2] (%)
By Gender		
Male	0.37	77%
Female	0.13	23%
By Employment Category		
Senior Management	0.25	3%
Middle Management	0.35	13%
General Staff	0.25	84%

Remarks:

1. Average training hours for employees in relevant categories is calculated by the total number of training hours for employees in the specified category/number of employees in the specified category on 31 March 2023.

2. Breakdown of employees trained is calculated by the total number of trained employees in the specified category/number of employees trained on 31 March 2023 × 100%.

B4. Labour Standards

The Group strictly prohibits the use of child labour and forced labour in our operations. Below are measures that have been taken to avoid these illegal employment practices.

Prevention of Child Labour During the recruitment process, the human resources department will verify the applicant's identity documents and ensure that they have reached the minimum age for employment.

Prohibition of Forced Labour The Group specifies overtime compensation provisions in the Employee Handbook. The Group carefully monitors the employee working time and working schedule to ensure they work voluntarily and freely.

If any violations were to be detected, the Group would immediately cease any labour activities. Any false documents would be considered fraudulent, and the Group would have the right to terminate the labour contract immediately.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Labour Law of the PRC, the Provisions on the Prohibition of Using Child Labour of the PRC, the Employment Ordinance of Hong Kong and the Employment of Children Regulations of Hong Kong.

B5. Supply Chain Management

The Group recognises the importance of supply chain management in mitigating environmental and social risks. In view of green supply chain management, the Group strives to engage suppliers and subcontractors who incorporate the consideration of environmental and social risks into their supply chain management. The number of suppliers by geographical region for the Reporting Period is shown as below:

Geographical region	**FY2023**	FY2022
Hong Kong	**20**	36
PRC	**345**	6

All of the above suppliers are subject to relevant supply chain policies and practices relating to engaging suppliers mentioned below.

Supplier and Subcontractor Management

We have established supply chain procedures in selecting suppliers and subcontractors to ensure that they meet the requirements of our customers regarding quality, service level, and environmental and safety standards. The Group has established and maintained a list of approved suppliers and subcontractors with certain service quality. Factors such as the financial and operational background of suppliers, price, respective terms, and conditions are all taken into consideration when annually reviewing the list. Besides, a safety performance evaluation will be conducted on subcontractors on the approved list to ensure subcontractors are well aware of safety issues and have complied with the Group's safety standards. Subcontractors who fail to pass the safety performance evaluation may be suspended or removed from the approved list.

Green Procurement

The Group is aware of the importance of the environmental and social practices of the suppliers and tries to engage suppliers with responsible acts for society. The Group is committed to selecting environmentally friendly products with competitive prices and good quality to safeguard customers' health and safety, prevent pollution and efficiently use natural resources. The Group prioritises local suppliers and environmentally friendly products and services. It reduces the carbon footprint caused by procurement while supporting local economic development and employment growth for local communities. In addition to environmental factors, the Group will also adopt measures to monitor whether its suppliers or subcontractors comply with relevant social laws and regulations or meet other standards in terms of health, safety, forced labour and child labour.

B6. Product Responsibility

Achieving and maintaining high-quality standards for projects are of utmost importance for the sustainable growth of an enterprise. The Group closely monitors our work to ensure we deliver high-quality services to our customers with good satisfaction levels.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with relevant laws and regulations concerning health and safety, advertising, labelling, and privacy matters relating to products and services provided that would have a significant impact on the Group. The relevant laws and regulations include but are not limited to the Advertising Law of the PRC, the Trade Descriptions Ordinance of Hong Kong and the Personal Data (Privacy) Ordinance of Hong Kong.

Quality Management

To achieve this goal, the Group has established a quality management system. The system cultivates and develops a sustainable performance-oriented culture to pursue continuous improvement in quality. Before delivery, all contracting projects are subjected to strict quality inspection. Communication and feedback channels are created for quality assurance and recall procedures.

During the Reporting Period, the Group was not aware of any cases where products sold or shipped were subject to recalls for safety and health reasons.

Customer Service

We believe that providing our clients with a high-quality experience is the best way to enhance customer loyalty and attract new customers. The Group maintains ongoing communication with our customers through regular meetings as well as phone and email communications. Projects' progress and obstacles are discussed honestly and openly. During the Reporting Period, no products or service-related complaints were received.

Protection of Customers' Information and Privacy

All confidential data relating to the Group's business and customers' information are securely protected and only used for specific purposes. Employees who have access to the tender and quotation information are required to sign a confidential agreement to better protect customers' privacy. No complaints regarding leakage of data have been reported during the Reporting Period.

Protection of Intellectual Property Rights

Intellectual property rights promote innovation and creativity, helping society to increase its competitiveness and to improve the well-being of humans. The Group respects intellectual property rights and formulated procedures and guidelines to ensure our operations at all levels do not infringe on intellectual property rights.

Advertising and Labelling

As the Group's operational process does not involve advertising and labelling practices, the disclosure of information relating to advertising and labelling is not applicable to the Group.

B7. Anti-corruption

The Group believes in fairness and honesty in business dealings. Fraud, bribery, forgery, extortion, conspiracy, embezzlement, and collusion are all prohibited behaviours in the Group. No employee shall abuse his or her position to obtain illegal benefits in the form of money or non-pecuniary benefits. The Group has zero tolerance for any corruption-related cases. Suppliers and third-party companies are required to sign anti-bribery agreements to ensure the integrity of all transactions, as an effective anti-corruption program requires full cooperation by all stakeholders.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the Criminal Law of the PRC, the Company Law of the PRC, and the Prevention of Bribery Ordinance of Hong Kong. During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

Whistle-blowing Mechanism

A Whistle-blowing Policy is set up and regularly reviewed and monitored to encourage and allow employees to raise concerns about possible improprieties in matters of financial reporting, compliance, and other malpractices at the earliest opportunity.

Employees can raise concerns, in confidence, about possible improprieties, such as misconduct and malpractice, in any matter related to the Group. Complaints received will be handled in a prompt and fair manner. The policy aims at protecting the whistle-blowers from unfair dismissal, victimisation, and unwarranted disciplinary actions.

Anti-corruption Training

Anti-corruption-related training is conducted regularly for directors and staff. During the Reporting Period, all directors received online anti-corruption training to study the latest anti-corruption policies.

B8. Community Investment

The Group is committed to emboldening and supporting the public through various means of social participation and contribution as part of our strategic development. Our area of contribution is to inspire our employees' sense of social responsibility by encouraging them to care for the elderly and underprivileged during their work and spare time. The Group also believes that participating in activities that contribute to society can increase our employees' civic awareness while establishing correct values. We are engaged in long-term social responsibility and environmental protection in the future that will help build a green and harmonious community and help the underprivileged communities in various ways.

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental
KPI A1.1	The types of emissions and respective emissions data.	Emissions Control — Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Emissions Control — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Emissions Control— Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions Control— Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental
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.	Emissions Control — Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity	Use of Resources — Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental
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.	Environmental
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Use of Resources — Use of Packaging Materials

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Noise Control, Construction Waste Control
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change — Physical Risks, Transition Risks
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change — Physical Risks, Transition Risks
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.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
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.	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.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety — Occupational Health and Safety Management Systems, Safety Training and Inspection, COVID-19 Pandemic Preventive Measures
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
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.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management — Supplier and Subcontractor Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — Supplier and Subcontractor Management, Green Procurement
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — Green Procurement
Aspect B6: Product Responsibility		
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.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Quality Management
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility —Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility —Protection of Intellectual Property Rights

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility —Protection of Customers' Information and Privacy
Aspect B7: Anti-corruption		
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.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. During the year ended 31 March 2023, to the best knowledge of the Board, the Company has complied with the applicable code provisions of the CG Code except for the deviation from code provision D.2.5 of the CG Code as set out in "Risk Management and Internal Control" below in this corporate governance report.

In December 2021, the Stock Exchange published the conclusions to its consultation on Review of Corporate Governance Code, Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. A good part of the new requirements under the amended CG Code have long been adopted by the Group as our corporate governance practices over the years. These are highlighted in the following table:

New Requirements	Group's practices
Align the company's culture with its purpose, values and strategy (Code Provision A.1.1)	A healthy corporate culture across the Group is vital for the Group to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with two core principles to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it. For details, please refer to "Cultures and Values" section of this Corporate Governance Report.
Establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations (Code Provision D.2.7)	The Group's Anti-bribery and Anti-corruption Policy (as defined below) has been adopted since 2015. The policy covers aspects such as corruption, code of conduct, guidance on gifts, entertainment and gratuities, the Group's expectations and requirements of business ethics, as well as investigation and reporting mechanism of suspected corruption practices. Any convicted cases will be reported to the Board and the Audit Committee. For details, please refer to "Risk Management and Internal Control — Anti-bribery and Anti-corruption Policy" section of this Corporate Governance Report.

New Requirements	Group's practices
Establish whistleblowing policy and system (Code Provision D.2.6)	The Group has adopted the Whistleblowing Policy (as defined below) since 2015. Any convicted cases will be reported to the Board and the Audit Committee. For details, please refer to "Risk Management and Internal Control — Whistleblowing Policy" section of this Corporate Governance Report.
Communications with shareholders and annual review (Paragraph L of the Mandatory Disclosure Requirement)	The Shareholders' Communication Policy (as defined below) has been adopted since 2015. It sets out the Group's commitment of maintaining an effective ongoing dialogue with shareholders. The Shareholders' Communication Policy is reviewed by the Board on a regular basis. For details, please refer to "Communication with shareholders and investor relations" section of this Corporate Governance Report.
Equity-based remuneration (e.g. share options or grants) with performance related elements should not be granted to independent non-executive directors (Recommended Best Practice E.1.9)	We have a benchmarked approach in determining our non-executive Directors' remuneration, which does not involve equity-based remuneration with performance-related elements. The level of remuneration payable to non-executive Directors (including independent non-executive Directors) is also subject to shareholders' approval.
(i) Annually review the implementation and effectiveness of the board diversity policy; and (ii) disclose the mechanism(s) to ensure independent views and input are available to the Board, and annually review of the implementation and effectiveness of such mechanism(s) (Code Provisions B.1.3 and B.1.4)	The Group's Board Diversity Policy (as defined below) has been adopted since 2018 and is subject to annual review by the Nomination Committee. The Board Diversity Policy formally recognises the practice of ensuring that independent views and input are made available to the Board; details of which are explained in the "Independent non-executive Directors" section of this Corporate Governance Report. The Board is committed to assessing the independence of the independent non-executive Directors annually and ensuring that independent views and input are made available to the Board.
Gender diversity targets at board level and across workforce	Current female representation at Board level is approximately 20%.

New Requirements	Group's practices
Board level — to set and disclose numerical targets and timelines for achieving gender diversity. Workforce level — to disclose and explain the gender ratio (including senior management), any plans or measurable objectives the company has set for achieving gender diversity. (Paragraph J of the Mandatory Disclosure Requirement)	Gender diversity at Board and workforce levels (including our senior management) is disclosed in the "Board Diversity Policy" and "Gender Ratio in Workforce" sections of this Corporate Governance Report and "Social — Employment — Engaging with Employees" section in the ESG Report.
Establish a nomination committee chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors (GEM Listing Rule 5.36A)	The Nomination Committee, which comprises a majority of independent non-executive Directors, is chaired by the Chairman. For details, please refer to "Board Committee — Nomination Committee" section of this Corporate Governance Report.
Elaborate the linkage between corporate governance and ESG (Introductory paragraph in the CG Code, Principle D.2, Code Provisions D.2.2 and D.2.3)	The linkage is shown in "Board Statement — The ESG Governance Structure" section of the ESG Report.
Publish ESG reports at the same time as publication of annual reports (GEM Listing Rule 17.103(5)(d) and paragraph 4(2)(d) of the ESG Reporting Guide)	The ESG Report is published at the same time as this annual report for the year ended 31 March 2023.

CULTURES AND VALUES

A healthy corporate culture across the Group is integral to attain its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the Anti-bribery and Anti-corruption Policy and the Whistleblowing Policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

2. Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in business development and management is to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company had also made specific enquiry with all the Directors. As confirmed by Mr. Cheng, an executive Director, due to his inadvertent oversight, he was not able to comply with the Required Standard of Dealings by acquiring an aggregate of 410,000 Shares, representing approximately 0.05% of the then issued Shares, during the period from 10 October 2022 to 9 November 2022, which was the blackout period of the Company in relation to the preparation of the interim results announcement of the Company for the six months ended 30 September 2022 which was published on 9 November 2022.

Remedial steps taken by the Company to avoid the re-occurrence of similar incidents include the following:

- The Company Secretary circulated the Required Standard of Dealings to all of the Directors at the material time to remind them again of the relevant requirements.

