# Golden Ponder Holdings Limited
# 金侖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1783

2023 Annual Report

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Kwok Chun Sing *(Chairman)*
*(appointed on 12 August 2022)*
Mr. Zhan Zhi Hao *(Chief Executive Officer)*
*(appointed on 23 December 2022)*
Mr. Tang Chi Kin
Mr. Chan Kam Tong *(resigned on 11 January 2023)*
Mr. Chan Kam Ming *(resigned on 11 January 2023)*

### Independent Non-executive Directors

Mr. Hau Wing Shing Vincent
Mr. Wan Simon
Mr. Zhang Jue
Mr. Lam John Cheung-wah *(appointed on 2 June 2023)*

## AUDIT COMMITTEE

Mr. Zhang Jue *(Chairman)*
Mr. Hau Wing Shing Vincent
Mr. Wan Simon
Mr. Lam John Cheung-wah *(appointed on 2 June 2023)*

## REMUNERATION COMMITTEE

Mr. Wan Simon *(Chairman)*
Mr. Zhan Zhi Hao *(appointed on 11 January 2023)*
Mr. Zhang Jue
Mr. Chan Kam Ming *(resigned on 11 January 2023)*

## NOMINATION COMMITTEE

Mr. Kwok Chun Sing *(appointed on 11 January 2023)*
Mr. Hau Wing Shing Vincent
Mr. Wan Simon
Mr. Chan Kam Tong *(resigned on 11 January 2023)*

## COMPANY SECRETARY

Mr. Chu Pui Ki Dickson

## AUTHORISED REPRESENTATIVES

Mr. Kwok Chun Sing *(appointed on 11 January 2023)*
Mr. Zhan Zhi Hao *(appointed on 11 January 2023)*
Mr. Chan Kam Tong *(resigned on 11 January 2023)*
Mr. Chan Kam Ming *(resigned on 11 January 2023)*

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

Room 2901 & 09-10, 29/F.
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

## REGISTERED OFFICE

71 Fort Street
P.O. Box 500
George Town,
Grand Cayman KY1-1106
Cayman Islands

## PRINCIPAL BANKERS

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

## AUDITOR

Baker Tilly Hong Kong Limited
*Certified Public Accountants*
Level 8, K11 ATELIER King's Road
728 King's Road
Quarry Bay
Hong Kong

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

Appleby Global Services (Cayman) Limited
71 Fort Street
P.O. Box 500
George Town
Grand Cayman, KY1-1106
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPANY'S WEBSITE

https://goldenponder.com.hk/
(the content of which do not form part of this report)

## STOCK CODE

1783

# FINANCIAL HIGHLIGHTS

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Revenue | **401,352** | 591,900 |
| Loss before tax | **(38,838)** | (18,841) |
| Loss attributable to owners of the Company | **(38,065)** | (19,391) |
| Loss per share | | |
| – basic and diluted (HK cent) | **(4.01 cents)** | (2.42 cents) |

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Golden Ponder Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I hereby present to you the annual report of the Company for the year ended 31 March 2023.

## OVERVIEW

The Group principally provides superstructure building and repair, maintenance, alteration and addition ("**RMAA**") works service as a main contractor in Hong Kong. It also engages in the business of reverse supply chain management and environmental-related service.

Superstructure building works refer to the building works in relation to the parts of the structure above the ground level and the scope of the Group's superstructure building works contracts mostly consists of development projects for residential and commercial buildings. RMAA works refer to the repair, maintenance, alteration and addition works for an existing structure. Reverse supply chain management and environmental-related service refers to the recycling of materials including but not limited to retired EV batteries, and using self-developed technologies to re-engineer the batteries energy storage system to provide electricity for the equipment in construction sites.

The Group reported a net loss of approximately HK$38.1 million for the year ended 31 March 2023, increased by approximately HK$18.7 million, compared to that of approximately HK$19.4 million for the year ended 31 March 2022.

The increase in net loss was primarily attributable to the following combined effect of:

(i) a substantial decrease in revenue recognised by the Group for the year ended 31 March 2023 due to the existing projects were still at their completion stage and other newly awarded project which was at its preliminary stage; and

(ii) a significant increase in administrative and other expenses during the year ended 31 March 2023 primarily due to the increase in salaries and benefits of employees and directors, and depreciation and amortisation.

## GOING FORWARD

During the year ended 31 March 2023 and up to the date of this report, the Group was successfully awarded several sizeable contracts. In spite of the uncertain economic outlook, the financing market environment and operating costs, the Group is still cautiously optimistic in maintaining the Group's construction business and competitiveness in the future.

The Group endeavors to constantly enhance its core competencies and improve customer satisfaction in order to secure the sustainable growth and profitability of the Group. The Board is confident and cautiously optimistic that, with the foreseeable robust post-pandemic economic recovery, the economic conditions of Hong Kong and the construction industry in Hong Kong will resume back on track step by step. We continue to be exploring the potential business developments of other construction sectors and investment opportunities to diversify the Group's business risks and augment more gains for the shareholders of the Company (the "**Shareholder(s)**").

# CHAIRMAN'S STATEMENT

In relation to the reverse supply chain management and environmental-related service business, the Group will blend in more green and smart elements into its core business, leveraging on its extensive experience in the construction field and professional qualifications such as internationally recognised environmental, quality and safety management systems, the Group will further integrate environmental protection and smart technologies in its principal business, with a view to strengthening its unique core competitiveness in the green construction field, creating broader development opportunities for the Group and bringing sustainable growth in revenue for the Group and its shareholders.

On the other hand, the Environmental Protection Department of Hong Kong rolled out a HK$3.5 billion "EV Charging at Home Subsidy Scheme" ("**EHSS**") to subsidise the installation of EV charging-enabling infrastructure in car parks of existing private residential buildings, and hence further facilitate electric vehicle ("**EV**") owners to install EV chargers at car parks of their residences according to their own needs in the future in a simple and easy manner. The EHSS will run for about 3 years with a view to covering roughly 140,000 private parking spaces. The Group thus believes there will be more EHSS related construction projects available for tender. During the year ended 31 March 2023 and up to the date of this annual report, the Group has been awarded the EV Charging Infrastructure Installation Project under EHSS.

The Board is of the view that the operation of the EHSS project indicates a promising future for the new energy infrastructure market in Hong Kong. As a veteran construction company in Hong Kong leveraging on green energy technology, the Group's award of the EHSS project demonstrates its superior integrated solution and construction capability and is well recognised by the market. As an expert in EV charging infrastructure, the Group has a team of qualified and experienced building and electrical contractors. It also benefits from the Group's diversified resources and business synergies to provide customers with a one-stop smart solution to build local EV charging facilities. The Group is confident that it will continue to make efforts in EHSS and other new energy infrastructure projects in Hong Kong to create value for shareholders and the community.

The Group will continually explore environmental, social and governance-related businesses to enhance business sustainability and zealously explore business opportunities that will benefit the Group's long-term development and thereby create higher value for our shareholders. Given the many uncertainties in the financial market and the physical economy, we expect to face many challenges in terms of implementation speed, business recovery pace and project financing for its traditional construction and rechargeable pile construction businesses. The Company seeks to find certitude amidst uncertainty, with reasonable planning of liquidity to explore multifaceted financing options and optimize its cost structure, so as to lay a good foundation for business implementation in the upcoming two to three years.

## APPRECIATION

On behalf of the Board, I would like to express our gratitude to all the stakeholders, including but not limited to customers, suppliers, banks, business partners and shareholders of the Group for their continuous support, as well as the management team and the employees of the Group for their invaluable services and contributions.

**Kwok Chun Sing**
*Chairman*

Hong Kong, 23 June 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group principally provides superstructure building and RMAA works service as a main contractor in Hong Kong. It also engages in the business of reverse supply chain management and environmental-related service.

Superstructure building works refer to the building works in relation to the parts of the structure above the ground level and the scope of the Group's superstructure building works contracts mostly consist of development projects for residential and commercial buildings. RMAA works refer to the repair, maintenance, alteration and addition works for an existing structure. Reverse supply chain management and environmental-related service refers to the recycling of materials including but not limited to retired EV batteries, and using self-developed technologies to re-engineer the batteries to battery energy storage system to provide electricity for the equipment in construction sites.

The Group's revenue for the year ended 31 March 2023 amounted to approximately HK$401.4 million, representing a decrease of approximately HK$190.5 million, or 32.2% compared to approximately HK$591.9 million for the year ended 31 March 2022. The decrease in total revenue was mainly attributable to the decrease from superstructure building work of approximately HK$218.9 million, which was offset by the increase from RMAA works of approximately HK$0.2 million, and reverse supply chain management and environmental-related service of approximately HK$28.2 million, respectively.

### Superstructure building works

During the year ended 31 March 2023, there were 5 (2022: 6) superstructure building works projects contributing revenue of approximately HK$370.8 million (2022: approximately HK$589.7 million) to this business segment.

### RMAA works

During the year ended 31 March 2023, there were 3 (2022: 8) RMAA works projects contributing revenue of approximately HK$2.4 million (2022: approximately HK$2.2 million) to this business segment. The decrease in the number of RMAA works projects awarded was mainly due to the decrease in the number of projects which are available for tender during the year ended 31 March 2023.

### Reverse supply chain management and environmental-related service

As a new business started during the year ended 31 March 2023, revenue of approximately HK$28.2 million (2022: Nil) was generated from this business segment.

## OUTLOOK

Despite the economy in Hong Kong is recovering from the effects brought by COVID-19 and the underlying macro-environment is improving, the Board in the view that competition among the industry would still be keen and thus profit margin will continue to be under pressure. The management is cautiously optimistic about the recovery of the industry and will continue to tender for more potential project. Moving forward, the Group will focus on accelerating its transition into green building with the aim to help our clients to reduce carbon emission.

# MANAGEMENT DISCUSSION AND ANALYSIS

With the increasing awareness of environmental protection globally and greater emphasis in environmental, social and governance ("**ESG**") by stakeholders, the Group has been actively exploring potential business to integrate environmental technologies in order to develop its unique competitiveness. Leveraging on the experience of construction business, as well as of the required regulatory licenses and technical know-how, the Group has consolidated its internal resources and ventures into the EV after sales market, namely, EV Charger construction and installation and EV batteries second-life usage and treatment business. At the same time, the Group continues to pay close attention to the opportunities that come along with the infrastructure establishment in the northern district of Hong Kong. The Group expects that the increasing trend of EV utilization will continue, the Group will meticulously identify suitable investments in new operating and logistics facilities with the objectives of capitalising the upcoming growth opportunities.

The Group believes that the opportunities of the EV after sales market business and the potential development of other environmental technology business would be tremendous. With a view to enhance our competitive advantages and diversify our existing building business, the Group will focus on investing research and development and ESG business. In relation to the reverse supply chain management and environmental service business, the Group will blend in more green and smart elements into its core business, leveraging on its extensive experience in the construction field and professional certifications such as internationally recognised environmental, quality and safety management systems, the Group will further integrate environmental protection and smart technologies in its infrastructure, with a view to strengthening its unique core competitiveness in the green construction field, creating broader development opportunities for the Group and bringing sustainable growth in revenue to the Group and its shareholders.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the year ended 31 March 2023 amounted to approximately HK$401.4 million, representing a decrease of approximately HK$190.5 million, or 32.2% as compared to approximately HK$591.9 million for the year ended 31 March 2022. The decrease in total revenue was mainly attributable to (i) decrease in revenue from superstructure building works of approximately HK$218.9 million; (ii) increase in revenue from RMAA works of approximately HK$0.2 million; and (iii) increase in reverse supply chain management and environmental-related service from the acquired subsidiaries of approximately HK$28.2 million. The decrease in revenue recognised by the Group for the year ended 31 March 2023 was substantially due to the revenue recognised from four sizeable projects for superstructure building works awarded since 2020, of which the construction works was at the completion stage during the year ended 31 March 2023.

### Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 March 2023 amounted to approximately HK$21.4 million, representing a decrease of approximately HK$5.4 million, or approximately 20.2% as compared to approximately HK$26.8 million for the year ended 31 March 2022. The overall gross profit margin for the year ended 31 March 2023 increased to approximately 5.3% as compared to approximately 4.5% for the year ended 31 March 2022. The decrease in gross profit and was attributable to the decrease in the revenue of the Group as discussed above. The increase in gross profit margin was mainly due to gross profit generated from the acquired subsidiaries with a profitable margin, resulting an overall increase in gross profit margin for the year ended 31 March 2023.

## Other Income, Gains and Losses

The other income, gains and losses of the Group for the year ended 31 March 2023 amounted to a loss of approximately HK$2.7 million, representing a decrease of approximately HK$3.0 million or 878.4% compared to a gain of approximately HK$0.3 million for the year ended 31 March 2022. The decrease was mainly attributable to the net effect of: (i) increase in the government subsidies on payroll expense of the Group, while the Group had to commit not reduce employee head count below prescribed levels for a specific period; (ii) increase in interest income from fixed deposit with licensed bank in Hong Kong for the year ended 31 March 2023; and (iii) increase in loss on disposal of property, plant and equipment during the year ended 31 March 2023. The details of other income, gains and losses were disclosed in Note 8 to the consolidated financial statements in this annual report.

## Administrative and Other Expenses

The administrative and other expenses of the Group for the year ended 31 March 2023 amounted to approximately HK$56.0 million, representing an increase of approximately HK$30.1 million or 116.2% as compared to approximately HK$25.9 million for the year ended 31 March 2022. The significant increase was mainly attributed to the increase in salaries and benefits of employees and directors, and depreciation and amortisation.