- Mr. Cheng attended a one-on-one training session on the duties and responsibilities as a director of a listed company in Hong Kong conducted by legal advisers to the Company, with emphasis on his obligations and restrictions pursuant to the Required Standard of Dealings. Mr. Cheng completed and passed the quiz following the said training.

- In upcoming training sessions for the Directors, to ensure that Directors are aware of their duties and responsibilities under the Required Standard of Dealings, the Company will ensure that the requirements pursuant to the Required Standard of Dealings are included to fresh the memory of the Directors and will request Directors to complete quizzes after the training sessions.

The Board considers that by adopting the aforesaid measures, it would enable the Directors to understand the dealing restrictions during the blackout period and the procedures that they need to follow before dealing in the securities of the Company pursuant to the Required Standard of Dealings. The Board therefore considered that the implementation of the above measures would minimise the chance of breach of the Required Standard of Dealings by the Directors in the future.

Except as disclosed above, each of the Directors (including Mr. Cheng) confirmed that he/she was in compliance with the Required Standard of Dealings throughout the year ended 31 March 2023.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprised five Directors, including two executive Directors, namely Mr. Cheng and Mr. Yu, and three independent non-executive Directors, namely Mr. Chow, Dr. Kung and Ms. Wong.

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors and reviewing the Company's compliance with the CG Code and the disclosures in this annual report. 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 delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

The biographical details of the Directors and other senior management are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 17 to 21 of this annual report. Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in code provision A.2.1 of the CG Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

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

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

Composition

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

Executive Directors

Mr. Cheng Jun *(Chairman)*
Mr. Yu Hua *(Chief Executive Officer)*

Independent non-executive Directors

Mr. Chow Chun To
Dr. Kung Wai Chiu Marco
Ms. Wong Chi Yan

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 17 to 21 of this annual report. Save as disclosed therein, none of the members of the Board has any financial, business, family or other material/relevant relationships with each other.

The three independent non-executive Directors represent more than one-third of the Board (the proportion of which is higher than what is required by Rule 5.05A of the GEM Listing Rules and in compliance with Rule 5.05(1) of the GEM Listing Rules) and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise in accordance with Rule 5.05(2) of the GEM Listing Rules. With the various experience of the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company. The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 5.09 of the GEM Listing Rules.

In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the independent non-executive Directors regularly without the presence of the other Directors.

The implementation and effectiveness of the above mechanism shall be reviewed by the Board on an annual basis.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years which may be terminated by not less than one month's notice in writing served by either party on the other and is subject to retirement by rotation and re-election in accordance with the memorandum and articles of association of the Company (the "**Articles**").

Pursuant to the letter of appointment between the Company and each of the independent non-executive Directors, the independent non-executive Directors have been appointed for an initial term of three years which may be terminated by either party by giving no less than two months' written notice.

According to the Articles, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

Mr. Cheng, Mr. Yu and Mr. Chow will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on Friday, 8 September 2023 pursuant to articles 108(a) and 112 of the Articles. Mr. Cheng, Mr. Yu and Mr. Chow, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Cheng, Mr. Yu and Mr. Chow.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Cheng is the Chairman and Mr. Yu is the chief executive officer of the Company.

TRAINING FOR DIRECTORS AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company Secretary reports from time to time the latest changes and development of the GEM Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities. Up to the date of this annual report, all Directors, namely Mr. Cheng, Mr. Yu, Mr. Chow, Dr. Kung and Ms. Wong, have participated in continuous professional development by reading in-house training handbook, relevant materials or attending training seminar on the topics related to corporate governance. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

All Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

COMPANY SECRETARY

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

Ms. Wong K Y possesses the necessary qualification and experience, and is capable of performing the functions of the Company Secretary. Mr. Cheng, the Chairman and an executive Director, is the primary contact person who Ms. Wong K Y contacts.

For the year ended 31 March 2023, Ms. Wong K Y undertook no less than 15 hours of relevant professional training to update her skills and knowledge in accordance with Rule 5.15 of the GEM Listing Rules. The biographical details of Ms. Wong K Y is set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at "www.hkexnews.hk" and the Company's website at "www.quantongkonggu.com". All the Board Committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board Committees are in line with, so far as practicable, those of the Board meetings set out below.

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

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

Audit Committee

The Audit Committee was established on 6 July 2015. The chairman of the Audit Committee is Mr. Chow, an independent non-executive Director, and other members comprise Ms. Wong and Dr. Kung, independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

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

The Company has complied with Rule 5.28 of the GEM Listing Rules with three members comprising independent non-executive Directors only and at least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

During the year ended 31 March 2023, the Audit Committee had held ten meetings to review and comment on the Company's 2022 annual results, interim results and quarterly results as well as the Company's internal control procedures and risk management system, and to review and recommend the change of auditor of the Company.

The attendance of the members of the Audit Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Chow Chun To *(Chairman)*	10/10
Ms. Wong Chi Yan	10/10
Dr. Kung Wai Chiu Marco	10/10

The Group's consolidated financial statements for the year ended 31 March 2023 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2023 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee was established on 6 July 2015. The chairman of the Remuneration Committee is Dr. Kung, an independent non-executive Director, and other members comprise Ms. Wong and Mr. Chow, independent non-executive Directors. The written terms of reference of the Remuneration Committee have been revised pursuant to Board resolution passed on 30 December 2022 and are posted on the website of the Stock Exchange and on the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors/senior management, employment conditions in the Group and desirability of performance-based remuneration. The Remuneration Committee also assesses the performance of the executive Directors, approves the terms of their service contracts, and reviews and/or approves matters relating to share schemes under Chapter 23 of the GEM Listing Rules. The model under code provision E.1.2(c)(ii) of the CG Code has been adopted.

During the year ended 31 March 2023, the Remuneration Committee had held three meetings to review the remuneration packages and emoluments of Directors (including the Directors appointed during the year ended 31 March 2023, being Mr. Cheng and Mr. Yu) and senior management and considered that they are fair and reasonable. During the year ended 31 March 2023, there were no material matters relating to the Scheme which required review or approval by the Remuneration Committee.

The Director's fee of Mr. Cheng and Mr. Yu pursuant to the service contracts is HK$960,000 and HK$240,000 per annum, respectively, which is determined with reference to their experience, duties and responsibilities within the Company. Mr. Yu is also entitled to director's remuneration in the amount of RMB660,000 per annum in acting as director of Hainan Hongbao which is determined with reference to his experience, duties and responsibilities.

The attendance of the members of the Remuneration Committee are summarised below:

	Number of attendance/ number of meetings
Dr. Kung Wai Chiu Marco *(Chairman)*	3/3
Ms. Wong Chi Yan	3/3
Mr. Chow Chun To	3/3

Nomination Committee

The Nomination Committee was established on 6 July 2015. The chairman of the Nomination Committee is Mr. Cheng, an executive Director, and other members comprise Ms. Wong, Mr. Chow and Dr. Kung, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

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

In designing the Board's composition, board diversity has been considered 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.

As at the date of this annual report, the Board comprised five Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, industry experience, cultural and educational background, professional skills and/or qualifications and knowledge.

During the year ended 31 March 2023, the Nomination Committee had held four meetings to review and recommend the re-election of the Directors; and to review and recommend the appointment of Mr. Cheng and Mr. Yu as the executive Directors and to note the resignation of Mr. Xing Yuan, Mr. Lai Yanjun and Ms. Xu Zhi as the executive Directors and Mr. Xing Lei as a non-executive Director.

The attendance of the members of the Nomination Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Cheng Jun *(Chairman)* (appointed on 19 May 2022)	2/2
Ms. Wong Chi Yan	4/4
Dr. Kung Wai Chiu Marco	4/4
Mr. Chow Chun To	4/4
Mr. Xing Yuan (resigned on 19 May 2022)	1/2

ATTENDANCE RECORDS OF BOARD MEETING AND GENERAL MEETING

During the year ended 31 March 2023, fifteen Board meetings and two general meetings were held. During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors. Details of the attendance of each Director at the Board meetings and general meetings of the Company are set out below:

	Number of attendance/	
Name of Directors	**Number of Board Meetings**	**Number of General Meetings**
Executive Directors		
Mr. Cheng Jun (appointed on 19 May 2022)	13/13	2/2
Mr. Yu Hua (appointed on 27 February 2023)	N/A	N/A
Mr. Lai Yanjun (resigned on 6 April 2022)	0/1	N/A
Ms. Xu Zhi (resigned on 6 April 2022)	1/1	N/A
Mr. Xing Yuan (resigned on 19 May 2022)	1/2	N/A
Mr. Ji Zhendong (resigned on 17 May 2023)	10/15	2/2
Non-executive Director		
Mr. Xing Lei (resigned on 6 April 2022)	0/1	N/A
Independent non-executive Directors		
Mr. Chow Chun To	15/15	2/2
Dr. Kung Wai Chiu Marco	14/15	2/2
Ms. Wong Chi Yan	14/15	2/2

N/A represents not applicable

Code provision C.5.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and Board Committees' meetings, reasonable notices should be given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are provided with details of agenda items for decision making with reasonable notice and are welcomed to include matters in the agenda of each Board meeting. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the procedures are complied with and advising the Board on compliance matters.

Minutes of Board meetings and meetings of Board Committees are kept by the Company Secretary and are opened for inspection as requested by Directors. During the year ended 31 March 2023, the Board was given sufficient time to review and approve the minutes of Board meetings and meetings of Board Committees. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company. If potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting. The Directors attended meetings in persons or through other means of electronic communication in accordance with the Articles. The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Directors and senior management. All Directors assume the responsibilities owed to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company. The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

With a view to achieve a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In determining the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, professional experience, cultural and educational background, expertise, skills and know how. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, professional experience, cultural and educational background, expertise, skills and know how. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will adhere to the Board Diversity Policy to ensure that there is at least one female Director in the Board and is committed to further enhancing gender diversity as and when suitable candidates are identified. The Nomination Committee will deploy multiple channels to identify suitable candidates as Directors, including referral from Directors, shareholders, management, advisors of the Company and external agents as and when appropriate such that a robust pipeline of female successors to the Board can be established in the near future.

Monitoring and reporting

The composition of the Board will be disclosed annually in the corporate governance report and the Nomination Committee will monitor the implementation of the Board Diversity Policy. The Board currently has one female Director, and as such, the Company has achieved gender diversity on the Board level. The Nomination Committee will report annually, in the corporate governance report, on the Board's composition under diversified perspectives, and monitor the implementation of this Board Diversity Policy including but is not limited to the progress towards meeting the measurable objectives of this policy.

GENDER RATIO IN WORKFORCE

The Group is dedicated to achieving a balance between growth and diversity in its business and governance practices. The Group is committed to ensuring that recruitment at all levels, including the Board, adheres to stringent diversity criteria in order to consider an expensive pool of talented individuals. The Group firmly believes that diversity is an asset to the Group.

The Group will continue to take gender diversity into consideration during recruitment. The Group will continue to take opportunities to increase the proportion of female workforce over time as and when suitable candidates are identified. For details of the gender ratio in the workforce, please refer to the section headed "Social — Employment — Engaging with Employees" in the ESG Report.

NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. This also ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort (collectively, the "**Criteria**");

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Registrar of Companies in Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the corporate governance report, on the composition of the Board, and launch a formal process to monitor the implementation of this Nomination Policy as appropriate.

REVIEW OF NOMINATION POLICY

The Nomination Committee will launch a formal process to review this Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

DISCLOSURE OF NOMINATION POLICY

A summary of Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year ended 31 March 2023 will be disclosed in the corporate governance report.

In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;

- if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;

- the perspectives, skills and experience that the candidate can bring to the Board; and

- how the candidate can contribute to the diversity of the Board.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:

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

Such declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Articles. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the financial conditions and the profits of the Company available for distribution.

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

AUDITOR'S REMUNERATION

On 23 February 2023, the Company has engaged CCTH CPA Limited as its external auditors for the year ended 31 March 2023 until the conclusion of the forthcoming annual general meeting (2022: BDO Limited). There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed. For the year ended 31 March 2023, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	Fees paid/ payable for the services rendered HK$'000
Statutory audit services	855
Non-audit services	Nil

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems (the "**Systems**") and reviews their effectiveness annually. Such Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective Systems.

The Company has been developing and adopting various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources etc. The main features are as follows:

Control structure

A. The Board

(I) ensure the maintenance of appropriate and effective Systems in order to safeguard the shareholders' investment and assets of the Company;

(II) define management structure with clear lines of responsibility and limit of authority; and

(III) determine the nature and extent of significant risk that the Company is willing to take in achieving the strategic objectives and formulate the Company's risk management strategies.

B. Audit Committee

(I) assist the Board in leading the management of the Company (the "**Management**") and overseeing their design, implementation and monitoring of the Systems of the Company;

(II) review and discuss with the Management annually to ensure that the Management has performed its duty to have effective Systems; and

(III) consider major findings on internal control matters and make recommendations to the Board.