## Loss Attributable to Owners of the Company

The Group reported loss attributable to owners of the Company for the year ended 31 March 2023 increased by approximately HK$18.7 million to approximately HK$38.1 million, as compared to that of approximately HK$19.4 million for the year ended 31 March 2022. The main reasons for the increase in net loss were primarily attributable to the combined effect of the reason as stated in the section "FINANCIAL REVIEW" above.

## Liquidity, Financial Resources and Capital Structure

As at 31 March 2023, the Group had cash and cash equivalents, and pledged bank deposits amounting to approximately HK$87.9 million (2022: approximately HK$87.2 million).

Current ratio (total current assets: total current liabilities) decreased from approximately 1.7 as at 31 March 2022 to approximately 1.3 as at 31 March 2023, mainly due to decrease in deposit, prepayments and other receivables and contract assets. Gearing ratio was 25.8% as at 31 March 2023 (2022: Nil).

The capital structure of the Group consisted of equity of approximately HK$188.4 million (31 March 2022: approximately HK$155.9 million) and debts of approximately HK$48.7 million as at 31 March 2023 (31 March 2022: Nil).

## Treasury Policy

The Group adopts a prudent approach in cash management. Apart from certain debts including lease liabilities, the Group did not have any material outstanding debts as at 31 March 2023. Surplus cash is generally placed in short term deposits with licensed bank in Hong Kong.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign Exchange Exposure

The Group only operates in Hong Kong and mainly earns revenue and incurs costs in Hong Kong dollars and US dollars. Foreign exchange exposure of the Group is minimal so long as the Hong Kong SAR Government's policy to link the Hong Kong dollars to the US dollars remains in effect. The Board is of the view that the Group's foreign exchange rate risks are insignificant during the year ended 31 March 2023.

## Capital Expenditures

Total capital expenditure for the year ended 31 March 2023 was approximately HK$9.6 million (2022: approximately HK$7.5 million) on acquisition of property, plant and equipment. Capital expenditure was funded by internal resources.

## Contingent Liabilities and Claims

Save as disclosed in Note 37 to the consolidated financial statements in this annual report, the Group had no other contingent liabilities and claims as at 31 March 2023.

## Capital Commitments

As at 31 March 2023, there were no significant capital commitments for the Group (2022: Nil).

## Significant Investments Held, Acquisition and Disposal

Except for investment in its subsidiaries, the Group did not hold any significant investments during the year ended 31 March 2023.

Save as disclosed in Note 36 to the consolidated financial statements in this annual report, there were no acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 March 2023.

## Charges on Assets

As at 31 March 2023, the Group had bank facilities which pledged by the bank deposits as a security for issuance of a non-interest bearing surety bond for construction contract of the Group.

## Segment Information

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

## Employees and Remuneration Policies

As at 31 March 2023, the Group employed a total of 51 employees (including executive Directors) compared to a total of 72 employees as at 31 March 2022. The total salaries and related costs (including Directors' remuneration) for the year ended 31 March 2023 were approximately HK$45.4 million (2022: approximately HK$37.9 million). The remuneration package of the Group offered to our employees includes salary, bonuses and other cash subsidies. In general, the Group would determine each employee's salaries based on their qualifications, position and seniorities. The Group has devised an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, distribution of bonuses and promotions.

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

The Company has adopted a share option scheme to provide incentive and rewards to the Directors and eligible employees for their contribution to the Group.

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Kwok Chun Sing (郭晉昇) ("Mr. Kwok")**, aged 49, is the chairman of the Board and an executive Director. He was appointed as vice-chairman of the Board and executive Director on 12 August 2022. He was redesignated as the chairman of the Board on 11 January 2023. He graduated in Fujian Agricultural University (福建農業大學) with a Bachelor's degree in mechanical engineering. He has over 25 years of experience in the environmental technology and new energy industries. He founded the Hong Kong Recycling Chamber of Commerce in 2015 and has been serving as its president. Since 2021, he has been a director of CR Environmental Protection Technology Research (Shenzhen) Co., Ltd.* (華潤環保應用技術研究(深圳)有限公司).

In addition, Mr. Kwok currently also participates in community associations such as the co-founder of the Hong Kong Coalition, a member of the Chinese General Chamber of Commerce and a member of the Chinese People's Political Consultative Conference of Qingyuan City, Guangdong Province. He was also a member of the 6th Election Committee for Chief Executive of Hong Kong.

**Mr. Zhan Zhi Hao (詹志豪) ("Mr. Zhan")**, aged 33, was appointed as an executive Director on 23 December 2022 and chief executive officer on 11 January 2023. He graduated from Chongqing University with a Bachelor of Economics in 2012 and obtained a Master of Science in Applied Economics from the City University of Hong Kong in 2013. Mr. Zhan is a member of the CFA Institute.

Mr. Zhan has nearly 10 years of experience in operations and ESG investment research in the green technology industry. From 2013 to 2019, Mr. Zhan held corporate positions in a subsidiary of Chiho Environmental Group Limited (stock code: 976), a company listed on the Main Board of the Stock Exchange, with his last position as the assistant general manager. He joined Chun Yang International (HK) Company Limited ("**Chun Yang**") in 2019 as the vice president. During the period from May 2020 to September 2022, Mr. Zhan founded Dr. Green Technology Ltd., which is engaged in development and operation of carbon tracking systems and green environmental protection facilities. He subsequently rejoined Chun Yang as the deputy chief executive officer in September 2022. Chun Yang was wholly-owned by the Offeror until the Company acquired 40% and 60% of the equity interests in Chun Yang in April and August 2022, respectively.

**Mr. Tang Chi Kin (鄧志堅) ("Mr. Tang")**, aged 60, was appointed as an executive Director on 24 January 2022. Mr. Tang is the director of Well Brand Development Limited and Smart Mind Construction Limited, companies incorporated in Hong Kong, which are principally engaged in construction. Mr. Tang is also serving as the chairman of the Hong Kong Industrial and Commercial Association Limited – Tai Po Branch and the vice-president of Hong Kong Hakka Associations.

Mr. Tang has over 30 years' experience in working in the field of construction industry and he is responsible for broadening the business network and exploring new opportunities of development of the Group. Mr. Tang graduated from his secondary school in the Mainland China.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Hau Wing Shing Vincent (侯穎承) ("Mr. Hau")**, aged 50, was appointed as an independent non-executive Director on 24 July 2018. He is also a member of the audit committee of the Company (the "**Audit Committee**") and nomination committee of the Company (the "**Nomination Committee**"). He is primarily responsible for providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Mr. Hau obtained his Bachelor's Degree in Laws from The University of Hong Kong in December 1994. Mr. Hau was admitted in August 1997 as a solicitor of the High Court of the Hong Kong Special Administrative Region and is still currently practising as a solicitor. He served as an assistant solicitor in Joseph S.C. Chan & Co. Solicitors from August 1997 and later served as a partner from September 2000 to May 2006. Since May 2006, Mr. Hau has been serving as a senior partner in Messrs. V. Hau & Chow. He is now the honorary legal advisors of Hong Kong Chinese Civil Servants' Association, Hong Kong Nurses General Union and Shining Stars Foundation Hong Kong.

Mr. Hau focuses his practice on commercial transactions, litigation, banking and insolvency. He has experience in advising on compliance matters for listed companies and handling criminal cases involving directors of a wholly-owned subsidiary of a company listed on the Stock Exchange. Since November 2015, Mr. Hau has been a director of WLS Limited, which is a subsidiary of Milan Station Holdings Limited (stock code: 1150) and is engaged in retailing of spa and wellness products. Mr. Hau is in charge of the business operation, cash flow and compliance matters for WLS Limited and assists to prepare and review the commercial documents for Milan Station Holdings Limited.

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

**Mr. Zhang Jue (張掘) ("Mr. Zhang")**, aged 37, was appointed as an independent non-executive Director on 14 January 2022. He is also the chairman of the Audit Committee and a member of the remuneration committee of the Company (the "**Remuneration Committee**"). He is primarily responsible for providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Mr. Zhang has over 13 years of experience in various areas, including investment, financial management, market research and auditing. Prior to his appointment, Mr. Zhang worked as a senior manager from December 2012 to December 2013 and as the financial controller from December 2013 to June 2014 in China New Town Development Company Limited, the shares of which is listed on the main board of the Stock Exchange (stock code: 1278). From December 2012 to June 2017, he served as a vice president in Beijing Black Eagle Fu Cheng Investment Management Co. Ltd.* (北京黑鷹富成投資管理有限公司) and/or its related companies. Since July 2017, he served as a vice general manager of Beijing Qingkong Xinye Investment Management Co. Ltd.* (北京青控新業投資管理有限公司). Mr. Zhang is currently a director of CCL Cold Storage Logistics Co., Ltd.* (北京中冷物流股份有限公司) and Shanghai Shaohua Culture Communication Co. Ltd.* (上海韶華文化傳播股份有限公司), the shares of which are quoted on the National Equities Exchange and Quotations of the PRC (stock code: 835382 and 871677, respectively). Mr. Zhang is also currently serving as an independent non-executive director of Ruixin International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 724) since February 2016.

Mr. Zhang obtained a bachelor's degree with a major in Financial Management from Shanghai University of Finance and Economics in 2007 and a Master's degree of Accounting from Tsinghua University in 2015.

**Mr. Wan Simon (溫耀祥) ("Mr. Wan")**, aged 55, was appointed as an independent non-executive Director on 24 July 2018. He is also the chairman of the Remuneration Committee, and a member of the Audit Committee and Nomination Committee. He is primarily responsible for providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

Mr. Wan has over 26 years of experience in the sales and marketing of the building materials or interior products. Prior to joining the Group, he worked in several companies where his role was liaising with main contractors to execute subcontract works in each construction project, like providing technical skills and solutions to installation works and ensuring the suitability of building materials or interior products. He served 6 years in Milliken & Company till November 2000 with his last position as a senior territory manager. Milliken & Company operates in a breadth of disciplines including specialty chemical, floor covering and performance materials. From May 2001 to February 2002, he worked as a project manager in Herman Miller Hong Kong Ltd., a furniture company. From April 2003 to September 2004, he worked at Dupont Textiles & Interiors (Hong Kong) Limited (now known as LYCRA Company Hong Kong Limited) as a regional maintenance operations manager.

Since December 2004, Mr. Wan has been working in Sebel Furniture (Hong Kong) Limited (now known as Sebel Pty Ltd.), which is a leading manufacturer and supplier of educational and school furniture. His current position is a regional manager, Asia and his duties are to sustain business growth through regional and local expansion plans within key market segments through direct and channel distribution and to prepare and manage tender packages that require additional technical knowledge during the bidding process to marginalise over potential errors.

Mr. Wan obtained his Bachelor's Degree of Science in Building from South Bank University in June 1992.

* For identification only

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

**Mr. Lam John Cheung-wah (藍章華) ("Mr. Lam")**, aged 68, was appointed as an independent non-executive Director on 2 June 2023. He is also a member of the Audit Committee. He has substantial experience and extensive network in the banking and property development and property investment industries. From 1991 to 2005, he held various senior positions at Hongkong Bank of Canada (currently known as HSBC Bank Canada), HSBC California and Hang Seng Bank Limited. He subsequently worked at Dah Sing Bank, Limited from September 2005 to February 2012 with his last position as an executive director, head of retail banking. After that, Mr. Lam acted as the vice chairman and an executive director of Nan Fung Property Holdings Limited in China Property Division between February 2013 and December 2021, and he has served as their consultant since January 2022. Mr. Lam possesses extensive experiences in property development and property investment and has deep understanding of property industry trends.

He graduated from Ryerson Polytechnical Institute (currently known as Toronto Metropolitan University) in Toronto, Canada in June 1988 where he received his bachelor of business management degree. He is a fellow of The Institute of Canadian Bankers and a fellow of the Royal Institution of Chartered Surveyors. He was a member of the Chinese People's Political Consultative Conference Guangzhou Committee.

Mr. Lam has been an independent non-executive director of Wing Lee Property Investments Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 864), since February 2013, an independent non-executive director of Samson Paper Holdings Limited (currently known as C&D Newin Paper & Pulp Corporation Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 731), since May 2022, an independent non-executive director of Blue River Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 498), since August 2022 and an independent non-executive director of Oshidori International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 622), since August 2022. He was a non-executive director of Hong Kong Aerospace Technology Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1725), from October 2021 to July 2022.

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Ms. Kwok Ho Yee (郭可兒) ("Ms. Kwok")**, aged 45, is the chief operating officer of the Group and a director of Chun Yang International (HK) Company Limited, a subsidiary of the Group. Her responsibilities in the Group include formulating and determining corporate and business strategies and development, making major operation decisions, and monitoring business operations.

Ms. Kwok has over 15 years of sales, marketing, and operation management experience in green technology and environmental industry with a wide business network in the Hong Kong and worldwide environmental industry. She is the honorary advisor of the Hong Kong Recycling Chamber of Commerce, advisor of the Gerson Lehrman Group, honorary advisor of Eco City Foundation and member of the Small and Medium Enterprises Committee of Trade and Industry Department of the Government of the Hong Kong Special Administrative Region. The Green Achiever award under the Hong Kong Award for Environmental Excellence for 2021 recognised her efforts in improving the environment.

Ms. Kwok obtained a master's degree in Business Administration from Glasgow Caledonian University in the United Kingdom.

**Mr. Mark Ka Ming Lam (林嘉銘) ("Mr. Mark Lam")**, aged 45, was appointed as the Group's chief financial officer on 8 September 2022. As the Group chief financial officer, he is responsible for overseeing all strategic plans of the Group's business development and financial operations, including managing fundraising activities and potential mergers and acquisitions activities.

Prior to joining the Group, Mr. Mark Lam held key leadership roles in several multinational corporations across various industries, including serving as the Group chief financial officer and Board Director at one of Asia's top three technology, electronic, and telecom reverse supply chain management service providers. Previously, he worked for Hutchison Whampoa Properties Limited (a member of CK Assets Holding Limited) and Deloitte Touche Tohmatsu.

Mr. Mark Lam is a Certified Public Accountant and a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants with a Master's degree in Business Management.

**Mr. Ho Chi Lai, Johnny (何志禮) ("Mr. Ho")**, aged 60, is a project manager of the Group. Mr. Ho joined the Group in March 2006 as a project manager of Head Fame. Mr. Ho is responsible for the overall monitoring the construction projects, cost estimating, managing the quality management system and administrating tendering works of the Group.

Mr. Ho has over 36 years of experience in the construction and building works industry. Prior to joining the Group, Mr. Ho had participated in numerous residential, commercial and ASD projects in Hong Kong. He had served many construction companies, including but not limited to, WMKY Limited as an assistant engineer from April 1987 to April 1988, Lee Shing Yue Construction Company Limited as a projects manager from June 1998 to September 2000, and Hong Kong Wai Yip Building Materials Limited (now known as Hong Kong Wai Yip Building Construction Limited) as a site agent, from September 2003 to May 2005.

Mr. Ho obtained an Honours Diploma in Civil Engineering from Hong Kong Baptist College in January 1986, a Higher Diploma in Applied Statistics from City Polytechnic of Hong Kong in November 1992 and a Master of Science in Engineering Management from City University of Hong Kong in November 2001. He then obtained a Bachelor of Engineering Degree in Civil Engineering from The Queen's University of Brighton in October 2003.

**Mr. Chu Pui Ki Dickson (朱沛祺) ("Mr. Chu")**, aged 38, is a company secretary of the Company (the "**Company Secretary**"). Mr. Chu was appointed as the Company Secretary on 12 January 2022. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants since February 2011. He has over 10 years of relevant experience in accounting and auditing and has experience in tax, internal control matters and is holding position of company secretary in other companies listed on the Stock Exchange.

He is currently serving as the company secretary and providing professional corporate services to companies listed in the main board and GEM of the Stock Exchange.

# REPORT OF THE DIRECTORS

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

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are the provision of superstructure building and RMAA works service as a main contractor in Hong Kong and the provision of reverse supply chain management and environmental-related service.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2023 are set out in the financial statements on pages 89 to 181 of this annual report. The Board does not recommend the payment of any dividend for the year ended 31 March 2023 (2022: Nil).

## BUSINESS REVIEW

A review of the business of the Group during the year ended 31 March 2023 and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 5 to 6 of this annual report. The financial risk management objectives and policies of the Group can be found in the Note 40 to the consolidated financial statements. An analysis of the Group's performance during the year ended 31 March 2023 using financial key performance indicators is provided in the management discussion and analysis on pages 7 to 11 of this annual report. In addition, discussions on the Group's environmental policies, relationship with its key stakeholders, key risks and uncertainties and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Report of the Directors on pages 18 to 29 of this annual report.

## ENVIRONMENTAL POLICY

The Group strives to mitigate the impact of its operations on environmental and natural resources. The Group's operation does make an impact on water, air and land, and therefore on the ecosystem. Therefore, the Group implements a range of measures for environmental protection and sustainable development, complies with applicable environmental-related laws and regulations and strives to operate in a responsible manner which balances the need for operation with minimising its environmental impact.

The Group continuously introduces measures to source control and end treatment with the purpose of fulfilling targets for reducing, reusing, recycling and renewing raw materials, reducing emissions and waste, improving the utilisation efficiency of water and energy resources, and minimising the effect of the operation on the environment and natural resources.

Moving forward, the Group also endeavours to meet the requirements of certain industry's codes of practice such as the BEAM Plus New Buildings issued by the Hong Kong Green Building Council and the BEAM Society.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach or non-compliance with applicable laws and regulation by the Group that has a significant impact on its business and operations.

## KEY RISKS AND UNCERTAINTIES

The Group believes that there are certain risks and uncertainties involved in its operations but the Group uses its best endeavors to ensure its sufficient to mitigate the risks present in our operations and financial position.

- Our revenue relies on successful tenders of our projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers;

- The Group makes estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses;

- The Group relies on subcontractors to help complete our contracts;

- The Group is exposed to our customers' credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full;

- Our performance depends on market conditions and trends in the construction industry and in the overall economy and there is no assurance that if the property market in Hong Kong further deteriorates, there will be no material adverse impact on the Group's operation or at all, or the Group will be able to take appropriate measures to minimise the adverse impact on it; and

- The Group operates in a highly competitive market.

## RELATIONSHIPS WITH STAKEHOLDERS

The Directors recognises that the Group's employees, customers, suppliers and subcontractors are the keys to its sustainable development.

### Employees

The Group has maintained good relationship with its employees. The Group provides the remuneration package, including salary, bonuses and other cash subsidies to attract and retain appropriate and suitable personnel to serve the Group. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to an increase in salary, distribution of bonuses and promotions.

### Customers

The Group has established a stable customer base within the private sector. Its customers in the private sector include private property developers and commercial enterprises which require superstructure building and/or RMAA works services. The Group believes that the established working relationships with its major customers have enhanced its market recognition and enabled the Group to attract more business opportunities.

### Suppliers and subcontractors

The Group has established long-term and close working relationships with its major suppliers and subcontractors, some of whom have working relationships with the Group for 10 years. The performance of subcontractors and the quality of superstructure building and RMAA works contracted by the Group can be assured by the close relationship with its subcontractors.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the year ended 31 March 2023 are set out on page 182. This summary does not form part of the audited financial statements.

## 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, respectively.

## SHARE CAPITAL

Details of movements during the year ended 31 March 2023 in the share capital of the Company are set out in Note 33 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association ("**Articles**") of the Company or the laws of Cayman Islands, which oblige the Company to offer new Shares on a pro-rata basis to the exiting Shareholders.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained a sufficient public float as required under the rules governing the listing of securities on the Stock Exchange (the "**Listing Rules**").

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

## RESERVES

Details of movements in the reserves of the Group and the Company as at 31 March 2023 are set out in page 92 and Note 33 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 March 2023 are set out in Note 33 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2023, the Group's largest customer and the five largest customers accounted for approximately 41.6% and 92.4% of the Group's total revenue respectively.

For the year ended 31 March 2023, the Group's largest supplier and five largest suppliers which were the subcontractors accounted for approximately 19.9% and 54.1% of the Group's total of cost of services respectively.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers during the year ended 31 March 2023.

## DIRECTORS

The Directors of the Company during the year ended 31 March 2023 and up to the date of this annual report were:

### Executive Directors:

Mr. Kwok Chun Sing *(Chairman) (appointed on 12 August 2022)*
Mr. Zhan Zhi Hao *(Chief Executive Officer) (appointed on 23 December 2022)*
Mr. Tang Chi Kin
Mr. Chan Kam Tong *(resigned on 11 January 2023)*
Mr. Chan Kam Ming *(resigned on 11 January 2023)*

### Independent Non-executive Directors ("INEDs"):

Mr. Hau Wing Shing Vincent
Mr. Wan Simon
Mr. Zhang Jue
Mr. Lam John Cheung-wah *(appointed on 2 June 2023)*

The Company has received written annual confirmation of independence from all INEDs. The Group considers all INEDs to be independent under the Listing Rules.

## BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on pages 12 to 17 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Mr. Kwok has entered into service agreements with the Company for a term of three years commencing from 12 August 2022 and shall continue unless terminated by either party giving no less than one month's written notice served by either party on the other. Mr. Zhan has entered into service agreements with the Company for a term of three years commencing from 23 December 2022 and shall continue unless terminated by either party giving no less than one month's written notice served by either party on the other. In case of Mr. Tang, Mr. Tang has entered into service agreement with the Company as an executive Director for a term of three years with effect from 24 January 2022, and shall continue subject to early termination in accordance with the terms of the service agreement. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

All INEDs have respectively entered into a letter of appointment with the Company. Mr. Hau and Mr. Wan are INEDs who have entered into a letter of appointment with the Company for an initial term of one year commencing from 24 July 2018. Mr. Zhang Jue entered into a letter of appointment with the Company for an initial term of one year commencing from 14 January 2022. Mr. Lam entered into a letter of appointment with the Company for an initial term of one year commencing from 2 June 2023. The letter of appointment of each respective INED shall continue unless terminated by either party giving no less than one month's written notice served by either party on the other.

Save as disclosed above, none of the Directors proposed to be re-elected at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation.

## DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the Directors and the five highest paid employees of the Group are set out in Note 12 to the consolidated financial statements.

## EMOLUMENT POLICY

The emolument policy of the Group is based on the merit, qualification and competence and are reviewed by the Remuneration Committee periodically. The emolument of the Directors are decided by the Board after recommendation from the Remuneration Committee in accordance with the performance of the Group and individual performance and comparable market statistics.

## DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a Director or controlling shareholders of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2023.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 March 2023.

## COMPETING INTERESTS

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

## NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company has made an annual declaration to the Company that during the year ended 31 March 2023 and up to date of this annual report, he/it has complied with the term of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the controlling shareholders of the Company with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

## RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Group during the year ended 31 March 2023 are set out in Note 38 to the consolidated financial statements. For the year ended 31 March 2023, none of these related party transactions are connected transaction which are subject to the disclosure requirements of Chapter 14A of the Listing Rules in respect of such transactions.

# REPORT OF THE DIRECTORS

## CONNECTED TRANSACTIONS

On 21 March 2023, the Company entered into the subscription and debt capitalisation agreement with Chun Yip International Investment Limited ("**Chun Yip**"), pursuant to which Chun Yip has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 103,650,000 new Shares at the capitalisation price of HK$0.40 per capitalisation share. Chun Yip is wholly-owned by Mr. Kwok, the chairman of the Board and an executive Director. Mr. Kwok directly owned, and was through Chun Yip interested in, 90,000,000 Shares and 441,860,000 Shares respectively, collectively representing approximately 55.43% of the total number of issued Shares as at the date of the subscription and debt capitalisation agreement. Chun Yip is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the subscription constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The subscription was approved by the shareholders of the Company at an extraordinary general meeting held on 9 May 2023 and was completed on 15 May 2023.

Save as disclosed above, for the year ended 31 March 2023, there was no transactions which constituted connected transaction(s) or continuing connected transaction(s) of the Company.

## PERMITTED INDEMNITY PROVISION

In accordance with article 191 of the Articles, the Directors or other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

## DONATIONS

Charitable and other donations made by the Group during the year ended 31 March 2023 amounted to HK$64,600 (2022: HK$64,600).

## EQUITY-LINKED AGREEMENTS

As at 31 March 2023, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company.

## SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholders passed on 25 July 2018 are set below:

### Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants (as defined below) for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

## Participants

Participant means any person belonging to any of the following classes of participants:

(a) any employee (whether full time or part time employee, including any executive Directors) of the Company, any of its subsidiaries and any entity in which the Group holds any equity interest (the "**Invested Entity**") eligible;

(b) any non-executive Director (including INEDs) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member or Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of the Group, and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust.

## Total number of shares available for issue under the Share Option Scheme

The total number of Shares which may be issued upon the exercise of all options (excluding for this purposed option(s) which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the total number of the Shares in issue on the Listing Date. On the basis of 800,000,000 Shares in issue on the Listing Date, the limit will be equivalent to 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

## Maximum entitlement of each participant

No Participant shall be granted option(s) which would result in the total number of Shares already issued and to be issued upon the exercise of all the Options granted to such Participant (including exercised, cancelled and outstanding Options) in any 12-month period exceeding 1% of the total number of Shares in issue, provided that if separately approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, the Company may make further grant of option(s) to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares already issued and to be issued upon the exercise of all the options granted to such Participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such Further Grant exceeding 1% of the total number of Shares in issue.

### Term of subscription of shares upon exercise of the options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board absolutely, provided that such period shall not be more than 10 years from the date upon which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

### Minimum period for which an option must be held before it can be exercised

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

### Time of acceptance and the amount payable on acceptance of the option

Upon acceptance of an offer for grant of options, the Grantee shall pay HK$1.00 to the Company as consideration for the grant. The options will be offered for acceptance for a period of 21 days from the date of the offer.

No option was granted under the Share Option Scheme during the year ended 31 March 2023 and no options granted under the Share Option Scheme were exercised, lapsed or cancelled during the year ended 31 March 2023.

### Basis of determining the subscription price

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

### The remaining life of the scheme

The Share Option Scheme will remain effective for a period of ten years commencing from 25 July 2018 and the remaining life of the Share Option Scheme is about five years.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme", at no time during the year ended 31 March 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS

As at 31 March 2023, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules, were as follows:

| **Name of Directors** | **Nature of interest** | **Interest in ordinary shares** (Note 1) | **Approximate percentage of interests in the Company** |
|---|---|---|---|
| Mr. Kwok | Interest in a controlled corporation | 441,860,000 (Note 2) | 46.05% |
| | Beneficial owner | 90,000,000 | 9.38% |
| Mr. Tang | Beneficial owner | 40,320,000 | 4.20% |
| Mr. Zhan | Beneficial owner | 6,950,000 | 0.72% |

Notes:

1. As at 31 March 2023, the Company has issued 959,487,500 Shares.

2. These Shares are held by Chun Yip, which is beneficially wholly owned by Mr. Kwok. By virtue of the SFO, Mr. Kwok is deemed to be interested in all the Shares held by Chun Yip.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 March 2023, the following persons/entities (other than the Directors or chief executive officer of the Company) have interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept under Section 336 of the SFO.