C. The Management

(I) design, implement and monitor the Systems properly and ensure the Systems are executed effectively;

(II) monitor risks and take measures to mitigate risks in day-to-day operations;

(III) give prompt responses to, and follow up the findings on internal control matters; and

(IV) provide confirmation to the Board on the effectiveness of the Systems.

D. Internal Audit Function

(I) carry out the analysis and independent appraisal of the adequacy and effectiveness of the Systems.

Control approach

The risk management process includes risk identification, risk evaluation and risk management measures and also reviewing the effectiveness of the Systems and resolving material internal control defects.

The Management conducted interviews with relevant staff members, reviewing relevant documentation of the internal control system, identifying and evaluating findings of any deficiencies in the design of the Company's internal control system, providing recommendations for improvement and following up on the effectiveness of implementation of such recommendations, where appropriate. The scope and findings of review on the risk management and internal control are reported to and reviewed by the Audit Committee during the year ended 31 March 2023.

Procedure manuals and operational guidelines are in place to safeguard the assets against unauthorised use or disposition, ensuring maintenance of proper accounting records in compliance with the applicable laws, rules and regulations for the provision of reliable financial information for internal use and/or external publication.

During the year ended 31 March 2023 under review, the Group appointed external professional to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by external professional to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of external professional as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

The Group has yet to establish its internal audit function during the year ended 31 March 2023 as required under code provision D.2.5 of the CG Code. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. The Audit Committee and the Board have considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Company considers that sufficient risk management and internal control of the Group can be maintained with the above-mentioned arrangements. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

Inside Information

To ensure timely, fair, accurate and complete disclosure of inside information and for compliance with the applicable laws and regulations, the Group has in place, as an internal control element, procedures for handling and dissemination of inside information. Under the procedures, heads of business units shall report to the Directors any potential inside information event as soon as practicable when it materialises for determining the nature of developments, and if required, making disclosure.

Annual Review

During the year ended 31 March 2023, the Audit Committee has conducted an annual review of the risk management and internal control systems. The results of the review were reported by the Audit Committee to the Board, based on which the Directors concluded that, for the year ended 31 March 2023, the risk management and internal control systems were effective and adequate and, save for the deviation from code provision D.2.5 of the CG Code as set out above, the Group has complied with the provisions in the CG Code regarding risk management and internal control.

Whistleblowing Policy

The Board has set up a whistleblowing policy (the "**Whistleblowing Policy**") since 2015. The purpose of the Whistleblowing Policy is to (i) provide a trusted avenue for employees, vendors, customers and other stakeholders to report serious wrongdoing or concerns, particularly in relation to fraud, controls or ethics, without fear of reprisals when whistleblowing in good faith; and (ii) ensure that robust arrangements are in place to facilitate independent investigation of the reported concern and for the appropriate follow up actions to be taken.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the chairman of the Audit Committee or the human resource manager of the Group. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 March 2023 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

Anti-bribery and Anti-corruption Policy

The Board has adopted an anti-bribery and anti-corruption policy (the "**Anti-bribery and Anti-corruption Policy**") since 2015. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business. The Anti-bribery and Anti-corruption Policy forms an integral part of the Group's corporate governance framework. The Anti-bribery and Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, this Anti-Bribery and Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The Anti-bribery and Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders, communication policy (the "**Shareholders' Communication Policy**") with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

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

(I) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at "www.hkexnews.hk" and the Company's website at www.quantongkonggu.com";

(II) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(III) corporate information is made available on the Company's website;

(IV) annual and special general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(V) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

The Company has reviewed the implementation and effectiveness of its Shareholders' Communication Policy for the year ended 31 March 2023. Having considered that effective shareholders communication channels are in place and shareholders are provided with regular updates of the Group's financial performance, strategic direction and material business development, the Board is of view that the Company has established an effective communication channel with its shareholders and considers that the Company's Shareholders' Communication Policy and its implementation are effective.

CHANGES IN CONSTITUTIONAL DOCUMENTS

At the extraordinary general meeting of the Company held on 10 August 2022, a special resolution was passed to approve the amendments to the then articles of association of the Company and to adopt the Articles to (i) conform to the amended Appendix 3 to the GEM Listing Rules which came into effect on 1 January 2022 and applicable laws of the Cayman Islands; and (ii) replace all references to the former name of the Company with the existing name of the Company. Details of the changes made in the Articles are set out in the circular of the Company dated 19 July 2022. An up-to-date consolidated version of the Articles has been posted on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHT

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

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis, in the share capital of the Company (the "**Requisitionists**") pursuant to article 64 of the Articles. The Requisitionists shall be able to add resolutions to the meeting agenda. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong at Unit Nos. 1–3 on Level 9 of Tower A of Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong or by email at info@quantongkonggu.com.

DISCLOSURE OF INSIDE INFORMATION

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

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

— define the requirements of periodic financial and operational reporting to the Board and the Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

— control the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;

— procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

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

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

DIRECTORS' ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors ensure the consolidated financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the publication of the consolidated financial statements of the Group is made in a timely manner. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

AUDITOR'S STATEMENT

The statement of the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the year ended 31 March 2023 is set out in the Auditor's Report on pages 82 to 87.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in foundation and other construction business and supply chain management in Hong Kong and the PRC. Details of the principal activities of its subsidiaries are set out in Note 28 to the consolidated financial statements. During the year ended 31 March 2023, the Group commenced business in supply chain management. Save for the above, there were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2023.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Company Ordinance**"), including a discussion of the principal risks and uncertainties facing the Group, environmental policies and performance of the Group, compliance with laws and regulations by the Group, its relationships with customers, suppliers, subcontractors and employees, an indication of likely future developments in the Group's business and events after the reporting period, can be found in the Management Discussion and Analysis set out on pages 7 to 16 of this annual report. This discussion forms part of this directors' report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2023 is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2023 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 89 to 90.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 158 in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2023 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company are set out in Note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELATED PARTY TRANSACTION

The related party transaction disclosed in Note 29 to the consolidated financial statements constitute de minimis connected transactions as defined in Chapter 20 of the GEM Listing Rules, which were fully exempt from the Shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

DISTRIBUTABLE RESERVES

The Company's reserves comprise share premium, capital reserves and accumulated losses. No reserve of the Company is available for distribution to shareholders as at 31 March 2023 (2022: nil).

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 6 July 2015 (the "**Scheme**") pursuant to the written resolution of the shareholders of the Company on 6 July 2015 for the purpose of providing additional incentives to eligible participants for their contribution to the Group and/or enabling the Group to attract and retain best available personnel that are valuable to the Group.

Details of the Scheme are as follows:

1.	Purpose of the Scheme	As incentive to eligible participants for their contribution to the Group and/or to enable the Group to attract and retain best available personnel that are valuable to the Group.
2.	Eligible participants to the Scheme	Any eligible employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.
3.	Total number of shares available for issue under the Scheme and percentage to the issued share capital as at the date of this report	80,000,000 shares (equivalent to approximately 9.23% of total issued share capital as at the date of this annual report).
4.	Maximum entitlement of each participant under the Scheme	Not exceeding 1% of the issued share capital of the Company for the time being in any 12 month period up to the date of grant. Any further grant of share option in excess of such limit must be separately approved by Company's shareholders in general meeting with such grantee and his associates abstaining from voting.

5.	The period within which the options may be exercised by grantees under the Scheme	A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by Directors to the grantee thereof.
6.	Vesting period of options granted under the Scheme	Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.
7.	The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	The remittance of HK$1.00 on or before the date of acceptance (which may not be later then seven days from the date of offer).
8.	The basis of determining the exercise price	Being determined by the Directors and being not less than the price highest of: a. the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; b. the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately proceeding the offer date; and c. the nominal value of the share on the offer date.
9.	The remaining life of the Scheme	The Scheme is valid and effective for a period of 10 years commencing on 6 July 2015 (being the date of adoption of the Scheme).

No share option has been granted, exercised, cancelled, lapsed or forfeited under the Scheme since its adoption and up to the date of this annual report. As at 1 April 2022 and 31 March 2023, there was no outstanding share option and the number of options available for grant under the Scheme was 80,000,000.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the year ended 31 March 2023, the percentage of the Group’s aggregate turnover attributable to the Group’s largest customer was approximately 40.5%, while the percentage of the Group’s total turnover attributable to the five largest customers in aggregate was approximately 58.9%.

During the year ended 31 March 2023, the percentage of purchase attributable to the Group’s largest supplier was approximately 4.1% of the total cost of sales for the period, while the percentage of purchase attributable to the Group’s five largest suppliers accounted for approximately 10.9% of the total cost of sales.

During the year ended 31 March 2023, the percentage of purchase attributable to the Group’s largest subcontractor was approximately 29.9% of the total cost of sales for the period, while the percentage of purchase attributable to the Group’s five largest subcontractors accounted for approximately 45.4% of the total cost of sales.

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

DIRECTORS

The composition of the Board as at the date of this annual report were as follows:

Executive Directors
Mr. Cheng Jun *(Chairman)*
Mr. Yu Hua *(Chief Executive Officer)*

Independent non-executive Directors
Mr. Chow Chun To
Dr. Kung Wai Chiu Marco
Ms. Wong Chi Yan

In accordance with the Articles, at each annual general meeting one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy on or as an addition to the Board shall hold office until the first annual general meeting of the Company after their appointment and shall then be eligible for re-election.

Accordingly, Mr. Cheng, Mr. Yu and Mr. Chow will retire from office as Directors at the forthcoming annual general meeting of the Company. Mr. Cheng, Mr. Yu and Mr. Chow, being eligible, will offer themselves for re-election.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses and liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years which may be terminated by not less than one month's notice in writing served by either party on the other and is subject to retirement by rotation and re-election in accordance with the Articles.

Pursuant to the letter of appointment between the Company and each of the independent non-executive Directors, the independent non-executive Directors have been appointed for an initial term of three years which may be terminated by either party by giving no less than two months' written notice.

None of the Directors has any unexpired service contract or letter of appointment which is not determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 21 of this annual report.

EMOLUMENTS OF DIRECTORS 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 11 to the consolidated financial statements.

EMOLUMENT POLICY

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

The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance, the time devoted to the Group and the market condition.

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

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save for the related party transactions disclosed in Note 29 to the consolidated financial statements and the cash advances and shareholder loans granted by Mr. Xing Yuan (a former director of the Company who resigned on 19 May 2022) to the Group disclosed in Note 22 to the consolidated financial statements, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party that was subsisting during or at the end of the year ended 31 March 2023.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Directors' Report — Related Party Transaction" above and the cash advances and shareholder loans granted by Mr. Xing Yuan (a controlling shareholder of the Company as at the date of this annual report) to the Group disclosed in Note 22 to the consolidated financial statements, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (as defined in the GEM Listing Rules) or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders (as defined in the GEM Listing Rules) or their subsidiaries during the year ended 31 March 2023.

MANAGEMENT CONTRACTS

As at 31 March 2023, save for the service contracts of the executive Directors, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of any business of the Company.

PENSION SCHEME ARRANGEMENTS

A Mandatory Provident Fund Scheme (the "**MPF Scheme**") has been set up for employees of the Group in Hong Kong, in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All employees in Hong Kong are required to join the MPF Scheme and the employees and their employer are each required to contribute 5% of their gross earnings with a current ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make required contribution under the scheme. The Group pays "five social insurances and one housing fund" for employees in accordance with the Social Insurance Law of the PRC, namely, endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund to ensure employees are covered by social insurance. No forfeited contribution is available to reduce the contribution payable in the future. The contribution charged to the consolidated statement of comprehensive income represents the contribution payable to the funds by the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' Report — Disclosure of Interests" below and the share option scheme disclosed in Note 35 to the consolidated financial statements, at no time during the year ended 31 March 2023 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS

Directors' and chief executives' interest and short positions in shares, underlying shares and debentures

As at 31 March 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long positions in the ordinary shares of the Company

Name	Capacity/Nature of interest	Number of shares held/ interested	Percentage of shareholding
Mr. Cheng Jun	Beneficial owner	180,890,000	20.88%

Save as disclosed above, as at 31 March 2023, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 March 2023, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the ordinary shares of the Company

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
Mr. Xing Yuan (Note 1 & 3)	Interest in a controlled corporation	419,100,000	48.37%
Quantong (Note 3)	Beneficial owner	419,100,000	48.37%
Mr. Ji Zhiwei (Note 2 & 3)	Person having a security interest in shares	419,100,000	48.37%

Notes:

1. Mr. Xing Yuan beneficially owns the entire issued share capital of QUANTONG GROUP HOLDINGS LIMITED ("**Quantong**"). Mr. Xing is deemed, or taken to be interested in all the shares of the Company held by Quantong for the purpose of the SFO.