### Long Position in the shares of the Company

| Name of shareholder(s) | Nature of interest | Total number of ordinary shares and underlying shares (Note 1, 2) | Approximate percentage of interests in the Company |
|---|---|---|---|
| Chun Yip | Beneficial owner (Note 3) | 441,860,000 | 46.05% |

Notes:

1. As at 31 March 2023, the Company has issued 959,487,500 Shares.
2. All interests stated are long positions.
3. Chun Yip is the direct Shareholder, which is beneficially wholly owned by Mr. Kwok. By virtue of the SFO, Mr. Kwok are deemed to be interested in all the Shares held by Chun Yip.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2023.

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2023 and up to the date of this report.

## CHANGES IN INFORMATION OF DIRECTORS

Brief biographical details of the Directors including the changes in the Directors' information (if any) during the year ended 31 March 2023 and up to the date of this annual report are included in the section headed "Biographies of the Directors and Senior Management" of this annual report.

## CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 30 to 44.

## AUDITOR

On 24 October 2022, BDO Limited ("**BDO**") resigned and Baker Tilly Hong Kong Limited ("**Baker Tilly**") was appointed as the auditor of the Group. BDO confirmed that there were no matters that need to be brought to the attention of the shareholders of the Company in relation to its resignation. Details of the change of auditor were set out in the announcement of the Company dated 24 October 2022.

Save as disclosed above, there were no other changes in auditor of the Group during the past three years.

The consolidated financial statements of the Group for the year ended 31 March 2023 were audited by Baker Tilly. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Baker Tilly as auditor of the Company.

## APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 March 2023 were approved by the Board on 23 June 2023.

On behalf of the Board
**Kwok Chun Sing**
*Chairman*

Hong Kong, 23 June 2023

# CORPORATE GOVERNANCE REPORT

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with applicable code provisions (the "**Code Provisions**") in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 March 2023 and up to the date of this annual report. The Directors will periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by Directors. Having made specific enquiry to all Directors, all Directors have complied with the required standard as set out in the Model Code for the year ended 31 March 2023 and up to the date of this annual report.

## BOARD OF DIRECTORS

### Composition and role

The composition of the Board during the year ended 31 March 2023 and up to the date of this annual report is set out below:

### Executive Directors:

Mr. Kwok Chun Sing *(Chairman) (appointed on 12 August 2022)*
Mr. Zhan Zhi Hao *(Chief Executive Officer) (appointed on 23 December 2022)*
Mr. Tang Chi Kin
Mr. Chan Kam Tong *(resigned on 11 January 2023)*
Mr. Chan Kam Ming *(resigned on 11 January 2023)*

### Independent Non-executive Directors:

Mr. Hau Wing Shing Vincent
Mr. Wan Simon
Mr. Zhang Jue
Mr. Lam John Cheung-wah *(appointed on 2 June 2023)*

## Role and functions of the Board and management

The principal function of the Board are to formulate corporate strategy and business development and to ensure a high standard of corporate governance. The Board has delegated the authority and responsibility for implementing business strategy and managing day-to-day administration and operations of the Group's business to the chief executive officer and the senior management. Executive Directors and the senior management meet regularly to review the performance of the business of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board is regularly provided with management update report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

The biographies of the Directors during the year ended 31 March 2023 and up to the date of this annual report and the relationships among them are set out in the "Biographies of the Directors and Senior Management" section on pages 12 to 17 of this annual report. The executive Directors bring a good balance of skills and experience to the Company. The independent non-executive Directors provide their independent judgement on the development, performance and risk management of the Group. The Directors are fully aware that they are individually and collectively accountable to shareholders.

## Directors' continuous professional development

During the year ended 31 March 2023, all Directors confirmed to comply with the provision of the CG Code in relation to continuous professional development. In doing so, the Directors have undertaken various forms of activities relevant to the Company's business and Directors' duties and responsibilities. The Company held a training for all Directors to provide them with knowledge on the duties and responsibilities of the Directors before they were on board.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors during the year ended 31 March 2023 and up to date of this annual report are summarised as follows:

| | **Attending seminar(s) or programme(s)/ reading relevant materials** |
|---|---|
| Executive Directors: | |
| Mr. Kwok Chun Sing *(Chairman) (appointed on 12 August 2022)* | ✓ |
| Mr. Zhan Zhi Hao *(Chief Executive Officer) (appointed on 23 December 2022)* | ✓ |
| Mr. Tang Chi Kin | ✓ |
| Mr. Chan Kam Tong *(resigned on 11 January 2023)* | ✓ |
| Mr. Chan Kam Ming *(resigned on 11 January 2023)* | ✓ |
| *Independent Non-executive Directors:* | |
| Mr. Hau Wing Shing Vincent | ✓ |
| Mr. Wan Simon | ✓ |
| Mr. Zhang Jue | ✓ |
| Mr. Lam John Cheung-wah *(appointed on 2 June 2023)* | ✓ |

## Meetings

Attendance records of the Board meetings, meetings of all committees and general meetings of the Company during the year ended 31 March 2023 were set out below:

| | **Board meeting** | **Audit Committee meeting** | **Remuneration Committee meeting** | **Nomination Committee meeting** | **Annual general meeting** |
|---|---|---|---|---|---|
| Number of meetings held | 10 | 3 | 3 | 3 | 1 |
| Name of Director | | Number of meetings attended | | | |
| **Executive Directors** | | | | | |
| Mr. Kwok Chun Sing *(Chairman)* *(appointed on 12 August 2022)* | 6/6 | N/A | N/A | N/A | 1/1 |
| Mr. Zhan Zhi Hao *(appointed on 23 December 2022)* | 3/3 | N/A | N/A | N/A | N/A |
| Mr. Tang Chi Kin | 10/10 | N/A | N/A | N/A | 1/1 |
| Mr. Chan Kam Tong *(resigned on 11 January 2023)* | 7/7 | N/A | N/A | 3/3 | 1/1 |
| Mr. Chan Kam Ming *(resigned on 11 January 2023)* | 7/7 | N/A | 3/3 | N/A | 1/1 |
| **Independent Non-executive Directors** | | | | | |
| Mr. Hau Wing Shing Vincent | 10/10 | 3/3 | N/A | 3/3 | 1/1 |
| Mr. Wan Simon | 10/10 | 3/3 | 3/3 | N/A | 1/1 |
| Mr. Zhang Jue | 9/10 | 3/3 | 3/3 | 3/3 | 1/1 |
| Mr. Lam John Cheung-wah *(appointed on 2 June 2023)* | N/A | N/A | N/A | N/A | N/A |

During the year ended 31 March 2023, the Board also reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. Taking into account the following channels, the Board considered that the Company had in place mechanisms which remain effective to ensure a strong independent element on the Board:

- a sufficient number of three independent non-executive Directors representing more than one-third of the Board and all of them continue to devote adequate time contribution to the Company;
- the independent non-executive Directors have an equal status to other Board members;
- all independent non-executive Directors share their views and opinions through regular quarterly meetings;
- annual meeting between the Chairman and all independent non-executive Directors without presence of other Directors providing effective platform for the Chairman to listen independent views on various issues concerning the Group;
- interaction with management and other Board members including the Chairman outside the boardroom upon request by the Directors; and
- independent professional advice would be provided to independent non-executive Directors upon reasonable request to assist them to perform their duties to the Company.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established to ensure a balance of power and authority.

Mr. Kwok serves as the chairman of the Board and is responsible for overall strategic planning, business development and corporate management. Mr. Zhan serves as the chief executive officer of the Company and is responsible for formulating corporate and business strategies and making major operation decisions.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed four INEDs representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the INEDs in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs are independent.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive and independent non-executive Directors has entered into a service agreement or a letter of appointment with the Company for a specific term and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

In accordance with Article 108(a) of 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. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

In accordance with Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this Article 112 shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

## BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. The table below provides the membership information of these committees on which certain Board members served:

| Name of Director | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|
| Mr. Kwok Chun Sing | – | – | C |
| Mr. Zhan Zhi Hao | – | M | – |
| Mr. Hau Wing Shing Vincent | M | – | M |
| Mr. Wan Simon | M | C | M |
| Mr. Zhang Jue | C | M | – |
| Mr. Lam John Cheung-wah | M | – | – |

Notes:

C – committee chairman

M – committee member

## Audit Committee

The Company established the Audit Committee in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with Rule 3.22 of the Listing Rules and Paragraph D.3.3 of the CG Code. The Board adopted a set of the revised terms of reference of the Audit Committee effective from 2 January 2019, which had included changes in line with the requirements under the Listing Rules. The Audit Committee is comprised of four INEDs, namely Mr. Zhang Jue, Mr. Hau Wing Shing Vincent, Mr. Wan Simon and Mr. Lam John Cheung-wah . Mr. Zhang Jue is the chairman of the Audit Committee.

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and reviewing the Group's internal controls and risk management. In addition, the Audit Committee has been delegated the responsibility to perform the corporate governance functions including:

1. Reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements;

2. Reviewing and monitoring the training and continuous professional development of the Directors and senior management;

3. Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees of the Company and the Directors;

4. Developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and reporting to the Board on such matters;

5. Reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;

6. Reviewing and monitoring the Company's compliance with the Company's whistleblowing policy; and

7. Considering any other topics, as determined by the Board.

A summary of the work performed by the Audit Committee during the year ended 31 March 2023, the Audit Committee reviewed and discussed consolidated financial statements of the Group for the financial year ended 31 March 2023 and the Group's unaudited interim results for the six months ended 30 September 2022 with the external auditor, considered and approved the audit work of the auditors, reviewed the business and financial performance of the Company and internal control system and risk management, and determined the policy for corporate governance. The Group's annual report for the year ended 31 March 2023 has been reviewed by the Audit Committee.

The terms of reference of the Audit Committee which can be viewed on the website of the Company under the section headed "INVESTOR RELATIONS" and the website of the Stock Exchange.

## Remuneration Committee

The Company established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with Rule 3.26 of the Listing Rules and Paragraph E.1.2 of the CG Code. The primary duties of the Remuneration Committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to the Board on (a) remuneration policy and structure for all of the Directors and senior management; (b) the establishment of a format and transparent procedure for developing remuneration policies; (c) the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of the INEDs. The Remuneration Committee is comprised of two INEDs, namely Mr. Wan Simon and Mr. Zhang Jue, and one executive Director, namely Mr. Zhan Zhi Hao. Mr. Wan Simon is the chairman of the Remuneration Committee.

The Remuneration Committee held three meetings up to the date of this annual report. The Remuneration Committee reviewed and approved the Group's policy on salary adjustment and discretionary bonus which applies to Directors and senior management of the Company and the policy has been set to align with the Group's operating performance while taking into account as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. In addition, the Company awards discretionary bonus as performance-based bonuses and incentives at executive directors and senior management to the achievement of strategic objectives of the Company can be measured. The discretionary bonus plan is subject to annual review by the Remuneration Committee, depending on changes to the Company's objectives and strategy, the recommendation be made to the Board.

The terms of reference of the Remuneration Committee which can be viewed on the website of the Company under the section headed "INVESTOR RELATIONS" and the website of the Stock Exchange.

Remuneration payment made to senior management (exclude Directors) of the Group for the year ended 31 March 2023 and 2022 falls within the following bands:

| | Number of senior management | |
|---|---|---|
| **Remuneration Band (HK$)** | **2023** | **2022** |
| Nil to HK$1,000,000 | 4 | 2 |
| HK$1,000,001 to HK$1,500,000 | 3 | 3 |

### Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with Paragraph B.3.1 of the CG Code. The Board adopted a set of the revised terms of reference of the Nomination Committee effective from 2 January 2019. The primary duties of the Nomination Committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitability qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the INEDs; (d) making recommendations to the Board on the appointment and succession planning for the Directors; and (e) reviewing the policy (the "**Policy**") concerning the diversity of the Board and the measurable objectives that the Board has adopted for implementing the Policy and to make the relevant disclosure on the progress of achieving those objectives in the corporate governance report of the Company. The Nomination Committee is comprised of two INEDs, namely Mr. Hau Wing Shing Vincent and Mr. Wan Simon, and one executive Director, namely Mr. Kwok Chun Sing who is the chairman of the Nomination Committee.

A summary of the work performed by the Nomination Committee during the year ended 31 March 2023 and up to the date of this annual report, the members discussed matters relating to composition of the Board and make recommendation thereon to the Board for consideration, the diversity of the Board, the re-election of the Directors at the forthcoming annual general meeting, the recommendation of the measurable objectives that the Board should adopt for implementing the Policy as well as reviewing the independence of the INEDs.

The terms of reference of the Nomination Committee can be viewed on the website of the Company under the section headed "INVESTOR RELATIONS" and the website of the Stock Exchange.

## BOARD DIVERSITY POLICY

The Board has adopted a "Board Diversity Policy" (the "**Policy**") which sets out the approach to achieve diversity on the Board and the Nomination Committee is responsible for monitoring the implementation of the Policy. In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Policy, including but not limited to gender, age, cultural and educational background, or professional experience etc. The Nomination Committee will discuss any revisions which may be required, and recommend any such revisions to the Board for consideration and approval.

The Board will review the implementation and effectiveness of the Policy on an annual basis to ensure its continued effectiveness. The Group will also ensure that there is gender diversity when recruiting staff at mid to senior level and engage more resources in career development and training female staff with the aim of promoting them to the senior management or directorship of the Company; and will continue to apply the principle of appointments based on merits with reference to the Policy as a whole.

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 31 March 2023 is 2.4 male: 1 female. The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure achieving gender diversity across the workforce. The Board considers that the gender ratio in the workforce (including senior management) is satisfactory. Yet, the Group will still (i) periodically review internal records on gender diversity; (ii) identify suitable female candidates for relevant positions within the Company; and (iii) try to ensure that there is gender diversity when recruiting staff at mid to senior level and engage more resources in career development and training female staff with the aim of promoting them to the senior management or directorship of the Company. The Board will ensure that any successors to the Board shall follow the Policy.

The Board currently comprised of 7 male Directors. To achieve Board diversity, the Company is contemplating to include a female director to join the Board by December 2024.

During the year ended 31 March 2023, the Nomination Committee has reviewed the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the 2023 annual general meeting, to review the structure, size and composition of the Board and to review the Policy. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

## NOMINATION POLICY

The Company has adopted nomination policy (the "**Nomination Policy**") on 2 January 2019. The purpose is to identify and evaluate a candidate for nomination to the Board for appointment or to the Shareholders for election as a Director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

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

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

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

## DIVIDEND POLICY

The Company has adopted dividend policy (the "**Dividend Policy**") on 2 January 2019 in compliance with the Code Provision F.1.1 of the CG Code. It is the policy of the Company, in considering the payments of dividends and to allow Shareholders to participate in the Company's profits whilst retaining adequate reserves for future growth of the Group.

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

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

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

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities against possibility of legal action to be taken against its Directors and officers. During the year ended 31 March 2023, no claim was made against the Directors and officers of the Company.

## DIRECTORS' AND EXTERNAL AUDITOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group.

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

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to accept in reaching its strategic objectives and to ensure that the Group has established and maintained appropriate and effective risk management and internal control systems.

The Group's risk management and internal control system includes the setting up of a management structure with limits of authority, and are designed to help the Group achieve its business objectives, to protect its assets against unauthorised use or disposition, and to ensure the maintenance of proper accounting records for the provision of reliable financial information and the compliance with relevant laws and regulations. These systems are also designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the achievement of the Group's business objectives.

During the year ended 31 March 2023, the Company engaged an external independent consulting firm to assist the Board to review and monitor the effectiveness of certain of the Group's risk management and internal controls systems. The external independent consulting firm performed annual risk management and internal control review of all material controls, including financial, operational and compliance controls of the Company. A risk management report and an internal control review report were submitted to the Audit Committee and the Board. Any actions and measures taken to improve risk management and internal controls on the findings and recommendations will be followed up by the external independent consulting firm. Accordingly, the Audit Committee and the Board considered the risk management and internal control systems to be effective and such systems have been implemented with adequate resources during the year ended 31 March 2023.

There is currently no internal audit function within the Group. 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. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

### Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include the establishment of a risk register to keep track of and record identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk management approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievements of its objectives. A risk matrix is adopted to determine the risk rating (L = low risk, M = medium risk, H = high risk) after evaluation of the risk by the likelihood and the impact of each risk event. The risk ratings reflect the level of managements, attention and risk treatment effort required.

### Process used to identify, evaluate and manage significant risks

During the process of risk assessment, each risk owner of departments is required to capture and identify the key inherent risks that affect the achievement of its objectives. Each inherent risk is evaluated according to the risk matrix. After taking into consideration the risk response, such as control measures in place to mitigate the risk, the residual risk of each risk event will be evaluated again. The risk register with the risk responses and residual risks is reported to the management. The management evaluates the effectiveness of the systems and report to the Audit Committee and the Board. The highest category of residual risks is subject to the Board's oversight.

## PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has already established a policy on the internal controls procedures for the handling and dissemination of inside information. The policy stipulates the obligations of the Group, in respect of the restriction on disseminating non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and compliance and reporting procedures. Senior management must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of any disclosure requirement from time to time, and must promptly bring any possible leakage or divulgence of inside information to the attention of the Company Secretary, or his delegates, who will notify the Board timely and accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

## AUDITOR'S REMUNERATION

During the year ended 31 March 2023, external auditor's remuneration for annual audit services was approximately HK$0.8 million; and external auditor's remuneration for non-audit service assignments was approximately HK$0.6 million, which mainly for advisory and other reporting review services. The Audit Committee concludes that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

## COMPANY SECRETARY

Mr. Chu was appointed as the Company Secretary on 12 January 2022. The biographical details of Mr. Chu are set out under the section headed "Biographies of the Directors and Senior Management" of this annual report. In accordance with Rule 3.29 of the Listing Rules, Mr. Chu has taken no less than 15 hours of relevant professional training during the financial year ended 31 March 2023.

## SHAREHOLDERS' RIGHTS

### How shareholder can convene an extraordinary general meeting

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

- Pursuant to article 64 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

- The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business at Room 2901 & 09-10, 29/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitions;

- The requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business (es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

- The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and

- If within 21 days of such deposit, the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

### Procedure by which enquires may be put to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the Company Secretary in writing by mail to the Company's principal place of business in Hong Kong at Room 2901 & 09-10, 29/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

### Procedure for putting forward proposals at shareholders' meeting

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

## WHISTLEBLOWING POLICY

The whistleblowing policy has been put in place for all employees and those who have business dealings with the Group (including customers and suppliers) to deal with concerns related to fraudulent or unethical acts or non-compliances with laws and the Group's policies that have or could have significant adverse financial, legal or reputational impacts on the Group. They may raise concerns about the possible improprieties in any matters related to the Group, in person or in writing to the company secretary of the Company who shall report to the chairman of the Audit Committee in confidence and anonymity. The chairman of the Audit Committee shall then determine the course of action to pursue, with power to delegate, with respect to the report.

## ANTI-CORRUPTION POLICY

The Group has formulated its own anti-corruption policy to ensure the Directors and employees within the Group comply with the Hong Kong Prevention of Bribery Ordinance, the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Anti-Money Laundering Law of the PRC, where applicable. The policy sets out the integrity and conduct requirements and policies or controls in place which applies to all Directors and employees of the Group at all levels, and external parties doing business with the Group and those acting in an agency or fiduciary capacity on behalf of the Group (e.g., agents, consultants and contractors). The policy is reviewed from time to time to ensure that it remains appropriate.

## INVESTOR RELATIONS

### Communication with shareholders

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

The Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange; and (d) the Company's web-site providing an electronic means of communication.

The Board will regularly review the shareholders communication policy to ensure its effectiveness. During the year ended 31 March 2023, the Board reviewed the implementations and effectiveness of the policy and considered that the policy remained effective and was properly implemented given the multiple channels of communication in place during the year.

### Constitutional documents

There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2023 and up to the date of this annual report.

In order to (i) bring the Articles in line with the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules; and (ii) make other consequential and housekeeping amendments, the Company would amend the Articles and adopt the new Articles incorporating the said proposed amendments in substitution for, and to the exclusion of, the existing Articles (the "**Proposed Amendments**"). The Company would publish an announcement and AGM Circular to disclose the details of the Proposed Amendments in due course and the Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the Company's forthcoming annual general meeting.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

Golden Ponder Holdings Limited is delighted to publish the Environmental, Social and Governance Report (the "**ESG Report**") for the financial year ended 31 March 2023. This ESG Report herein focuses on providing an overview of the environmental and social aspects of the Company and its subsidiaries (the "**Group**"), and outlines how we seek continuous improvement in our operational strategy in relation to our environment and society in order to cope with the global standards of sustainability.

### Reporting Period

This ESG Report illustrates the overall performance of the Group regarding the environmental and social aspects from 1 April 2022 to 31 March 2023 (the "**Reporting Period**" or "**2022/2023**").

### Reporting Scope and Boundary

This ESG Report discloses related policies and initiatives for the core and material business, namely the provision of superstructure building and RMAA works service in Hong Kong, and also the business of reverse supply chain management and environmental-related service. There are changes in the scopes and boundaries of this ESG Report for the year ended 31 March 2023 ("**2022/2023**"), compared to the last ESG report for the year ended 31 March 2022, which includes the business of reverse supply chain management and environmental-related service in this Reporting Period. This change is due to the completion of acquisition of Chun Yang International (HK) Company Limited and Cornerstone Energy Limited during the Reporting Period, which is mainly engaged in the business of reverse supply chain management and environmental-related service.

This ESG Report discloses environmental key performance indicators ("**KPIs**") and social KPIs of the corporate office ("**office**"), the business of the superstructure building and RMAA works project ("**construction project**") and the business of reverse supply chain management and environmental-related service ("**environmental-related service**"). The nature of these representative projects of the superstructure building and RMAA works service may differ from year to year. This ESG Report covers all the Group's operations, the aim of the Group is to upgrade its internal data collection procedure and gradually expand the scope of the disclosure. If the scopes and boundaries of the specific contents vary, they are noted in the relevant sections of this ESG Report.

### Reporting Basis and Principle

This ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") as set out in Appendix 27 of of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and on the basis of the four reporting principles – materiality, quantitative, balance and consistency:

- "Materiality" Principle:

  The Group determines material ESG issues by stakeholder engagement and materiality assessment. Details are explained in the section headed "Materiality Assessment".

- "Quantitative" Principle:

  Information is presented with quantitative measures, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- "Balance" Principle:

  This ESG Report identifies the achievements and challenges faced by the Group, which provides an unbiased picture of the Group's performance within the Reporting Period, avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the reader.

- "Consistency" Principle:

  Methodologies adopted for preparing this ESG Report are consistent with the last year, unless otherwise stated.

This ESG Report has complied with all "comply or explain" provisions and reported on selected recommended disclosures outlined in the ESG Guide.

The information contained herein is sourced from internal documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's internal management systems. A complete content index is appended to the last section hereof for quick reference. This ESG Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency between the English version and the Chinese version, the English version shall prevail.

## Review and Approval

This ESG Report was approved by the Board of Directors of the Group (the "**Board**") on 23 June 2023, after confirmation by the management of the Group. An electronic version of this Report is available on the HKEXnews website (www.hkexnew.hk).

## Feedback

The Group respects your view on our sustainable development performance. Should you have any opinions or suggestions, you are welcome to share them with the Group at mail@goldenponder.com.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

The Group is committed to integrating ESG factors into its operations in order to create sustainable value for stakeholders and take up the responsibilities as a corporate citizen. To minimise the ESG risks embedded in the business operations, the Group maintains stringent internal control and risk management systems. We have implemented an integrated management system (IMS). The IMS comprises three international management system standards – ISO 9001 Quality Management System, ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System. This integrated system allows us to monitor and manage ESG-related risks in an organised manner. In order to establish our IMS across operations in the Group, all departments are required to develop their own set of guidelines and are held responsible for compliance. The system is regularly audited by both internal and external parties and the results are reviewed by the Group's senior management to monitor performance and compliance.

As we continue our sustainability journey, performance indicators and targets that are material to our business will be progressively added, providing even more insights in our future reports. We will continue to strengthen our engagement with key stakeholders and improve our sustainability efforts and practices, to forge a long-term sustainable business.

## BOARD STATEMENT

On behalf of the Group, our Board is pleased to present this ESG Report to report our progress in building a sustainable future. The Group endeavours to put the sustainable development of our business as the top priority of our long-term development goals, and incorporate climate-related issues and ESG elements into our long-term business strategic planning. As the most important leading role of the Group, the Board has the sole responsibility to oversee, directly manage and monitor the Group's ESG issues and progress.

The Group has formalised an interdepartmental ESG Working Group to coordinate different departments and enhance their cooperation, to ensure that performance is consistent and stakeholders' expectations can be met. We work together to realise our sustainable development goals as a team.

We have set clear short-term and long-term sustainable development visions and goals to achieve ongoing emission reduction progress according to governmental requirements of different countries and regions. Relevant emission reduction targets and corresponding strategies are established and sustainable development factors have been incorporated into our strategic planning, business model and other decision-making processes. The Board regularly monitors and reviews the effectiveness of management, including reviewing the Group's ESG performance and adjusting corresponding action plans, effective implementation of ESG practices relies on the collaboration of different departments, and following the recommendations given by the Stock Exchange.

The Group strives to ensure the establishment of appropriate and effective risk management and internal control systems to supervise the identification and assessment of ESG and climate-related risks and opportunities, and to respond to the challenges and impacts of different times.

We strive to create a better environment, looking ahead, the Board will continue to review and monitor the environmental, social and corporate governance performance of the Group.

## ESG MANAGEMENT STRUCTURE

The Board supports the Group's commitment to fulfilling its environmental and social responsibility and has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

The Board has delegated the day-to-day responsibility of the implementation to the ESG Working Group. The ESG Working Group is composed of senior management and core members from different departments of the Group and is responsible to facilitate the adoption of ESG strategies and policies throughout the Group. The ESG Working Group serves a supportive role to our Board in implementing the agreed ESG practices, targets and strategies, conducting materiality assessments of environmental-related, and social-related risks and assessing how the Group adapts its business in light of changes, collecting ESG data from relevant parties, and continuous monitoring of the implementation of measures to address the Group's ESG-related risks and responsibilities. The ESG Working Group is also responsible for the investigation of deviations from targets and liaises with the functional department to take prompt rectification actions. The ESG Working Group reports to the Board on the implementation of ESG initiatives and the corresponding performance.

The Board regularly reviews the Group's ESG performance, and examines and approves the Group's annual ESG report.

*Governance structure*

## STAKEHOLDER ENGAGEMENT

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholder engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. The Group communicates with its stakeholders through various channels, shown as below.

| Stakeholder | Communication Channel |
|---|---|
| Government and regulatory agencies | • Annual reports, interim reports, ESG reports and other public information<br>• Supervision and inspection |
| Shareholders and investors | • Annual general meetings and other general meetings of shareholders<br>• Company website<br>• Press releases/announcements<br>• Annual reports, interim reports, ESG reports and other public information |
| Employee | • Training<br>• Meetings<br>• Performance evaluation<br>• Survey |
| Customer | • Fax, email and telephone<br>• Customer satisfaction survey |
| Suppliers/Subcontractors/ Business Partners | • Meetings<br>• Site visit<br>• Survey |
| Community | • ESG Reports<br>• Press releases/announcements |

## MATERIALITY ASSESSMENT

The Group has identified ESG issue that have potential or actual impact on its sustainable development from various sources, such as issues identified in internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map. The ESG issues have been analysed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact.