2. Pursuant to a deed of assignment dated 3 March 2023 executed by Mr. Fu Yik Lung in favour of Mr. Ji Zhiwei, shares of the Company held by Quantong were pledged by Quantong in favour of Mr. Ji Zhiwei.

3. As at the date of this annual report, Quantong holds 300,040,000 Shares, representing approximately 34.63% of the total issued shares of the Company after Quantong disposed of its shares to independent third parties subsequent to 31 March 2023. Accordingly, the number of shares of the Company in which Mr. Xing Yuan and Mr. Ji Zhiwei were interested also decreased to 300,040,000 Shares.

Save as disclosed above, as at 31 March 2023, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' Report — Disclosure of Interests — Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

COMPETING INTERESTS

The Directors, the controlling shareholders of the Company and their respective close associates do not have any business or interest apart from the business of the Group which competes or may compete, directly or indirectly, with the business of the Group or any other conflicts of interests which any such person has or may have with the Group.

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

Save as disclosed in "Management Discussion and Analysis — Subscription of New Shares and Use of Net Proceeds", during the year ended 31 March 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

NON-COMPETITION UNDERTAKINGS IN DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has undertaken, among other things, not to conduct any business transactions with any individual or company that are similar to the Group's business or in any way competes with the Group, whether directly or indirectly. Each of the executive Directors confirms that he had complied with the non-competition undertakings as set out in their respective service contracts from the date of the service contract up to the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 5 September 2023 to Friday, 8 September 2023, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 4 September 2023.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2023.

DONATIONS

No donations had been made by the Group during the year ended 31 March 2023 (2022: nil).

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 48 to 71 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at 31 March 2023 and the date of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

CCTH CPA Limited was appointed as the auditors of the Company with effect from 23 February 2023 to fill the casual vacancy following the resignation of BDO Limited with effect from 23 February 2023. Details of the change of auditors were set out in the announcement of the Company dated 23 February 2023.

The consolidated financial statements of the Group for the year ended 31 March 2023 has been audited by CCTH CPA Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint CCTH CPA Limited as auditor of the Company. Saved as disclosed above, the Company has not changed its external auditors in any of the preceding three years.

ON BEHALF OF THE BOARD

Cheng Jun
Chairman and Executive Director

Hong Kong, 26 June 2023

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF
China Hongbao Holdings Limited
(formerly known as Quantong Holdings Limited)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Hongbao Holdings Limited (formerly known as Quantong Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 88 to 157, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3(b) to the consolidated financial statements, that the Group incurred a net loss of approximately HK$19,041,000 for the year ended 31 March 2023 and the Group had net current liabilities and net liabilities of approximately HK$32,914,000 and HK$24,414,000, respectively, as at 31 March 2023 while the Group only had cash and cash equivalents of approximately HK$20,574,000 as at that date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in Note 3(b) to the consolidated financial statements, the directors are of the opinion that the Group will be able to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Revenue recognition — construction contracts</td></tr>
<tr><td colspan="2">Refer to Note 4, Note 5 and Note 6 to the consolidated financial statements.</td></tr>
<tr><td>The Group recorded revenue from foundation and other construction works of approximately HK$60,692,000 for the year ended 31 March 2023 (31 March 2022: HK$72,358,000).

The Group recognised revenue from construction contracts overtime using the output method, which is by reference to the progress toward complete satisfaction of performance obligation at the end of the reporting period. For those contracts that contain variable consideration, the Group estimates the amount of variable consideration to which it will be entitled and includes it in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

We have identified the revenue recognition of construction contracts as a key audit matter as the magnitude of the revenue are significant and it involves significant management judgment and estimation.</td><td>Our procedures in relation to revenue recognition included:

• Obtaining an understanding of the Group's key internal controls over the revenue recognition process;

• Understanding the significant estimates made by management and discussing the status of selected projects with the management of the Group;

• Assessing management's estimates by comparing the gross profit margin with similar completed projects;

• Assessing reasonableness of revenue recognised and the progress towards completion of the contracts by reference to the relevant payment certificates issued by customers; and

• Testing, on a sample basis, on costs incurred, including checking invoices and timesheet to ensure that the costs are directly attributable to the contracts tested.</td></tr>
</table>

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Expected credit losses assessment of trade receivables and contract assets</td></tr>
<tr><td colspan="2">Refer to Note 4, Note 5, Note 16 and Note 17 to the consolidated financial statements.</td></tr>
<tr><td>As at 31 March 2023, the Group had trade receivables and contract assets amounting to approximately HK$58,269,000 and HK$7,537,000 respectively (net of allowance for expected credit loss ("ECL") of approximately HK$2,495,000 and HK$5,982,000, respectively).

Management of the Group has performed impairment assessment of the trade receivables and contract assets, based on information including the Group's historical credit loss experience, the number of days past due, adjusted for forward-looking factors and specific consideration to the debtors and the economic environment.

We focused on this area due to the magnitude of the trade receivables and contract assets and the ECL assessment on trade receivables and contract assets involved significant management's judgements and estimation.</td><td>Our procedures in relation to ECL assessment of trade receivables and contract assets included:

• Obtaining an understanding of the Group's methodology for the ECL assessment and the key data and assumption involved;

• Obtaining management's assessment on the collectability of individual significant balances, and corroborating management's assessment against relevant supporting evidence, including credit history and financial capability of these customers;

• Assessing the reasonableness of management's ECL assessment by examining the key inputs, on a sample basis, used by the management, including assessing the reasonableness of management's use of the historical and forward-looking information;

• Assessing whether the trade receivables and contract assets were appropriately grouped for collective assessment by checking the nature and aging profiles of the trade receivables and contract assets, on a sample basis; and

• Testing the aging and historical settlement records used by management by checking to the supporting documents, on a sample basis.</td></tr>
</table>

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 29 July 2022.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

CCTH CPA Limited
Certified Public Accountants

Kenneth Yee Lai Chan
Practising certificate number: P02095

Hong Kong, 26 June 2023

Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6	**101,386**	76,887
Cost of sales		**(86,536)**	(73,910)
Gross profit		**14,850**	2,977
Other income	7	**2,018**	3,187
Impairment loss recognised on			
— trade receivables, net	17	**(1,138)**	(1,078)
— other receivables, net	17	**(1,184)**	(48)
— contract assets, net	16	**(5,521)**	(414)
Administrative expenses		**(26,031)**	(13,305)
Finance costs	10	**(2,002)**	(1,502)
Loss before income tax	8	**(19,008)**	(10,183)
Income tax expense	12	**(33)**	(236)
Loss for the year		**(19,041)**	(10,419)
Other comprehensive (expenses)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,274)**	93
Loss and total comprehensive income for the year attributable to the owners of the Company		**(20,315)**	(10,326)

		2023 HK cents	2022 HK cents
Loss per share			
— Basic and diluted	14	**(2.36)**	(1.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current Assets			
Property, plant and equipment	15	**12,259**	–
Current Assets			
Trade and other receivables	17	**65,347**	45,754
Contract assets	16	**7,537**	16,231
Cash and cash equivalents	18	**20,574**	2,206
		93,458	64,191
Total Assets		**105,717**	64,191
Current Liabilities			
Trade and other payables	20	**28,224**	50,675
Contract liabilities	19	**38,806**	–
Lease liabilities	23	**2,785**	–
Amount due to a shareholder	22	**21,168**	18,151
Loan from a related party	22	**14,375**	15,050
Other borrowings	21	**21,014**	24,067
Income tax payable		**–**	460
		126,372	108,403
Net Current Liabilities		**(32,914)**	(44,212)
Total Assets less Current Liabilities		**(20,655)**	(44,212)
Non-current Liabilities			
Lease liabilities	23	**3,759**	–
Amount due to a shareholder	22	**–**	7,627
		3,759	7,627
NET LIABILITIES		**(24,414)**	(51,839)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Equity attributable to Owners of the Company			
Share capital	25	**8,664**	8,000
Reserves		**(33,078)**	(59,839)
TOTAL DEFICITS		**(24,414)**	(51,839)

The consolidated financial statements on pages 88 to 157 were approved and authorised for issue by the board of directors on 26 June 2023 and are signed on its behalf by:

Cheng Jun *Director*	**Yu Hua** *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital	Share premium* (Note 27(a))	Merger reserve* (Note 27(b))	Capital reserve* (Note 27(c))	Statutory reserve* (Note 27(d))	Exchange reserve* (Note 27(e))	Accumulated losses* (Note 27(f))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2021	8,000	82,525	(51,705)	3,118	–	–	(86,074)	(44,136)
Loss for the year	–	–	–	–	–	–	(10,419)	(10,419)
Other comprehensive income:								
Exchange differences arising on translation of foreign operations	–	–	–	–	–	93	–	93
Loss and total comprehensive income for the year	–	–	–	–	–	93	(10,419)	(10,326)
Transfer to statutory reserve	–	–	–	–	341	–	(341)	–
Capital contribution from a shareholder (note 22)	–	–	–	2,623	–	–	–	2,623
As at 31 March 2022 and 1 April 2022	8,000	82,525	(51,705)	5,741	341	93	(96,834)	(51,839)
Loss for the year	–	–	–	–	–	–	(19,041)	(19,041)
Other comprehensive expenses:								
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(1,274)	–	(1,274)
Loss and total comprehensive income for the year	–	–	–	–	–	(1,274)	(19,041)	(20,315)
Issue of shares	664	47,076	–	–	–	–	–	47,740
As at 31 March 2023	**8,664**	**129,601**	**(51,705)**	**5,741**	**341**	**(1,181)**	**(115,875)**	**(24,414)**

* These reserve accounts comprise the consolidated reserves of approximately HK$33,078,000 in the consolidated statement of financial position as at 31 March 2023 (2022: HK$59,839,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Loss before income tax		**(19,008)**	(10,183)
Adjustments for:			
Depreciation of property, plant and equipment	15	**1,888**	1,362
Finance costs	10	**2,002**	1,502
Loss on written off of property, plant and equipment	8	**–**	16
Net gain on disposal of property, plant and equipment	7	**(400)**	(1,550)
Gain on early termination of lease contract	7	**–**	(1,164)
Impairment loss recognised on:			
— trade receivables		**1,138**	1,078
— other receivables		**1,184**	48
— contract assets		**5,521**	414
Operating loss before working capital changes		**(7,675)**	(8,477)
Decrease/(increase) in contract assets		**2,768**	(9,631)
Increase in trade and other receivables		**(22,546)**	(36,299)
Increase in contract liabilities		**38,806**	–
(Decrease)/increase in trade and other payables		**(22,093)**	28,203
Cash used in operations		**(10,740)**	(26,204)
Income tax paid		**(493)**	(102)
Net cash used in operating activities		**(11,233)**	(26,306)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(5,866)**	–
Proceeds from disposal of property, plant and equipment		**400**	5,570
Net cash (used in)/generated from investing activities		**(5,466)**	5,570
Cash flows from financing activities			
(Repayment to)/advance from a shareholder		**(5,870)**	19,995
Proceeds from issue of share capital, net of transaction costs		**47,740**	–
Additions of other borrowings		**–**	8,523
Repayment of other borrowings		**(3,682)**	(4,433)
Repayment of loan from a related party		**(675)**	–
Payment for lease liabilities		**(1,737)**	(2,280)
Interest paid on lease liabilities		**(113)**	(54)
Net cash generated from financing activities		**35,663**	21,751
Net increase in cash and cash equivalents		**18,964**	1,015
Cash and cash equivalents at beginning of the year		**2,206**	1,191
Effect of foreign exchange rate changes		**(596)**	–
Cash and cash equivalents at end of the year	18	**20,574**	2,206

1. GENERAL

China Hongbao Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The address of the registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands, and the Company's head office and principal place of business is located at Unit Nos. 1–3 on Level 9 of Tower A of Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong. The Company is an investment holding company and the Group is principally engaged in the foundation and other constructions business and supply chain management in Hong Kong and Mainland China of the People's Republic of China ("PRC").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs")

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract
Annual improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (Continued)

(b) New and Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Non-Current Liabilities with Covenants (the "2022 Amendments")[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)[2,4]
Amendments to HKAS 1	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

Amendments to HKAS 1 Non-Current Liabilities with Covenants

The amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The 2022 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted. The 2022 Amendments are not expected to have any significant impact on the Group's financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (Continued)

(b) New and Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments clarify the requirements on classifying liabilities as current or non-current. The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa. The 2020 Amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 Disclosure of Accounting Policies

HKAS 1 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.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (Continued)

(b) New and Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 8: Definition of Accounting Estimates

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 — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Basis of preparation of consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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

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 the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, 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*.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(a) Basis of preparation of consolidated financial statements (Continued)

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Basis of preparation and going concern assumption

The Group incurred a net loss of approximately HK$19,041,000 for the year ended 31 March 2023. In addition, the Group had net current liabilities and net liabilities of approximately HK$32,914,000 and HK$24,414,000, respectively, as at 31 March 2023 while the Group only had cash and cash equivalents of approximately HK$20,574,000 on the same date. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis as the directors, based on a cash flow forecast that is prepared by them covering a period from 1 April 2023 to 30 September 2024 (the "Cash Flow Forecast"), and assuming that Mr. Xing and Mr. Fu (as defined below) would fulfill their undertakings, are satisfied that the Group will have sufficient working capital to finance its operation and to meet its financial obligations as and when they fall due. In preparing the Cash Flow Forecast, the directors have taken account of the following:

(i) Subsequent to the year end, Mr. Xing Yuan ("Mr. Xing"), a former executive director of the Company and the beneficial owner of the ultimate parent of the Company, has undertaken not to demand repayment of the current portion of amount due from the Company of HK$21,168,000 as at 31 March 2023 (Note 22) within eighteen months from 31 March 2023.