The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact. The issues that fall within the top right-hand quadrant have relatively higher significance to both stakeholders and Group's business. The Group will continue to improve its reporting process based on the assessment. The assessment results are shown below:

### Materiality Matrix


1 Air emissions
2 Greenhouse gas ("**GHG**") emissions
3 Effluents management
4 Waste management
5 Energy efficiency
6 Water efficiency
7 Use of materials
8 Environmental compliance
9 Land use, pollution and restoration
10 Climate change
11 Employment practices
12 Diversity and equal opportunities
13 Anti-discrimination
14 Occupational health and safety
15 Development and training
16 Child labour and forced labour
17 Responsible supply chain management
18 Environmental friendliness on products or service purchased
19 Compliance with regulations on marketing, product and service labelling
20 Customers' privacy and confidentiality
21 Customer satisfaction
22 Intellectual property
23 Safety of projects
24 Quality of projects
25 Business ethics
26 Anti-corruption training for management and employees
27 Contributions to the society
28 Communication and connection with local community

## SUBJECT AREA A: ENVIRONMENTAL

### Overview

The Group endeavours to minimise any adverse impact on the environment resulting from its business activities. The Group had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015. Apart from following the environmental protection policies formulated and required by customers, the Group has also established the Environmental Policy to ensure proper management of environmental protection and compliance with environmental laws and regulations by both our employees and workers of the subcontractors, among others, air pollution, noise control and waste disposal. The Group's Environmental Policy specifies the guidelines for protecting the environment in various aspects. During the Reporting Period, in recognition of the Group's emphasis in green management practices ad contributions to environmental protection, the environmental-related service business was honoured as Hong Kong Green Organisation by the Environmental Campaign Committee.

### Emissions

The Group's businesses are subject to certain environmental requirements pursuant to the laws and regulations in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance, Public Health and Municipal Services Ordinance. A breach of these ordinances can give rise to civil and/or criminal liability including fine and imprisonment. The Group ensures its compliance with relevant laws and regulations through measures described in the following sections. During the Reporting Period, the Group was not aware of any non-compliance case in this regard.

### Air Emissions

As the Group's operations mainly focus on providing superstructure building and RMAA works service and reverse supply chain management and environmental-related service to customers, there are no significant air emissions from stationary sources and dust in the sites of operation, we adopt appropriate dust reduction measures to further eliminate any air emissions by water spraying and maintaining ventilation.

The air pollutants are mainly emitted from the fuel consumption of mobile vehicles, including nitrogen oxides ($NO_x$), sulphur oxides ($SO_x$) and particulate matter (PM). To manage the emissions from vehicles, all vehicles are under frequent and regular checks and maintenance to enhance fuel consumption efficiency, ensure road safety and keep air emissions and GHG emissions at their minimum. Also, idling engine of vehicles is prohibited.

The $NO_x$, $SO_x$ and PM emissions recorded an increase during the Reporting Period, as compared to the last reporting period. The increase was attributable to the increase in the number of vehicles and subsequently the vehicle usage as the Group has acquired new business during the Reporting Period. Going forward, we have set a reduction target to reduce each type of air emissions by 50% of the level of the baseline year ended 31 March 2023 before 2035. The Group will continue to monitor and record air emissions, enhance related data collection system and develop targets and reduction plans when appropriate.

| **Air Emissions**[3] | **2022/2023**[1] **kg** | 2021/2022[2] kg |
|---|---|---|
| Nitrogen oxides ($NO_x$) | | |
| – Office | **–** | – |
| – Construction Project | **33.24** | 29.81 |
| – Environmental-related service | **77.64** | – |
| **Total NOx Emissions** | **110.88** | 29.81 |
| Sulphur oxides ($SO_x$) | | |
| – Office | **–** | – |
| – Construction Project | **0.06** | 0.06 |
| – Environmental-related service | **0.10** | – |
| **Total SOx Emissions** | **0.16** | 0.06 |
| Particulate matter (PM) | | |
| – Office | **–** | – |
| – Construction Project | **3.06** | 2.76 |
| – Environmental-related service | **7.66** | – |
| **Total PM Emissions** | **10.72** | 2.76 |

1 No relevant data for the vehicle usage in office during the Reporting Period.
2 The air emissions data for the last reporting period has been restated based on the data that made available.
3 As environmental-related service is the newly acquired business of the Group during the Reporting Period, thus there were no relevant data in the previous reporting periods.

## GHG Emissions

GHG generated from human activities is one of the significant drivers of global warming which affect the lives of the present and future generation. Therefore, the Group is highly concerned about the importance of monitoring and mitigating the GHG emissions in our operations.

During the Reporting Period, the total GHG emissions and its intensity were approximately 210.88 tonnes $CO_2$-equivalent ("**tonnes $CO_2$-e**") and 0.53 tonnes $CO_2$-e per million HK$ revenue respectively, which decreased by 39% and 10% respectively, as compared to the last reporting period. The decrease in total GHG emissions was attributable to the significant decrease in electricity consumption in the construction projects and less generator usage on sites during the Reporting Period, as the job nature of the construction projects in 2022/2023 required less electricity and generator usage when compared to the last reporting period, which contributed to lower Scope 1 and Scope 2 Emissions.

Our Group has implemented an array of measures in mitigating the GHG emissions, including but not limited to the following:

- Encouraging colleagues to switch to electric vehicles ("**EV**") instead of traditional gasoline or diesel vehicles and installed EV-charging stations at our workplace;
- Promoting the use of battery energy storage system, which is a more environmentally friendly energy storage system that adopts EV battery recycling technology, to replace the use of conventional diesel generator at construction sites;
- Performing periodic maintenance of our vehicles to reduce pollution and emission;
- Replacing old retired vehicles with low-emission vehicles where applicable;
- Switching off all electronic equipment/mobile machineries when they are not in operation;
- Using more energy-efficient lighting products, such as LED lighting;
- Conducting proper and regular maintenance of equipment to keep their efficiency and reduce energy consumption; and
- Maintaining indoor temperature at 24 degrees Celsius or above to reduce unnecessary use of energy.

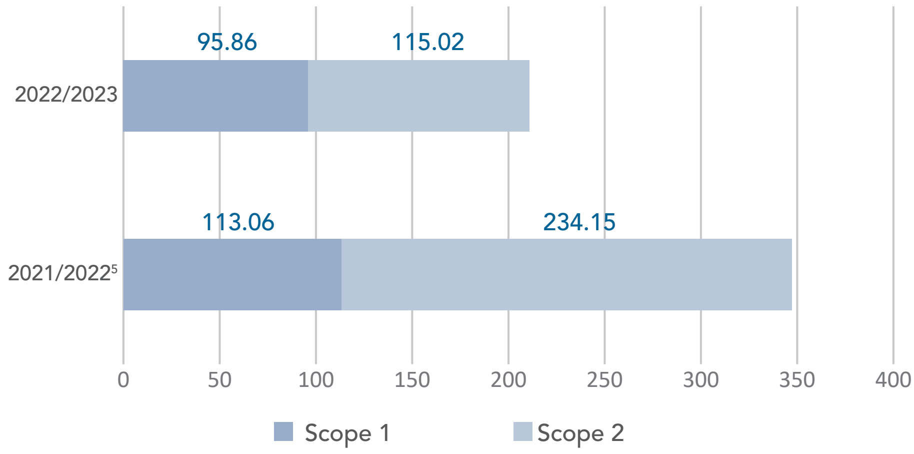
Going forward, we have set a target to reduce GHG emissions intensity by 50% of the level of the baseline year ended 31 March 2023 before 2035. The Group will continue improving its GHG emissions reduction measures and disclose relevant results where appropriate.

| GHG Emissions[3] | **2022/2023[4]** **tonnes $CO_2$-e** | 2021/2022[5] tonnes $CO_2$-e |
|---|---|---|
| Scope 1[6] | | |
| – Office | **–** | – |
| – Construction Project | **78.82** | 113.06 |
| – Environmental-related service | **17.04** | – |
| **Scope 1 Total** | **95.86** | 113.06 |
| Scope 2[7] | | |
| – Office | **28.79** | 18.62 |
| – Construction Project | **65.52** | 215.53 |
| – Environmental-related service | **20.71** | – |
| **Scope 2 Total** | **115.02** | 234.15 |
| **Total GHG Emissions (tonnes $CO_2$-e )** | **210.88** | 347.21 |
| **GHG Emissions Intensity (tonnes $CO_2$-e per million HK$ revenue)** | **0.53** | 0.59 |

4 No relevant data for Scope 1 GHG emissions generated by the office during the Reporting Period.
5 The Scope 1 GHG emissions data for the last reporting period has been restated based on the data that made available.
6 Scope 1: The direct emissions from the business operations owned or controlled by the Group, including the emissions from the Group's fossil fuel combustion.
7 Scope 2: The "indirect energy" emissions from the internal purchased electricity consumption by the Group.

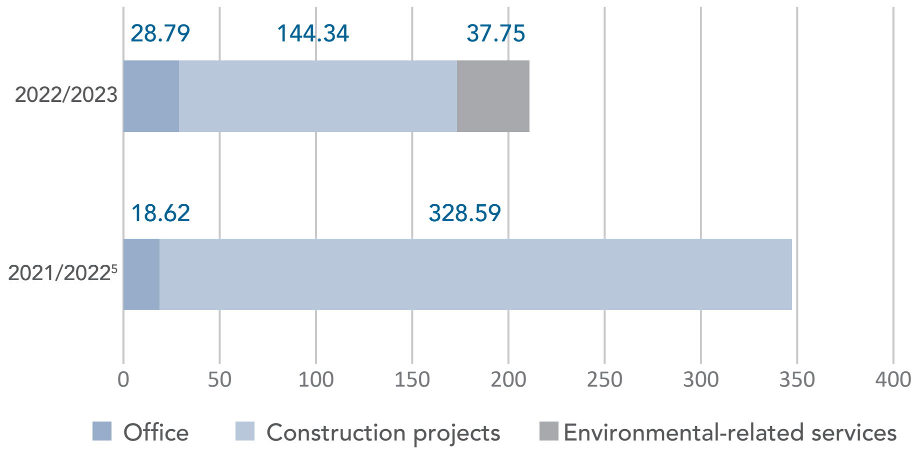
During the Reporting Period, the Group's GHG inventory principally comprise of Scope 1 and Scope 2 emissions, with Scope 2 contributed slightly more than Scope 1.

GHG Emissions by Scope in tonnes $CO_2$-e




Considering the source of GHG emissions, emissions from the construction projects account for about 68% of the total GHG emissions during the Reporting Period.

GHG Emissions by Source in tonnes $CO_2$-e




## Hazardous and Non-hazardous Wastes Management

The Group's waste is mainly generated from construction projects, which are non-hazardous construction wastes, and the Group's operations did not generate material hazardous waste during the Reporting Period. The Group acknowledges possible environmental impacts of waste generated during the course of its operations such as site clearance, excavation works, and construction and fitting out works. The Group strives to mitigate environmental impacts by adopting the right waste management strategy, prioritising avoidance and minimisation of waste generation, reuse of materials, recovery and recycling. We strictly abide by the Waste Disposal (Charges for Disposal of Construction Waste) Regulation for handling any construction wastes from projects.

In accordance with the Construction Waste Management Plan of BEAM Plus requirement, a waste management system was in place to guide proper sorting, recycling and disposal of construction materials. Measures are implemented for the construction projects, such as placing recycling bins to collect recyclable wastes as well as recycling and reusing construction materials when applicable. We maintain proper records of waste materials with routine inspection and reporting systems. During the Reporting Period, the Group was not aware of a significant number of hazardous wastes generated in the sites of operation and the office.

The non-hazardous waste production was approximately 2,344 tonnes and its intensity was 5.85 tonnes per million HK$ revenue during the Reporting Period, recorded a 12% decrease and 30% increase respectively, as compared to the last reporting period. Although the non-hazardous waste level slightly decreased, it decreased by a proportion less than the decrease in the revenue. Thus, the intensity of non-hazardous waste produced increased.

Despite the fact that the nature of construction projects may differ every year, the data could hardly be compared directly. The Group still strive to reduce waste intensity by 50% of the level of the baseline year ended 31 March 2023 before 2035. The Group will continue improving its waste reduction measures and disclose relevant results where appropriate.

| Waste | 2022/2023 Tonnes | 2021/2022 Tonnes |
|---|---|---|
| Hazardous wastes | – | – |
| Non-hazardous wastes | 2,344 | 2,656 |
| **Total Waste Produced** | **2,344** | 2,656 |
| **Intensity (tonnes per million HK$ revenue)** | **5.85** | 4.49 |

## Effluents

As the sites of operation involve the generation of construction runoff and sewage, the Group takes appropriate measures to avoid contamination and blockage of public drains and sewers in accordance with the Sewage Services Ordinance. The wastewater treatment system is established to remove suspended solids contained in concrete washings and site runoff. Inspection and maintenance of the system are conducted regularly. In addition, water consumption is minimised through utilising site runoff for dust suppression.

## Use of Resources

The major use of resources of the Group includes energy, water and other construction material. Resource-saving is recognised as one of the key considerations in operations as stated in the Environmental Policy.