(ii) In July 2022, Mr. Xing entered into two loan facility agreements with two financial institutions in Hong Kong and the PRC for the amounts of HK$50 million and RMB50 million (equivalent approximately to HK$62 million) available for withdrawal in the coming 18 months since the agreement dates, respectively (the "Loan Facilities") and made the Loan Facilities available to the Company and pursuant to the terms of the Loan Facilities, funds are exclusively for the Company and made available upon its request.

(iii) Subsequent to the year end, Mr. Fu Yik Lung ("Mr. Fu"), a related party of the Company, has undertaken not to demand repayment of the amount due from the Company of HK$14,375,000 as at 31 March 2023 (Note 22), within eighteen months from 31 March 2023.

Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to re-classify non-current assets and non-current liabilities to current assets and current liabilities respectively. The effect of these adjustments have not been reflected in these consolidated financial statements.

(c) Functional and presentation currencies

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income is attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leased building where the Group is not the registered owner of the property interest (see Note 4(e)), are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Leased building	Over shorter of asset's useful life and the lease terms
Leasehold improvements	Over the lease term but not exceeding 5 years
Machineries	Over shorter of 20% per annum and the lease terms
Furniture and equipment	20% per annum
Motor vehicles	30% per annum

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Government grant

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 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 and are recognised as other revenue, rather than reducing the related expense.

(e) Leases

The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months and low-value assets. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The Group presents leased building which is held for own use under property, plant and equipment and are amortised over the shorter of assets' useful life and lease term on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leases (Continued)

Lease liability (Continued)

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed lease payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

The Group as a lessor

The Group has leased out its machineries to a tenant. 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 recognised as an expense on the straight-line basis over the lease term.

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments

(i) Financial assets (Continued)

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade and other receivables, contract assets and other financial assets measured at amortised cost. The ECLs are updated at each reporting period and are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The Group always recognise lifetime ECL for trade receivables and contract assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables, and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The ECL on trade receivables and contract assets are assessed individually.

The Group has estimated lifetime ECLs on an individual customer basis that is based on various factors including the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, the number of days past due, adjusted for forward-looking factors and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECL except for trade receivables and contract assets which apply the simplified approach as detailed above.

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

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

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

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Significant increase in credit risk (Continued)

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.

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.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full. Irrespective of the above, 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. All trade receivables with more than one year past due are considered an event of default and fully credit-impaired.

A financial asset is credit-impaired when one or more events of default 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments where the corresponding adjustment is recognised through loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred, including financial liabilities at amortised cost. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, other borrowings, amount due to a shareholder and loan from a related party are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plans

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

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

For the defined contribution schemes of the Group, the forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) would not be used by the employer to reduce the existing level of contribution.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(h) Cash and cash equivalents

Cash and cash equivalents, including cash and bank balances, comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the combined statements of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

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

As the delayed payment terms in respect of retention receivables are for reasons other than to provide financing to the customers, which is security given to the customer (i.e. the contractor) in case that the Group fails to adequately complete some or all of its obligations under the contract, there are no significant financing component identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

(a) Provision of foundation and other construction services

The Group provides foundation and other construction services based on contracts entered into with customers. Such contracts are entered into before the services begin. Based on the terms of the contracts and the specific facts and circumstances, the Group recognises revenue from provision of foundation and other construction service is recognised over time as the Group believes that, the foundation and other construction work performed by the Group creates or enhances the assets that the customers control as the assets is created or enhanced. Revenue from provision of foundation construction work is therefore recognised over time using output method, i.e. based on the progress towards completion of the contracts by reference to the relevant payment certificate issued by customers. The Directors consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15 "Revenue from Contracts with Customers".

For other construction services, the construction work is recognised over time using an input method based on the progress towards satisfaction of the services, measured based on proportion of contract cost incurred for work performed to date relative to the estimated total contract cost.

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

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

For the loss making contracts, when it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

(b) Supply and installation of new energy charging piles

The Group provides supply and installation of new energy charging piles services based on contracts entered into with customers. The Group recognised revenue when the supply and installation services are completed and transferred to customers.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

(c) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(d) Contract assets and liabilities

Contract assets represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Contract assets are recognised when (i) the Group performs the other construction works under such services contracts but yet to issue billing certified through the contract terms agreed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as contract assets are reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date then the Group recognises contract liabilities for the difference.

(e) Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty, related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences do not arise from initial recognition of assets and liabilities in a transaction other than a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each reporting period, and reflects any uncertainty related to income tax.

Deferred tax liabilities are recognised for taxable temporary differences arising on property, plant and equipment, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and investment in subsidiaries, to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior periods. A reversal of an impairment loss is recognised as profit or loss immediately.

(m) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (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) Both entities 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 the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (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 Group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Related parties (Continued)

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(n) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets.

Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segment" are the same as those used in its consolidated financial statements prepared under HKFRS 8.

(p) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Foreign currencies

Transactions entered into by the Group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Exchange gains and losses arising on the retranslation of monetary financial assets are recognised in profit or loss. Exchange gains and losses on non-monetary OCI financial assets form part of the overall gain or loss in OCI recognised in respect of that financial instrument.

On consolidation, the results of overseas operations are translated into HK$ at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the exchange reserve.

Exchange differences recognised in profit or loss in the Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Critical judgements regarding going concern basis

As disclosed in Note 3(b), the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into account of all relevant available information about the future of the Group, including cash flow forecast of the Group covering a period up to 30 September 2024. Such forecast about the future inherently involves various assumptions and uncertainties. In the preparation of the cash flow forecast of the Group, the directors assumed that further extension of the loans from a shareholder and a related party would be granted until the Group is able to meet its obligations. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Provision of foundation construction services

The determination of the progress of the foundation construction services involves judgements and the Group recognises revenue on over-time basis, which is by reference to the progress towards complete satisfaction of performance obligation at the end of the reporting period, measured using the output method in accordance with HKFRS 15 “Revenue from contracts with customers”. For those contracts that contain variable consideration, the Group estimates the amount of variable consideration to which it will be entitled and includes it in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulated revenue recognised will not occur.

Significant judgement is required in revenue recognition of construction contracts. Further the uncertainty and subjectivity involved in determining the estimation of contract revenue may have a significant impact on the results of the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Estimates and assumptions (Continued)

(ii) Impairment of non-financial assets

The Group assesses at the end of each of the reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit ("CGU") to which the asset is allocated or fair value less costs of disposal which is based on management estimates having regard to estimated fair value provided by independent external valuer, which is a level 3 fair value measurement. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(iii) Expected credit loss allowance of trade and other receivables and contract assets

Management of the Group has determined the provision for the trade and other receivables and contract assets by estimating a lifetime/12-month expected loss allowance for all trade and other receivables and contract assets. The loss allowance for financial assets and contract assets is determined based on a number of key assumptions. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on information including the Group's historical credit loss experience, the number of days past due, adjusted for forward-looking factors and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment.

(iv) Income taxes

Determining income tax provisions requires the Group to make judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

6. REVENUE AND SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the provision of foundation and other construction works and supply chain management in Hong Kong and Mainland China for the year ended 31 March 2023. The executive directors have been identified as the chief operating decision-maker ("CODM"), responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

In the current year, the Group commenced the business in the supply chain management in Mainland China and the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments.

The reportable operating segments and their results are as below:

- provision of foundation and other construction works;
- provision of services in supply chain management; and
- provision of services in supply and installation of new energy charging piles.

Year ended 31 March 2023

	Foundation and other construction works HK$'000	Supply chain management HK$'000	Supply and installation of new energy charging piles HK$'000	Total HK$'000
Revenue	60,692	40,694	–	101,386
Cost of sales	(50,450)	(36,086)	–	(86,536)
Impairment loss on financial assets and contract assets	(6,843)	(73)	(927)	(7,843)
Segment profit/(loss)	3,399	4,535	(927)	7,007
Unallocated income				2,018
Unallocated corporate expenses				(26,031)
Finance costs				(2,002)
Loss before income tax				(19,008)
Income tax expense				(33)
Loss for the year				(19,041)

6. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments (Continued)

Year ended 31 March 2022

	Foundation and other construction works HK$'000	Supply chain management HK$'000	Supply and installation of new energy charging piles HK$'000	Total HK$'000
Revenue	72,358	–	4,529	76,887
Cost of sales	(71,365)	–	(2,545)	(73,910)
Impairment loss on financial assets and contract assets	(1,414)	–	(126)	(1,540)
Segment (loss)/profit	(421)	–	1,858	1,437
Unallocated income				3,187
Unallocated corporate expenses				(13,305)
Finance costs				(1,502)
Loss before income tax				(10,183)
Income tax expense				(236)
Loss for the year				(10,419)

Revenue reported above represents revenue generated from external customers. These were no inter-segment sales for both of the years ended 31 March 2023 and 31 March 2022.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

The following other segment information is included in the measure of segment profit or loss:

Year ended 31 March 2023

	Foundation and other construction works HK$'000	Supply chain management HK$'000	Supply and installation of new energy charging piles HK$'000	Total HK$'000
Depreciation of property, plant and equipment	**1,888**	**–**	**–**	**1,888**
Gain on disposal of property, plant and equipment	**(400)**	**–**	**–**	**(400)**
Impairment loss recognised on:				
Trade receivables, net	**138**	**73**	**927**	**1,138**
Other receivables, net	**1,184**	**–**	**–**	**1,184**
Contract assets, net	**5,521**	**–**	**–**	**5,521**

Year ended 31 March 2022

	Foundation and other construction works HK$'000	Supply chain management HK$'000	Supply and installation of new energy charging piles HK$'000	Total HK$'000
Depreciation of property, plant and equipment	1,362	–	–	1,362
Gain on disposal of property, plant and equipment	(1,550)	–	–	(1,550)
Loss on written off of property, plant and equipment	16	–	–	16
Impairment loss recognised on:				
Trade receivables, net	952	–	126	1,078
Other receivables, net	48	–	–	48
Contract assets, net	414	–	–	414

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

Year ended 31 March 2023

	Foundation and other construction works HK$'000	Supply chain management HK$'000	Supply and installation of new energy charging piles HK$'000	Total HK$'000
Assets				
Segment assets	70,712	10,058	–	80,770
Property, plant and equipment				4,319
Other receivables				54
Cash and cash equivalents				20,574
Consolidated total assets				105,717
Liabilities				
Segment liabilities	52,047	3,143	–	55,190
Other payables				11,840
Other borrowings				21,014
Amount due to a shareholder				21,168
Loan from a related party				14,375
Lease liabilities				6,544
Consolidated total liabilities				130,131
Other segment information:				
Additions to non-current assets	7,827	2,001	–	9,828

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Year ended 31 March 2022

	Foundation and other construction works HK$'000	Supply chain management HK$'000	Supply and installation of new energy charging piles HK$'000	Total HK$'000
Assets				
Segment assets	57,513	–	4,417	61,930
Other receivables				55
Cash and cash equivalents				2,206
Consolidated total assets				64,191
Liabilities				
Segment liabilities	45,548	–	–	45,548
Other payables				5,127
Other borrowings				24,067
Amount due to a shareholder				25,778
Loan from a related party				15,050
Provision for taxation				460
Consolidated total liabilities				116,030
Other segment information:				
Additions to non-current assets	–	–	–	–

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to operating and reportable segments, other than certain unallocated other receivables and cash and cash equivalents.

— all liabilities are allocated to operating and reportable segments, other than certain unallocated other payables, other borrowings, amount due to a shareholder, loan from a related party, deferred tax liabilities and provision for taxation.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments (Continued)

Disaggregation of revenue from contract with customers

The following analysis of revenue under HKFRS 15 is disaggregated by timing of revenue recognition.

Year ended 31 March 2023

	Foundation construction works HK$'000	Other construction works HK$'000	Supply chain management HK$'000	Supply and installation of new energy charging piles HK$'000	Total HK$'000
Revenue recognised					
At a point in time	–	–	40,694	–	40,694
Over time	60,692	–	–	–	60,692
	60,692	–	40,694	–	101,386

Year ended 31 March 2022

	Foundation construction works HK$'000	Other construction works HK$'000	Supply chain management HK$'000	Supply and installation of new energy charging piles HK$'000	Total HK$'000
Revenue recognised					
At a point in time	–	–	–	4,529	4,529
Over time	54,305	18,053	–	–	72,358
	54,305	18,053	–	4,529	76,887

Geographical information

The Group's revenue was principally derived from Hong Kong and Mainland China, based on the location of the customers.

	2023 HK$'000	2022 HK$'000
Hong Kong	60,692	54,305
Mainland China	40,694	22,582
	101,386	76,887

6. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments (Continued)

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is all from foundation and other construction works segment as follows:

	2023 **HK$'000**	2022 HK$'000
Customer A	**41,120**	–
Customer B	**N/A**	18,116
Customer C	**N/A**	16,138
Customer D	**N/A**	18,525
Customer E	**N/A**	18,053

N/A: The relevant revenue from each of the relevant customers for the year ended 31 March 2023 did not exceed 10% of the Group's revenue.

The following table provides information about trade receivables and contract assets from contracts with customers.

	2023 **HK$'000**	2022 HK$'000
Trade receivables (Note 17(a))	**60,764**	40,431
Contract assets (Note 16)	**13,519**	16,692

The Group has applied the practical expedient to its contracts for foundation and other construction services and therefore, the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for construction production that had an original expected duration of one year or less.

The contract assets primarily relate to the Group's rights to consideration for work performed but not billed at the reporting date on revenue related to the provisions of the foundation business. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customers.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses. During the years ended 31 March 2023 and 2022, the Group did not have any contracts with completion bonuses.

7. OTHER INCOME

	2023 **HK$'000**	2022 HK$'000
Gain on disposal of property, plant and equipment, net	**400**	1,550
Gain on disposal of scrapped materials	**1,546**	–
Gain on early termination of lease contract	**–**	1,164
Government grants (Note)	**72**	–
Others	**–**	473
	2,018	3,187

Note:

During the year ended 31 March 2023, the Group received government grants from the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") under a One-off Subsidy Scheme as financial support for its businesses. There are no unfilled conditions or other contingencies attaching to these grants.

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging/(crediting):

	2023 **HK$'000**	2022 HK$'000
Depreciation charge of property, plant and equipment:		
— Owned property, plant and equipment	**428**	718
— Right-of-use assets	**1,460**	644
	1,888	1,362
Auditor's remuneration	**855**	900
Loss on write off of property, plant and equipment	**–**	16
Lease payments in respect of land and buildings under short-term leases	**–**	92
Employee benefit expenses (Note 9)	**18,419**	8,902

9. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2023 HK$'000	2022 HK$'000
Wages, salaries and other benefits	**16,843**	8,793
Post-employment benefits — defined contribution retirement plan contributions	**1,576**	109
	18,419	8,902

10. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on loan from other borrowings	**629**	697
Interest on lease liabilities	**113**	54
Imputed interest for shareholder loans	**1,260**	751
	2,002	1,502

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

	Fees HK$'000	Salaries and benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2023				
Executive directors:				
Mr. Xing Yuan (i)	129	–	–	129
Mr. Cheng Jun (ii)	831	–	–	831
Mr. Yu Hua (iii)	20	165	–	185
Mr. Ji Zhendong (iv)	240	–	–	240
Mr. Lai Yanjun (v)	–	–	–	–
Ms. Xu Zhi (v)	–	–	–	–
	1,220	165	–	1,385
Non-executive director:				
Mr. Xing Lei (vi)	–	–	–	–
	–	–	–	–
Independent non-executive directors:				
Dr. Kung Wai Chiu Marco	120	–	–	120
Ms. Wong Chi Yan	120	–	–	120
Mr. Chow Chun To (vii)	120	–	–	120
	360	–	–	360
Total	1,580	165	–	1,745

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

	Fees HK$'000	Salaries and benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2022				
Executive directors:				
Mr. Xing Yuan (i)	960	–	–	960
Mr. Ji Zhendong (iv)	240	–	–	240
Mr. Lai Yanjun (v)	240	–	–	240
Ms. Xu Zhi (v)	240	–	–	240
	1,680	–	–	1,680
Non-executive director:				
Mr. Xing Lei (vi)	120	–	–	120
	120	–	–	120
Independent non-executive directors:				
Mr. Wong Chun Hung (viii)	149	–	–	149
Dr. Kung Wai Chiu Marco	120	–	–	120
Ms. Wong Chi Yan	120	–	–	120
Mr. Chow Chun To (vii)	21	–	–	21
	410	–	–	410
Total	2,210	–	–	2,210

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

Notes:

(i) Mr. Xing Yuan was resigned on 19 May 2022.

(ii) Mr. Cheng Jun was appointed on 19 May 2022.

(iii) Mr. Yu Hua was appointed on 27 February 2023.

(iv) Mr. Ji Zhendong was resigned on 17 May 2023.

(v) Mr. Lai Yanjun and Ms. Xu Zhi were resigned on 6 April 2022.

(vi) Mr. Xing Lei was resigned on 6 April 2022.

(vii) Mr. Chow Chun To was appointed on 28 January 2022.

(viii) Mr. Wong Chun Hung resigned on 28 January 2022.

During the current and prior years, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. The executive directors' emoluments shown above were mainly 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 mainly for their services as the Directors.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

One of the five highest paid individuals are directors for the year ended 31 March 2023 (2022: Nil). The emoluments of the five highest paid individuals for the years ended 31 March 2023 and 2022 were as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	**4,640**	4,243
Pension scheme contributions — defined contribution plans	**174**	68
	4,814	4,311

Their remuneration fell within the following bands:

	2023 Number of employees	2022 Number of employees
Nil to HK$500,000	**2**	3
HK$500,001 to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1

During the current and prior years, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(c) Senior management's emoluments

The emoluments paid or payable to a member of senior management, other than the five highest paid employees were within the following bands:

	2023 Number of employees	2022 Number of employees
Nil to HK$1,000,000	**–**	–
More than HK$1,000,000	**–**	1

12. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2023 HK$'000	2022 HK$'000
Current tax		
Hong Kong profits tax	–	–
PRC Enterprise Income Tax	33	460
	33	460
Deferred tax (Note 24)	–	(224)
Income tax expense	33	236

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

No provision for Hong Kong profits tax was made for the year ended 31 March 2023 (2022: nil) as the group entities which are subject to Hong Kong profits tax either incurred losses for the year or had tax losses brought forward to set off with the assessable profits for the year.

The basic tax rate of the Group's PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law. For the current year, certain subsidiaries of the Group qualified as small and micro enterprises and enjoy the reduction of the applicable tax rate to 10%.

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

	2023 HK$'000	2022 HK$'000
Loss before income tax	(19,008)	(10,183)
Tax calculated at domestic income tax rates of 16.5% (2022: 16.5%)	(3,136)	(1,681)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,051)	329
Tax effect of non-deductible expenses	2,386	1,214
Tax effect of non-taxable income	(78)	(195)
Tax effect of deductible temporary difference not recognised	(965)	358
Tax effect of tax loss not recognised	2,877	791
Income tax at concessionary rate	–	(580)
Income tax expense	33	236

13. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 March 2023 and 2022.

14. LOSS PER SHARE

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

	2023 **HK$'000**	2022 HK$'000
Loss		
Loss for the purpose of calculating basic loss per share	**(19,041)**	(10,419)

	Number of shares **'000**	Number of shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**807,760**	800,000

There were no potential ordinary shares in issue for the years ended 31 March 2023 and 2022. Accordingly, the diluted loss per share presented is the same as the basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leased properties HK$'000	Leasehold improvements HK$'000	Machineries HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2021	3,229	3,377	13,965	1,480	3,883	25,934
Disposals	–	–	(9,365)	–	(3,841)	(13,206)
Early termination of lease	(2,212)	–	–	–	–	(2,212)
Written-off	(1,017)	(3,377)	(1,707)	–	(42)	(6,143)
At 31 March 2022 and 1 April 2022	–	–	2,893	1,480	–	4,373
Additions	**8,281**	**–**	**4,080**	**1,051**	**735**	**14,147**
Disposals	**–**	**–**	**(2,443)**	**–**	**–**	**(2,443)**
At 31 March 2023	**8,281**	**–**	**4,530**	**2,531**	**735**	**16,077**
Accumulated depreciation and impairment						
At 1 April 2021	3,229	3,377	8,885	1,480	3,565	20,536
Charge for the year	–	–	1,060	–	302	1,362
Eliminated on disposals	–	–	(5,345)	–	(3,841)	(9,186)
Eliminated on early termination of lease	(2,212)	–	–	–	–	(2,212)
Written-off	(1,017)	(3,377)	(1,707)	–	(26)	(6,127)
At 31 March 2022 and 1 April 2022	–	–	2,893	1,480	–	4,373
Charge for the year	**1,460**	**–**	**229**	**78**	**121**	**1,888**
Eliminated on disposals	**–**	**–**	**(2,443)**	**–**	**–**	**(2,443)**
At 31 March 2023	**1,460**	**–**	**679**	**1,558**	**121**	**3,818**
Net book value						
At 31 March 2023	**6,821**	**–**	**3,851**	**973**	**614**	**12,259**
At 31 March 2022	–	–	–	–	–	–

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Right-of-use assets	**Leased properties** HK$'000	**Leased machineries** HK$'000	**Total** HK$'000
At 1 April 2021	–	3,322	3,322
Transfer to owned machineries	–	(2,678)	(2,678)
Depreciation for the year	–	(644)	(644)
At 31 March 2022 and 1 April 2022	–	–	–
Additions	**8,281**	**–**	**8,281**
Depreciation for the year	**(1,460)**	**–**	**(1,460)**
At 31 March 2023	**6,821**	**–**	**6,821**

Details regarding the leases of properties and machineries are set out in note 23.

Total cash outflow for leases for the year ended 31 March 2023 was HK$1,850,000 (2022: HK$2,426,000), which included short-term lease payment and repayment of lease liabilities of approximately HK$ Nil (2022: HK$92,000) and HK$1,850,000 (2022: HK$2,334,000) respectively.

16. CONTRACT ASSETS

	2023 HK$'000	2022 HK$'000
Contract assets arising from:		
Foundation and other construction services	**6,246**	11,600
Retention receivables from contracts with customers within the scope of HKFRS 15	**7,273**	5,092
Less: provision of impairment loss	**(5,982)**	(461)
	7,537	16,231

Foundation construction services

The expected timing of recovery or settlement for contract assets as at 31 March 2023 and 2022 are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**7,537**	16,231

The contract assets primarily relates to the Group's right to consideration for construction works completed but not yet billed to customers, and the retention receivables at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is when the Group issue progress billings to customer based on the progress certificate agreed with customer or when the retention receivable become unconditional.

16. CONTRACT ASSETS (Continued)

Foundation construction services (Continued)

Included within contract assets is an amount of approximately HK$7,273,000 (2022: approximately HK$5,092,000) which relate to amounts withheld up to 5%–10% (2022: 5%–10%) of the contract sum under contractual terms from trade receivables from customers as the construction work progresses. The monies are generally released from the customers upon the certification of completion of work and/or finalisation of contract accounts, which is typically 12 months after the physical completion of the project. As these amounts are expected to be realised in the normal operating cycle, they are classified as current assets.

An impairment analysis is performed at each reporting date using simplified approach to provide for lifetime ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL for contract assets and assesses the expected losses on contract assets individually. The estimated loss rates are estimated based on various factors including the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, the number of days past due, adjusted for forward-looking factors and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

17. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables (Note (a))	**60,764**	40,431
Other receivables (Note (b))	**7,048**	7,702
Prepayments (Note (b))	**4,227**	4,493
Deposits (Note (b))	**2,799**	297
	74,838	52,923
Less: provision of impairment loss	**(9,491)**	(7,169)
	65,347	45,754

(a) Trade receivables

	2023 HK$'000	2022 HK$'000
Trade receivables, gross (Note)	**60,764**	40,431
Less: provision of impairment loss	**(2,495)**	(1,357)
Trade receivables, net	**58,269**	39,074

Note: Trade receivables were mainly derived from the provision of foundation works and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

The following is an analysis of trade receivables by age, net of loss allowance, presented based on the invoice dates:

	2023 HK$'000	2022 HK$'000
Current or less than one month	**10,097**	27,684
One to three months	**32,763**	9,654
More than three months but less than one year	**15,409**	1,736
	58,269	39,074

The Group periodically measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss individually. The estimated loss rates are estimated based on various factors including the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, the number of days past due, adjusted for forward-looking factors and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

17. TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables, prepayments and deposits

	2023 HK$'000	2022 HK$'000
Other receivables (Note (i))	**7,048**	7,702
Prepayments	**4,227**	4,493
Deposits (Note (ii))	**2,799**	297
	14,074	12,492
Less: provision of impairment loss	**(6,996)**	(5,812)
	7,078	6,680

Notes:

(i) As at 31 March 2023, other receivables mainly comprised sales proceeds of machineries and motor vehicles of approximately HK$Nil (2022: HK$258,000); advance payments to subcontractors of approximately HK$7,041,000 (2022: HK$6,710,000); rental receivables of approximately HK$Nil (2022: HK$725,000); and other receivables of staff advance of approximately HK$7,000 (2022: HK$Nil).