### *Energy*

During the Reporting Period, the types of energy used by the Group comprise diesel, petrol and electricity, similar to the last reporting period. The total energy consumption was approximately 620 megawatt-hours (MWh) during the Reporting Period, recorded a decrease of 32%, as compared to the last reporting period. The decrease in the total energy consumption was mainly attributable to the significant decrease in both direct (i.e. diesel consumption) and indirect energy consumption (i.e. electricity) for the construction projects. The decrease in both diesel consumption by generator and machinery and electricity consumption were due to the difference of job nature of construction projects conducted by the Group in 2022/23 and 2021/22. During the Reporting Period, the energy consumption intensity was 1.55 MWh per million HK$ revenue, recorded an increase of 1%, as compared to the last reporting period. Although the energy consumption level decreased, it decreased by a proportion less than the decrease in the revenue. Thus, the intensity of energy consumption increased.

We have set a target to reduce the energy consumption intensity by 50% of the level of the baseline year ended 31 March 2023 before 2035. As abovementioned, the Group has implemented an array of measures in reducing energy consumption. For details of the energy consumption reduction measures, please refer to the section headed "GHG Emissions" in this ESG Report. Going forward, the Group will continue to monitor and record energy consumption, enhance related data collection systems and develop targets and reduction plans when appropriate.

| **Energy Consumption**[3] | **2022/2023**[8]<br>**MWh** | 2021/2022[9]<br>MWh |
|---|---|---|
| Direct Energy Consumption[10] | | |
| – Office | **–** | – |
| – Construction Project | **319.35** | 459.98 |
| – Environmental-related service | **67.45** | – |
| **Total direct energy consumption** | **386.80** | 459.98 |
| Indirect Energy Consumption[11] | | |
| – Office | **56.48** | 50.34 |
| – Construction Project | **123.96** | 396.18 |
| – Environmental-related service | **53.10** | – |
| **Total indirect energy consumption** | **233.54** | 446.52 |
| **Total Energy Consumption** | **620.34** | 906.50 |
| **Intensity (MWh per million HK$ revenue)** | **1.55** | 1.53 |

8 No relevant data for direct energy consumption in the office during the Reporting Period.
9 The direct energy consumption data for the last reporting period has been restated based on the data that made available.
10 Direct energy consumption includes the energy consumption from the fossil fuel consumption, including diesel and petrol.
11 Indirect energy consumption includes the energy consumption from the purchased electricity of the Group.

### *Water*

The water resource is also realised as a precious resource. In order to reduce the use of freshwater, the Group encourages the reuse and recycling of water in sites of construction projects, for example, the sewage is reused for dust suppression. Also, water-saving measures have been implemented in the office, for example, water wastage phenomenon is prohibited, water leakage, breakage or other potential damage of water pipes are regularly inspected and identified and water-saving education and ideas of water-saving are continuously promoted among our employees. The Group does not consume other natural water resources such as surface water or underground water. Water was supplied by third parties, therefore, there was no issue in sourcing water.

The Group are committed to achieve water conservation under the principal of saving, purifying and recycling:

- Any water wastage phenomenon is prohibited;
- Water used for washing hand or fruit is used to flush the toilet;
- Any water leakage, breakage or other potential damage of water pipes are regularly inspected and identified;
- Meter reading is checked constantly for revealing any hidden leakage phenomena;
- Water-saving education and ideas of water-saving are continuously promoted among our employees.

During the Reporting Period, the total water consumption and its intensity were approximately 6,747 $m^3$ and 16.83 $m^3$ per million HK$ revenue respectively, representing decreases of 7% and increase of 37% compared with the last reporting period. Although the water consumption level slightly decreased, it decreased by a proportion less than the decrease in the revenue. Thus, the intensity of water consumed increased. We have set a reduction target to reduce water consumption by 50% of the level of the baseline year ended 31 March 2023 before 2035. Going forward, the Group will continue to monitor and record water consumption, enhance related data collection systems and develop targets and reduction plans when appropriate.

| **Water Consumption**[12] | **2022/2023**<br>**$m^3$** | 2021/2022<br>$m^3$ |
|---|---|---|
| **Total water consumption** | **6,747** | 7,275 |
| **Intensity ($m^3$ per million HK$ revenue)** | **16.83** | 12.29 |

12 It includes the water consumption in the business of construction projects and environmental-related service only. For the water usage in office, relevant water consumption fees are included in the rental fees, therefore the figures disclosed have excluded the water consumption in office.

## Construction Material

We were aware that the construction sector is a major consumer of timber from rainforests. The Group strived to create an environmentally friendly corporate image through sustainable timber sourcing. Aligned with the BEAM Plus requirement, virgin forest products are not used for temporary works during construction. All timber used for the projects were in compliance with Forest Stewardship Council standards or certified by the American Forest and Paper Association before being purchased or recycled from other sites. We employed such an approach to better conserve valuable forests and habitats.

## Packaging Material

As the Group's operations mainly focus on the provision of superstructure building and RMAA works service and reverse supply chain management and environmental-related service, no packaging material consumption can be identified during the Reporting Period.

## The Environment and Natural Resources

As established in its Environmental Policy and Integrated Management System (IMS) Policy, the Group strives to mitigate the impact of its operations on environmental and natural resources. The Group's operation does make an impact on water, air and land, and therefore on the ecosystem. Therefore, the Group implements a range of measures for environmental protection and sustainable development, complies with applicable environmental-related laws and regulations and strives to operate in a responsible manner which balances the need for operation with minimising its environmental impact.

The Group continuously introduces measures to source control and end treatment with the purpose of fulfilling targets for reducing, reusing, recycling and renewing raw materials, reducing emissions and waste, improving the utilisation efficiency of water and energy resources, and minimising the effect of the operation on the environment and natural resources. The details of measures are illustrated in the sections headed "Emissions", "Air Emissions", "GHG Emissions" and "Use of Resources".

Moving forward, the Group also endeavours to meet the requirements of certain industry codes of practice such as the BEAM Plus New Buildings issued by the Hong Kong Green Building Council and the BEAM Society.

## Climate change

The climate has been changing gradually over the last decades and the situation continues to deteriorate. We experienced extreme weather, such as strong winds and heavy rainfall, as well as tides and floods more frequently. This is due to human attitudes, habits and the rapid development of society, which is overly dependent on high carbon consumption. In the long run, it is expected that the earth's resources will be exhausted. Therefore, countries around the world are discussing measures to address this issue. According to the Paris Agreement, which was finalised at the global conference in 2016, governments and corporate groups are required to achieve "net-zero" carbon emissions by 2050.

Our Group has set a business sustainability vision for 2035 to contribute to a healthy and sustainable environment. The Group has considered the potential climate-related risks and opportunities in respect of the recommendations of the Task Force on Climate-related Financial Disclosures, in which potential physical risks and transition risks from climate change may pose adverse financial impacts on the Group's businesses. Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained elevated temperature, while transition risk may result from a change in environmental-related regulations, emerging technology or shift in customer preferences.

We are committed to complying with all relevant laws, regulations and requirements, and do our best to achieve the industry's climate mitigation and climate change adaptation targets; to increase resources to strengthen the ability to cope with the nature of existing or future climate change and the impact of natural hazards; to increase employee awareness of climate change, training, outreach and education to enhance employee knowledge of climate change and to facilitate the pace of carbon neutrality. The Group has set a vision to reduce the intensity of the use of carbon-related energy sources by 50% of the level of the baseline year ended 31 March 2023 before 2035, in line with environmental targets.

Our Group strives to enhance data matching measures to reduce high gas emissions and energy consumption in the construction process, relevant departments are required to select low-carbon but energy-efficient materials and products in the procurement process, and strengthen cooperation with companies that comply with relevant legislation and fulfill and practice supply chain responsibility to achieve the target. We would regularly assess the risk of climate change with reference to relevant international and local certification standards and update corresponding measures, regularly identify and assess the probability of climate induced or exacerbated social crises, earth data, and countermeasures to achieve effective hazard mitigation, also to maintain and strengthen communication and partnership with government, industry leaders and policy makers to develop construction policies, approaches and innovations to move towards low carbon economy.

The newly acquired business of environmental-related service by the Group may potentially provide climate-related opportunities to the Group. The environmental-related service business might be conducive for the Group to develop and/or expand to low emission goods and services, which could bring positive impacts to Group such as increase revenue through demand for sustainable services and reputational benefits resulting in increased demand for the services.

The potential climate-related risks and opportunities in respect of the recommendations of the Task Force on Climate-related Financial Disclosures are summarised below:

| Risk Type | Risks | Potential Financial Impact | Short (current Reporting Period) | Medium (one to three years) | Long (four to ten years) | Mitigation Strategy |
|---|---|---|---|---|---|---|
| **Physical Risks** | • Extreme weather conditions such as flooding and typhoon | • Reduced revenue from business due to business and supply chain disruptions<br>• Serious damage to assets, such as those on sites or in the buildings | √ | √ | | • Establish adverse weather condition policy<br>• Maintain or expand the supplier base to avoid disruption |
| | • Sustained elevated temperature | • Increased in business operating costs | | | √ | • Adopt energy conservation measures to avoid overconsumption of natural resources<br>• Select low-carbon but energy-efficient materials and products in the procurement process |
| **Transition Risks** | • Changes in environmental-related regulations | • Higher operating costs to comply with more stringent regulations | | √ | √ | • Adopt energy conservation measures to reduce emissions<br>• Continue to monitor the regulatory environment to ensure that the Group complied with the environmental-related law and regulation |

| Risk Type | Risks | Potential Financial Impact | Short (current Reporting Period) | Medium (one to three years) | Long (four to ten years) | Mitigation Strategy |
|---|---|---|---|---|---|---|
| **Transition Risks** | • Emerging technologies | • Higher operating costs to adopt new practices or technologies | | √ | √ | • Encourages our employees to attend conferences and/or training to keep it abreast with the latest developments of technologies in construction and environmental-related service |
| | • Shift in consumer preference to products and services incorporating more environmentally-friendly concept | • Reduced demand for construction and environmental-related services, decreased competitiveness and create adverse impact on revenues | | | √ | • Adhere to the Group's sustainable development concept, and adapt environmentally-friendly concept into its operations, and commit to produce high-quality services and related products to meet the expectations of consumers and the market |

| Opportunity Type | Opportunities | Potential Financial Impact | Short (current Reporting Period) | Medium (one to three years) | Long (four to ten years) | Realization Strategy |
|---|---|---|---|---|---|---|
| Products and Services | Development and/or expansion of low emission goods and services | • Increased revenue through demand for sustainable products and services<br>• Increased capital availability (e.g., as more investors favor lower-emissions producers)<br>• Reputational benefits resulting in increased demand for goods/services | | √ | √ | • Continue to research and develop the quality of sustainable energy products and services to further expand the market and increase demand |

## SUBJECT AREA B: SOCIAL

### Employment and Labour Practices

#### *Employment*

The Group believes that employees are the most important asset of the company. As the business grows, the Group must establish sustainable human capital to attract and retain talent. The Group strictly abides by the Employment Ordinance, Employments' Compensation Ordinance, Minimum Wage Ordinance, Construction Workers Registration Ordinance and Mandatory Provident Fund Schemes Ordinance. A breach of these ordinances can give rise to civil and/or criminal liability including fine and imprisonment. Employees can report any suspected violations of laws and regulations related to employment and labour practices through an email address which was established to handle complaints and potential non-compliance cases. It can only be accessed by top management and board members. During the Reporting Period, the Group was not aware of any non-compliance case in this regard. The Group has established Human Resources Management Policy and other related guidelines, which set out the details on remuneration, dismissal, recruitment, promotion, working hours, rest periods, diversity, equal opportunities and anti-discrimination.

### *Remuneration and dismissal*

To attract and retain talent, the Group provides a competitive remuneration package to employees including salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of employees, which forms the basis of decisions with respect to salary raises, bonuses and promotions. For voluntary resignation, an exit interview is conducted with the resigned employee so the Group would understand the reason and continue to improve human resource management.

### *Recruitment and promotion*

The Group recruits talent in a fair, impartial and open manner, with reference to factors such as employees' experience, qualifications and expertise required for the business operations. The Group endeavours to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of the Group.

The Group recognises the importance of the development and growth of employees. The promotion of employees is based on performance appraisals. On a regular basis, performance appraisal is conducted between the management of employees, evaluating employees' performance regarding work attitude, technical skills, interpersonal skills etc.

### *Working hours and rest periods*

The Group is dedicated to providing reasonable working hours and rest periods to employees. All employees are entitled to General Holidays as announced in the Hong Kong SAR Government Gazette each year. In addition to General Holidays, employees are entitled to annual leave, maternity leave, sick leave and compassionate leave.

### *Diversity, Equal Opportunities and Anti-discrimination*

The Group is committed to ensuring that the work environment it provides is free from harassment, discrimination and any behaviour that damage to productivity. The management of each department is responsible for formulating and implementing the Group's working environment policy, which contains the standards in this regard.