(ii) As at 31 March 2023 and 2022, deposits mainly comprised rental deposits of office, warehouse, carpark and machinery.

The 12-month ECLs was determined based on historical settlement records and past experience with these debtors as well as credit risk and other market factors. Details of impairment assessment of other assets as at 31 March 2023 and 31 March 2022 are set out in Note 30(a).

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group represent cash at banks and in hand.

19. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 March that are expected to be recognised within one year:

	2023 HK$'000	2022 HK$'000
Foundation and other construction works	**38,806**	–

20. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables (Note (a))	**23,695**	45,548
Accruals (Note (b))	**4,529**	5,127
	28,224	50,675

Notes:

(a) An ageing analysis of trade payables as at the end of the reporting period, based on invoice dates, is as follows:

	2023 HK$'000	2022 HK$'000
Current or less than one month	**11,522**	32,035
One to three months	**483**	7,148
More than three months but less than one year	**7,299**	1,867
More than one year	**4,391**	4,498
	23,695	45,548

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 45 days.

(b) As at 31 March 2023, accruals mainly comprised (i) accrued salary and wages of approximately HK$2,089,000 (2022: HK$2,515,000); and (ii) accrued audit fee of approximately HK$599,000 (2022: HK$900,000). The balances of accruals are non-interest bearing and have average payment terms of one to three months.

21. OTHER BORROWINGS

	2023 HK$'000	2022 HK$'000
Amounts due to:		
Mr. Zhang Weijie (Note (a))	**11,446**	11,446
Mr. Wong (Note (b))	**4,760**	8,018
Mr. Tse Chun Kit ("Mr. Tse") (Note (c))	**4,808**	4,603
	21,014	24,067

21. OTHER BORROWINGS (Continued)

At the end of the reporting date, total current and non-current other borrowings were scheduled to repay as follows:

	2023 HK$'000	2022 HK$'000
Within one year and on demand	**21,014**	24,067

Notes:

(a) Mr. Zhang Weijie, a former director of the Company, granted two loans to the Company at principal amounts of HK$3,477,000 and HK$3,787,000, respectively, on 31 March 2018. The loans, which are unsecured, with interest rate at 5% per annum and repayable on demand, remained outstanding of 31 March 2023 and 31 March 2022. As at 31 March 2023, the accumulated loan interest payable is approximately HK$1,488,000 (2022: HK$1,488,000). The remaining balance of other borrowings represent cash advances from Mr. Zhang Weijie of HK$2,694,000 (2022: HK$2,694,000) and are unsecured, interest-free and repayable on demand.

	2023 HK$'000	2022 HK$'000
Loan borrowings	**7,264**	7,264
Interest payable	**1,488**	1,488
Cash advances	**2,694**	2,694
	11,446	11,446

21. OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) Mr. Wong, a director of Pak Wing Construction Company Limited ("Pak Wing Construction"), a wholly-owned subsidiary of the Company, granted several loans to Pak Wing Construction to support its operation. The loans are unsecured, with interest rate at 5% per annum and repayable on demand. The accumulated loan interest payable is approximately HK$783,000 (2022: HK$360,000) and repayable on demand. The remaining balance of other borrowings represents other cash advances from Mr. Wong of HK$9,000 (2022: HK$9,000) and are unsecured, interest free and repayable on demand.

	2023 HK$'000	2022 HK$'000
Loan borrowings	**3,968**	7,649
Interest payable	**783**	360
Cash advances	**9**	9
	4,760	8,018

(c) Amount due to Mr. Tse, a former director of Pak Wing Construction, comprises the loans balance of approximately HK$2,168,000 (2022: HK$2,168,000), accumulated interest payable of the loans of approximately HK$1,927,000 (2022: HK$1,722,000) and cash advances to Pak Wing Construction at amount of approximately HK$713,000 (2022: HK$713,000).

As at 31 March 2023, loans from Mr. Tse are unsecured, with fixed interest rate at a range of 3%–5% per annum, and are repayable on demand (2022: repayable within one year from the end of the reporting period). The corresponding loan interests of approximately HK$1,927,000 are repayable on demand (2022: HK$1,722,000 are repayable within one year from the end of the reporting period). Cash advance from Mr. Tse is unsecured, interest free and repayable on demand.

	2023 HK$'000	2022 HK$'000
Loan borrowings	**2,168**	2,168
Interest payable	**1,927**	1,722
Cash advances	**713**	713
Current other borrowings	**4,808**	4,603

22. AMOUNT DUE TO A SHAREHOLDER AND LOAN FROM A RELATED PARTY

	2023 HK$'000	2022 HK$'000
Non-current:		
Amount due to a shareholder		
Mr. Xing (Note (a))	–	7,627
Current:		
Amount due to a shareholder		
Mr. Xing (Note (a))	**21,168**	18,151
Loan from a related party		
Mr. Fu (Note (b))	**14,375**	15,050

Notes:

(a) Mr. Xing is controlling shareholder of the Company, and granted cash advances and shareholder loans to the Group.

	2023 HK$'000	2022 HK$'000
Cash advances (i)	**8,716**	8,769
Shareholder loans (ii)	**12,452**	17,009
	21,168	25,778
Less: Non-current portion	–	(7,627)
Current portion	**21,168**	18,151

(i) As at 31 March 2023, the cash advances with carrying amount of approximately HK$8,716,000 (2022: HK$8,769,000) is unsecured, interest free and the maturity dates are within one year from the balance sheet date.

(ii) During the year ended 31 March 2022, Mr. Xing granted two loans with principal amounts of HK$10,000,000 and HK$8,881,000 (equivalent to RMB7,200,000) to the Group. The amounts are unsecured, interest free and not demand for repayment within eighteen months from 31 March 2023. On initial recognition, the loans were measured at fair value of approximately HK$8,798,000 and HK$7,460,000 respectively, determined based on the market interest rate of 8% as estimated by the Company's directors. The difference between the loans proceed received and such fair value of approximately HK$2,623,000 was accounted for as capital contribution from a shareholder.

(b) Mr. Fu is a former director of the ultimate holding company of the Company. As at 31 March 2023, the loan with carrying amount of approximately HK$14,375,000 (2022: HK$15,050,000) are unsecured and interest free and repayable within one year from the balance sheet date.

23. LEASES

As at 31 March 2023, the Group leased five properties in Hong Kong and one property in Mainland China (2022: nil).

The Group also leased certain items of machineries which comprise fixed payments over the lease terms (2022: nil).

The carrying amounts of the Group's lease liabilities, and the movements during the year are as follows:

	Leased properties HK$'000	**Machineries** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
As at 1 April 2021	1,625	1,819	–	3,444
Termination of lease	(1,164)	–	–	(1,164)
Lease payments	(488)	(1,846)	–	(2,334)
Interest expenses (Note 10)	27	27	–	54
As at 31 March 2022 and 1 April 2022	–	–	–	–
New lease entered	**8,281**	**–**	**–**	**8,281**
Lease payments	**(1,850)**	**–**	**–**	**(1,850)**
Interest expenses (Note 10)	**113**	**–**	**–**	**113**
As at 31 March 2023	**6,544**	**–**	**–**	**6,544**
Current portion	**2,785**	**–**	**–**	**2,785**
Non-current portion	**3,759**	**–**	**–**	**3,759**
As at 31 March 2023	**6,544**	**–**	**–**	**6,544**
Current portion	–	–	–	–
Non-current portion	–	–	–	–
As at 31 March 2022	–	–	–	–

23. LEASES (Continued)

Lease liabilities

Future lease payments are due as follows:

	Minimum lease payments as at 31 March 2023 HK$'000	Interest as at 31 March 2023 HK$'000	Present value as at 31 March 2023 HK$'000
Not later than one year	**3,086**	**(301)**	**2,785**
Later than one year and not later than two years	**2,300**	**(158)**	**2,142**
Later than two years and not later than five years	**1,662**	**(45)**	**1,617**
	7,048	**(504)**	**6,544**

	Minimum lease payments as at 31 March 2022 HK$'000	Interest as at 31 March 2022 HK$'000	Present value as at 31 March 2022 HK$'000
Not later than one year	–	–	–
Later than one year and not later than two years	–	–	–
Later than two years and not later than five years	–	–	–
	–	–	–

24. DEFERRED TAX

Details of the deferred tax liabilities recognised and movements during the current and prior years are as follows:

	Accelerated depreciation allowances HK$'000
At 1 April 2021	(224)
Charged to profit or loss for the year (Note 12)	224
At 31 March 2022, 1 April 2022 and 31 March 2023	–

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of certain unused tax losses amounting to approximately HK$73,162,000 (2022: HK$69,977,000) due to the unpredictability of future profit streams in the relevant entities. The tax losses arising from the operation do not expire under current tax legislation in the relevant tax jurisdiction.

25. SHARE CAPITAL

	Number of ordinary shares '000	**Amount** HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	1,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 1 April 2021, 31 March 2022 and 1 April 2022	800,000	8,000
Issue of shares by share subscription (Note (a))	28,050	280
Issue of shares by share subscription (Note (b))	38,350	384
As at 31 March 2023	866,400	8,664

Notes:

(a) On 16 January 2023, the number of issued share capital of the Company increased to 828,050,000 shares of the Company (the "Shares") as a result of the completion of the subscription of new shares under general mandate issue (the "Subscription of New Shares A"). For details of the Subscription of New Shares A, please refer to the announcement of the Company dated 5 January 2023 (the "Subscription Announcement A").

(b) On 13 March 2023, the number of issued share capital of the Company increased to 866,400,000 Shares as a result of the completion of the subscription of new shares under general mandate issue (the "Subscription of New Shares B", together with Subscription of New Shares A, collectively as "Subscriptions of New Shares"). For details of the Subscription of New Shares B, please refer to the announcement of the Company dated 27 February 2023 (the "Subscription Announcement B").

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**4,319**	–
Investments in subsidiaries		**–**	–
		4,319	–
Current assets			
Prepayments and deposits		**55**	55
Amount due from a subsidiary		**33,621**	–
Cash and cash equivalents		**–**	53
		33,676	108
Total Assets		**37,995**	108
Current liabilities			
Accruals and other payables		**855**	15,666
Lease liabilities		**1,397**	–
Loan from a related party	22	**14,375**	15,050
Amount due to a shareholder	22	**19,418**	8,026
Amounts due to subsidiaries		**–**	3,548
		36,045	42,290
Net Current Liabilities		**(2,369)**	(42,182)
Total Assets less Current Liabilities		**1,950**	(42,182)
Non-current liabilities			
Lease liabilities		**2,922**	–
		2,922	–
NET LIABILITIES		**(972)**	(42,182)
DEFICITS			
Share capital	25	**8,664**	8,000
Reserves	27	**(9,636)**	(50,182)
TOTAL DEFICITS		**(972)**	(42,182)

The statement of financial position of the Company was approved by the board of directors on 26 June 2023 and are signed on its behalf by:

Cheng Jun
Director

Yu Hua
Director

27. RESERVES

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements. Movements in the Company's reserves during the current and prior years are as follows:

	Share premium (Note (a)) HK$'000	**Capital reserve (Note (c))** HK$'000	**Accumulated losses (Note (f))** HK$'000	**Total** HK$'000
At 1 April 2021	82,525	2,136	(130,251)	(45,590)
Loss for the year	–	–	(4,592)	(4,592)
At 31 March 2022 and 1 April 2022	82,525	2,136	(134,843)	(50,182)
Loss for the year	**–**	**–**	**(6,530)**	**(6,530)**
Issue of shares	**47,076**	**–**	**–**	**47,076**
At 31 March 2023	**129,601**	**2,136**	**(141,373)**	**(9,636)**

Notes:

The nature and purpose of reserves within equity are as follows:

(a) Share premium

Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

(b) Merger reserve

The merger reserve of the Group represents the difference between the total equity of those subsidiaries and the aggregated share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new shares from the Company.

(c) Capital reserve

The amount represents in substance capital contribution from shareholders of the Company, being the difference between the fair value of the loans from them on initial recognition and the loan proceeds received by the Group. For details of the loans, please refer to Note 22.

(d) Statutory reserve

The amount represents the amount set aside from the retained profits by certain subsidiaries incorporated in Mainland China and it is not distributable as dividend. In accordance with the relevant regulations and their articles of association, the Company's subsidiaries incorporated in Mainland China are required to allocate at least 10% of their after-tax profit according to the PRC accounting standards and regulations to legal reserves until such reserves have reached 50% of registered capital. These reserves can only be used for specific purposes and are not distributable or transferable to loans, advances, cash dividends.

(e) Exchange reserve

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(f) Accumulated losses

The amount represents cumulative net gains and losses recognised in profit or loss.

28. PARTICULARS OF SUBSIDIARIES

The details of the Company's principal subsidiaries as at 31 March 2023 are set out as follows:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
Pak Wing Construction	Hong Kong, 18 October 2011, limited liability company	–	100%	Ordinary shares of HK$10,000	Foundation subcontractor, Hong Kong
Pak Wing Machinery Company Limited	Hong Kong, 29 May 2013, limited liability company	–	100%	Ordinary shares of HK$10,000	Rental of machinery, Hong Kong
陝西高創遠為能源有限公司*	PRC, 29 June 2021, limited liability company	–	100%	50,000,000 shares of RMB$1 each	Fit-out construction; and supply and installation of new energy charging pile, the PRC
Ambitious Achievement New Materials Holding Limited (formerly known as Yuen Ji New Materials Holding Limited)	Hong Kong, 20 December 2019, limited liability company	–	100%	10,000 ordinary shares of HK$1 each	Foundation subcontractor, Hong Kong
海南紅包聯動科技有限公司	PRC, 6 July 2022, limited liability company	–	100%	Nil	Supply chain management, the PRC

Note: The above summary lists only the subsidiaries which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* Registered as wholly-foreign owned enterprises under the PRC Law.

29. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group did not entered into and significant related party transactions during the year ended 31 March 2023 and 2022.

Key management personnel compensation

The key management personnel of the Group are the Directors of the Company. Details of the remuneration paid to them during the current and prior years are set out in Note 11 to the consolidated financial statements.

30. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables and cash and bank balances that derive directly from its operations. Principal financial liabilities of the Group include trade and other payables, other borrowings, amount due to a shareholder and loan from a related party. The main purpose of these financial liabilities are to finance the Group's operations.

The Group's maximum exposure to credit risk is the carrying amounts of cash and bank balances, contract assets, and trade and other receivables.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of the reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and contract assets) and bank deposits.

The Group's exposure to credit risk is influenced mainly by the individual customer. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The credit risk of Group's trade receivables and contract assets is concentrated, since approximately 99% of which was derived from five largest customers as at 31 March 2023 (2022: 99%).

The Group had a concentration of credit risk as certain of the Group's trade receivables and contract assets were due from the Group's largest customer and the five largest customers as detailed below.

	2023 **HK$'000**	2022 HK$'000
Largest customer	**40,192**	18,013
Five largest customers	**61,866**	55,243

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Contract assets and trade receivables

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 17(a).

Management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment loss allowance are made for irrecoverable amounts on trade receivables and contract assets.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is on an individual customer basis that is based on various factors including the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, the number of days past due, adjusted for forward-looking factors and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

Management assessed the expected credit losses on trade receivables individually.

The estimated 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. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Contract assets and trade receivables (Continued)

Movements in the loss allowance account in respect of trade receivables and contract assets during the year are as follows:

	Trade receivables		Contract assets		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Balance at 1 April	**1,357**	279	**461**	47	**1,818**	326
Impairment losses recognised during the year	**1,138**	1,122	**5,521**	461	**6,659**	1,583
Impairment losses reversed during the year	**–**	(44)	**–**	(47)	**–**	(91)
Balance at 31 March	**2,495**	1,357	**5,982**	461	**8,477**	1,818

(ii) Other receivables

The ECLs of other receivables are based on the 12-month ECLs that results from default events that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since its initial recognition, the loss allowance will be based on life-time ECLs. When determining whether the credit risk has been increased significantly since its initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis with reference to the Group's historical experience and informed credit assessment with forward-looking information. Applying the ECL model result in the recognition of ECL of HK$5,812,000 at 31 March 2022, which increased to HK$6,996,000 as at 31 March 2023.

To manage the credit risk associated with other receivables, the Group adopts risk control to assess the credit quality of the debtors, taking into account their financial positions and past experience. The Group has monitoring procedures to ensure that follow-up action is taken to due with overdue debts and considered the credit risk of those debtors in default to be medium/high. The management reviews the recoverable amount of the receivables individually at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the reporting period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Other receivables (Continued)

The following table shows the movements in lifetime ECL that has been recognised for other receivables under the general approach.

	Stage 1 Gross amount HK$'000	Stage 1 Allowance for ECLs HK$'000	Stage 2 Gross amount HK$'000	Stage 2 Allowance for ECLs HK$'000	Stage 3 Gross amount HK$'000	Stage 3 Allowance for ECLs HK$'000	Total Gross amount HK$'000	Total Allowance for ECLs HK$'000
Balance as at 1 April 2021	874	9	482	33	5,722	5,722	7,078	5,764
New financial assets originated during the year	324	12	290	15	–	–	614	27
Transfer from/to 12-month ECLs to/from lifetime ECLs of financial assets during the year	(634)	(7)	634	7	–	–	–	–
Charged during the year	–	–	228	36	–	–	228	36
Recovered during the year	(100)	–	(118)	(15)	–	–	(218)	(15)
Balance as at 31 March 2022 and 1 April 2022	464	14	1,516	76	5,722	5,722	7,702	5,812
Transfer from/to 12-month ECLs to/from lifetime ECLs of financial assets during the year	**(301)**	**(14)**	**(969)**	**(48)**	**1,270**	**62**	**–**	**–**
Charged during the year	**–**	**–**	**–**	**–**	**–**	**1,208**	**–**	**1,208**
Recovered during the year	**(163)**	**–**	**(491)**	**(24)**	**–**	**–**	**(654)**	**(24)**
Balance as at 31 March 2023	**–**	**–**	**56**	**4**	**6,992**	**6,992**	**7,048**	**6,996**

(iii) Cash and bank balances

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

30. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserves of cash in the short and long term. The liquidity policies have been followed by the Group during the reporting period and are considered to have been effective in managing liquidity risk including the forecast plan described in Note 3(b).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Less than one year or repayable on demand HK$'000**	**More than one year HK$'000**
As at 31 March 2023				
Trade and other payables	**16,384**	**16,384**	**16,384**	**–**
Amount due to a shareholder	**21,168**	**21,168**	**21,168**	**–**
Other borrowings	**21,014**	**21,014**	**21,014**	**–**
Loan from a related party	**14,375**	**14,375**	**14,375**	**–**
Lease liabilities	**6,544**	**7,048**	**3,086**	**3,962**
	79,485	**79,989**	**76,027**	**3,962**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than one year or repayable on demand HK$'000	More than one year HK$'000
As at 31 March 2022				
Trade and other payables	48,160	48,160	48,160	–
Amount due to a shareholder	25,778	27,650	18,769	8,881
Other borrowings	24,067	24,067	24,067	–
Loan from a related party	15,050	15,050	15,050	–
	113,055	114,927	106,046	8,881

30. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the short-term bank deposits and other borrowings. However, management considers the fair value interest rate risk is insignificant as (i) bank deposits is relatively short-term and (ii) the interest rate of other borrowings are fixed. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Management of the Group considers the interest rate risk for variable-rate bank balances are insignificant for the years ended 31 March 2023 and 2022. Hence, no sensitivity analysis is presented.

(d) Currency risk

The Group's companies operated in different locations with most of the transactions settled in local currency and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group entered into leases agreements in respect of purchase of property, plant and equipment with a capital value at the inception of the leases of approximately HK$8,281,000 (2022: HK$nil) during the year ended 31 March 2023.

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Other borrowings (Note 21) HK$'000	Amount due to a shareholder (Note 22) HK$'000	Loan from a related party (Note 22) HK$'000	Lease liabilities (Note 23) HK$'000	Total HK$'000
As at 1 April 2021	19,280	7,655	15,050	3,444	45,429
Changes from cash flows:					
Additions of other borrowings	8,523	–	–	–	8,523
Repayment of other borrowing	(4,433)	–	–	–	(4,433)
Advance from a shareholder	–	19,995	–	–	19,995
Repayment of leases liabilities	–	–	–	(2,334)	(2,334)
Total changes from financing cash flows	4,090	19,995	–	(2,334)	21,751
Other changes:					
Termination of lease	–	–	–	(1,164)	(1,164)
Capitalised shareholder contribution	–	(2,623)	–	–	(2,623)
Interest expense	697	751	–	54	1,502
Total changes from other changes	697	(1,872)	–	(1,110)	(2,285)
As at 31 March 2022 and 1 April 2022	24,067	25,778	15,050	–	64,895
Changes from cash flows:					
Repayment of other borrowings	(3,682)	–	–	–	(3,682)
Repayment of amount due to a shareholder	–	(5,870)	–	–	(5,870)
Repayment of loan from a related party	–	–	(675)	–	(675)
Repayment on lease liabilities	–	–	–	(1,850)	(1,850)
Total changes from financing cash flows	(3,682)	(5,870)	(675)	(1,850)	(12,077)
Other changes:					
Addition of lease liabilities	–	–	–	8,281	8,281
Interest expense	629	1,260	–	113	2,002
Total changes from other changes	629	1,260	–	8,394	10,283
As at 31 March 2023	21,014	21,168	14,375	6,544	63,101

32. CAPITAL RISK MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes in the objectives, policies or processes were made during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by total deficit. Net debts are calculated as the total of lease liabilities, amount due to a shareholder, loan from a related party and other borrowings and less cash and cash equivalents.

	2023 **HK$'000**	2022 HK$'000
Total debts	**63,101**	64,895
Less: Cash and cash equivalents	**(20,574)**	(2,206)
Net debts	**42,527**	62,689
Total deficit	**(24,414)**	(51,839)
Gearing ratio	**(174.19%)**	(120.93%)

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2023 Carrying amount and fair value HK$'000	2022 Carrying amount and fair value HK$'000
Financial assets at amortised cost		
Trade and other receivables	**61,120**	41,261
Cash and cash equivalents	**20,574**	2,206
Financial assets at amortised cost	**81,694**	43,467
Financial liabilities at amortised cost		
Trade and other payables	**16,384**	48,160
Other borrowings	**21,014**	24,067
Amount due to a shareholder	**21,168**	25,778
Loan from a related party	**14,375**	15,050
Lease liabilities	**6,544**	–
Financial liabilities at amortised cost	**79,485**	113,055

34. COMMITMENTS

As at 31 March 2023, the Group did not have any capital commitments (2022: Nil).

35. SHARE OPTION SCHEME

Shareholders of the Company have approved and adopted a share option scheme (the "Scheme") on 6 July 2015.

A summary of the Scheme is set out as below:

The Scheme became effective for a period of 10 years commencing on 6 July 2015. Under the Scheme, the Directors shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date. The offer of a grant of options may be accepted within seven days from the date of the offer grant.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of the approval of the Scheme.

No options have been granted since the adoption of the share option scheme.

36. EVENT AFTER THE END OF THE REPORTING PERIOD

On 26 June 2023, the Company announced that board lot size of the Shares for trading on GEM of the Stock Exchange will be changed from 10,000 Shares to 2,000 Shares with effect from 9:00 am on 17 July 2023. For further details, please refer to the announcement of the Company dated 26 June 2023.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements on pages 88 to 157 were approved and authorised for issue by the Board of Directors on 26 June 2023.

SUMMARY OF FINANCIAL INFORMATION

RESULTS

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Total revenue	**101,386**	76,887	104,601	99,833	98,175
Loss before income tax	**(19,008)**	(10,183)	(29,361)	(7,713)	(7,216)
Income tax (expense)/credit	**(33)**	(236)	(89)	506	831
Loss for the year	**(19,041)**	(10,419)	(29,450)	(7,207)	(6,385)
Loss and total comprehensive income for the year	**(20,315)**	(10,326)	(29,450)	(7,207)	(6,385)

ASSETS AND LIABILITIES

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Total assets	**105,717**	64,191	24,112	61,179	47,670
Total liabilities	**(130,131)**	(116,030)	(68,248)	(75,865)	(55,149)
Net liabilities	**(24,414)**	(51,839)	(44,136)	(14,686)	(7,479)