### *Employee benefits and welfare*

According to the applicable laws and regulations in Hong Kong, the Group provides various benefits and welfare to the employees. The Group participates in the defined contribution scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are made based on a percentage of employees' basic salaries. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme. The Group also provides medical insurance, compensation insurance and monetary awards, such as discretionary bonuses, to employees.

| Workforce[13]<br>As at 31 March | 2022/2023 | 2021/2022 |
|---|---|---|
| By Gender | | |
| – Male | **36** | 48 |
| – Female | **15** | 24 |
| By Age Group | | |
| – Below 30 | **5** | 10 |
| – 30 – 50 | **35** | 25 |
| – Above 50 | **11** | 37 |
| By Employee Type | | |
| – Full Time | **50** | 72 |
| – Part Time | **1** | 0 |
| By Geographical Region | | |
| – Hong Kong | **51** | 72 |
| **Total** | **51** | 72 |

| Employee Turnover Rate (%)[13]<br>As at 31 March | 2022/2023 | 2021/2022 |
|---|---|---|
| By Gender | | |
| – Male | **47** | 25 |
| – Female | **87** | 38 |
| By Age Group | | |
| – Below 30 | **80** | 50 |
| – 30 – 50 | **17** | 40 |
| – Above 50 | **182** | 16 |
| By Geographical Region | | |
| – Hong Kong | **59** | 29 |
| **Overall** | **59** | 29 |

13 The employment statistics includes employees of the Group only. Workers of the subcontractors are excluded.

## Health and Safety

The Group has stated in its Safety and Health Policy Statement its commitment to creating a health and safety working environment for its employees and subcontractors. The Group has adopted an occupational health and safety management system in accordance with the requirement of ISO 45001:2018 accreditation and has in place various policies and procedures to maintain health and safety in the workplace.

### *Safety Organisation*

The Group has established a Company Safety Management Committee and Site Safety Committee with clearly defined responsibilities. The former is responsible for developing, reviewing and revising the Group's Safety and Health Policy and regularly monitoring the proper implementation of a safety management system. The latter provides and improves safety at work on-site and shall be able to participate in the making and monitoring of arrangements for safety at the workplace.

### *Health and Safety Measures*

In order to provide a safe and healthy working environment for our employees and subcontractors and to ensure compliance with the applicable laws and regulations in Hong Kong. For construction projects, a safety plan is implemented at the commencement and during the implementation period of each project and conduct a hazard analysis. The safety officer conducts site visits regularly to ensure the workers have taken all necessary safety precaution measures. Some key measures are implemented in the sites of operations of construction projects and environmental-related services business as follows:

– All new workers receive the required personal protective equipment;

– All new workers must attend introduction training prior to works commencement;

– Contractors with the best safety performance are nominated monthly;

– Safety Notices will be posted in the conspicuous place and a safety promotion luncheon is organised on a regular basis to strengthen the safety awareness of employees and workers;

– The Safety Model Worker Award Scheme has been established to raise the safety awareness of employees;

– Establish fire emergency plan and fire drill is organised for dry seasons; and

– Formulate safety policies in operating equipment and machines.

During the Reporting Period, in recognition of our emphasis on work safety, the Group was awarded "Occupational Safety and Health Star Enterprise" and "Outstanding Safety Performance Award" by the Occupational Safety and Health Council.

### *Monitoring System*

Regular meetings are held for directors, safety officers and site supervisors to share the latest information and good practices with respect to safety. In the event of the occurrence of incidents and near misses, prompt corrections will be taken by following the emergency preparedness and response procedure. A follow-up investigation will be carried out to find out the root causes of the case(s) and prevent the re-occurrence of the similar case(s). Apart from routine safety inspections, regular safety walks by senior management and Occupational Health and Safety (OHS) audits are conducted on all construction sites to verify the sufficiency and effectiveness of safety control measures.

*Safety Training*

The Group recognises safety training as one of the important elements in preventing workplace injuries. Therefore, the Group will identify the safety training needs of workers and employees, and safety training courses will be provided by external training bodies (such as the Construction Industry Council) to workers and employees. Training courses include but are not limited to:

| Course Category | Description | Audience |
|---|---|---|
| **Safety Management Course** | Improve safety management technique | Senior project manager and site agent |
| **Risk Assessment Course** | Provide the assessor with techniques of risk assessment to assist the preparing safe systems of work and good safety practices | Risk assessment team members |
| **Safety Supervisor Course** | Improve their safety supervision and accident prevention technique | Front line supervisory staff (e.g. Site agent, foreman etc.) |
| **Basic Safety Training Course** | Enrich the basic safety knowledge of workers | All workers |
| **Safety Induction Course** | Introduce the site condition and safety arrangement of the company | All new employees |
| **Trade Training** | Focus on relevant hazards of different works such as site formation and metal works, to provide safety knowledge to the workers when working in high-risk activities | All workers |
| **Toolbox Talk** | Educate employees on risks and precautions relating to their roles in the sites of operations | All workers |

The Group strictly abides by the applicable laws and regulations in Hong Kong relating to providing a safe working environment and protecting employees from occupational hazardous, including but not limited to the Occupational Safety Ordinance, Factories and Industrial Undertakings Ordinance, and follows the Codes of Practice and Guidance Notes published by the Labour Department and relevant guidelines published by the Construction Industry Council. A breach of these ordinances can give rise to civil and/or criminal liability including fine and imprisonment.

The Group's safety department has made an effort in enhancing employees' and site workers' safety awareness and reduce the frequency of occurrence of such incidents, for example, increased the frequency of inspection and prepared safety inspection reports accordingly. The Group will continue to review the existing occupational health and safety management system and elevate the safety awareness of the employees. Our safety performance is as follows:

| **Safety Performance**<br>**As at 31 March** | **2022/2023**[14] | 2021/2022 | 2020/2021 |
|---|---|---|---|
| Fatality | | | |
| • Number of fatalities | **0** | 0 | 0 |
| Lost Days | | | |
| • Number of working days lost due to injuries | **648** | 399 | 0 |
| Accident Cases | | | |
| • Number of reported injuries (reportable cases) | **4** | 9 | 0 |

*Response to COVID-19 Pandemic*

The challenges arising from the COVID-19 pandemic are unprecedented. To reduce the risk of infection and the spread of the virus in the workplace, we have adopted the following measures during the Reporting Period:

– Implemented special work arrangements, departments can exercise flexibility in making "working from home" and/or roster arrangements

– Purchased insurance with additional coverage for our employees

– Ensured sufficient stocks of disinfecting and cleaning supplies and surgical masks

The Group will closely monitor and continue to assess the development of the COVID-19 outbreak, and regularly reviews the relevant countermeasures in accordance with the local government regulations to ensure the effectiveness of the measures.

14 One of the reported injuries was occurred in the last reporting period, and the said injury case has spanned from the last reporting period to the Reporting Period.

### *Development and Training*

The Group respects the people-oriented principle and regards the employee as the utmost important asset. Attaching importance to cultivating and developing talents are the drivers for the continuous improvement of the Group and the key to the success of its future business.

The Group provides various types of training to employees and sponsors them to attend various training courses, including those on occupational health and safety in relation to construction work and environmental related services. Such training courses include internal training as well as courses organised by external parties such as the Construction Industry Council and the Occupational Safety and Health Council.

*Training highlights in the Reporting Period*

During the Reporting Period, the Group had 18% of the total number of employees received training and they received 46 hours of training. The percentage of employees receiving training for the years ended 31 March are as follows:

| **Percentage of employees receiving training** | **2022/2023**[15] [16]<br>**%** | 2021/2022<br>% |
|---|---|---|
| **By Gender** | | |
| – Male | **44** | 27 |
| – Female | **56** | 13 |
| **By Employee Category** | | |
| – Senior Management or above | **22** | 60 |
| – Middle Management (i.e. manager) | **11** | 22 |
| – General Staff | **67** | 39 |
| **Overall** | **18** | 22 |

15 The training data for the Reporting Period is disclosed in accordance with the "Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange, which was different from the method adopted in the previous reporting period.

16 The training data for the Reporting Period includes employees of the Group only. Workers of the subcontractors are excluded.

The corresponding average training hours per employee for the year ended 31 March are as follows:

| Average training hours | 2022/2023[15 16] hours/ employee | 2021/2022 hours/ employee |
|---|---|---|
| **By Gender** | | |
| – Male | **0.57** | 11.09 |
| – Female | **1.63** | 6.27 |
| **By Employee Category** | | |
| – Senior Management or above | **1.60** | 23.90 |
| – Middle Management (i.e. manager) | **0.19** | 10.86 |
| – General Staff | **1.52** | 16.00 |
| **Overall** | **0.90** | 9.49 |

### *Labour Standards*

The Group prohibits the employment of child labour, forced labour and illegal labour as stipulated in its Employee Handbook. The Group considers the risk for incidents of child or forced labour in terms of our business activities and operating locations to be not significant. The Group has implemented the following measures to prevent child labour or illegal immigrants/workers during recruitment:

1. Human resources and administrative officers inspect and take a copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong.

2. The subcontracting agreement contains a clause whereby subcontractors are required to hire only persons who are lawfully employable to work on-site and to prevent any illegal worker to enter the site.

3. Foremen are responsible for inspecting the personal identification document of each worker and shall refuse any person who does not possess proper personal identification documents from entering the site.

The Group strictly abides by the Employment Ordinance and section 38A of the Immigration Ordinance. A breach of these ordinances can give rise to civil and/or criminal liability including fine and imprisonment. If violations of laws and regulations such as child labour and forced labour are found, the Group will take countermeasures timely in accordance with relevant laws and regulations, and will stringently follow up on these violations, such as immediately terminate the contract, ascertain the causes of such irregular employment and accountabilities of relevant staff to eliminate such practices. During the Reporting Period, the Group was not aware of any non-compliance case relating to child labour, forced labour and illegal immigrant labour.

## Operating Practices

### *Supply Chain Management*

The Group places emphasis on its supply chain management. In addition to improving cost competitiveness, the Group also values the sustainability of its supply chain. The Group supports the purchase of environmentally-friendly products to minimise the environmental impact caused by its business operations. Also, the Group would consider the awareness of occupational health and safety during the supplier selection. During the Reporting Period, the Group has a total of 228 (2021/2022: 237) suppliers and subcontractors and all of them are located in Hong Kong.

*Procurement practices*

As stated in the Code of Conduct, it is necessary to be objective, fair and ethical when purchasing materials or services. Procurement decisions should be made according to price, quality, delivery capacity, service reputation and integrity, etc.

The Group's Material Supplier/Subcontractor Management Policy outlines our general procurement procedure for material suppliers and subcontractors. To manage the environmental and social risks of our supply chain, we conduct assessments on our supplier and subcontractors based on their environmental and social performance. The details of the practices are as follows.

The Group maintains an approved list of material suppliers or subcontractors, which are selected based on their experience, qualifications, quality of work, reputation in the industry, capability, price competitiveness, credit-worthiness and their safety and environmental records. Suppliers with more environmentally friendly practices and high-quality standards would be more favorable. Furthermore, in some projects, certain works which required specific skill sets including curtain wall installation, lifts and escalators installation and electrical and mechanical works, required to be carried out by the subcontractors nominated by customers.

The approved list will be reviewed and updated from time to time according to the performance of suppliers and subcontractors. To evaluate the performance of all suppliers and subcontractors, we conduct suppliers and subcontractors performance evaluations regularly based on a list of criteria. If the supplier or subcontractor is considered unqualified upon the evaluation, it will be removed from the approved list.

*Subcontractor management for construction projects*

In order to closely monitor the performance of the subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, the Group requires subcontractors to follow its internal control measures in relation to quality control, safety and environmental compliance.

During project implementation, the project team regularly meets with subcontractors and closely monitors their performance and work progress as well as their compliance with the Group's safety measures and quality standards.

For further information regarding the Group's measures in relation to quality control, safety and environmental compliance of subcontractors, please refer to the sections headed "Product Responsibility", "Health and Safety" and "Environmental Aspect".

In addition, depending on agreements with subcontractors, the Group may hold up a certain percentage of each interim payment made to our subcontractors as retention money, such that if the subcontractors fail to deliver the works or rectify any defects in a timely manner, any expenses or losses induced can be deducted from the retention money held from our subcontractors.

### *Product Responsibility*

The Group has established Quality Policy and various internal control procedures, showing the Group's commitment regarding the safety and quality management of its projects and services and the protection of customer's privacy.

*Quality Management of construction projects*

Quality management is the key to maintain the safety of our projects and services. To maintain consistent quality and safety of services for customers, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. The Group has in-house quality assurance requirements that conform to the ISO 9001:2015 quality standards specifying, among other things, specific work procedures for performing different types of site works, management process, responsibilities of personnel of different levels, tendering process, cost control, project planning, project management and supervision, quality inspection procedures and standards, subcontracting requirements and accident reporting and complaints. Workers and subcontractors are required to follow such procedures.

*Quality control of construction projects*

The Group's quality management system is contained in its project quality plan which sets out the steps to be carried out throughout the building works process from the pre-construction stage to the maintenance stage.

To ensure that the works meet the required standard,

1. A full-time foreman is assigned at each of the construction sites as the first line of monitoring the quality of work done by the Group's own staff or subcontractors.

2. Project manager visits the construction sites to monitor the work quality, and the progress of work and ensures that works are completed according to schedule.

3. The Group's Executive Directors, who closely monitor the progress of each project, communicate with the project management teams closely and discuss issues identified, to ensure the building works:

   - meet customers' requirements
   - are completed within the time stipulated in the contract and the budget allocated for the project
   - comply with all relevant codes and regulations applicable to the works

*Quality control of materials*

The quality of purchased materials is closely monitored. To ensure the quality of supplies, prior to ordering, quantity surveyors will ensure that the materials are sourced from approved suppliers to ensure the overall quality of supplies.

Upon the arrival of the ordered materials, all materials are sent directly to the relevant work sites for inspection by foremen before utilisation. During the inspection, the designated personnel will check (i) whether the quantity is correct; and (ii) whether there are any observable defects. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement. Customers would also inspect the materials used by us at project sites and verify the specifications from time to time.

*Quality Management of environmental-related services*

The Group is concerned with the quality and safety of the environmental-related service and hence quality management has been carried out. To maintain consistent quality and safety of services for customers, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001, ISO 14001 and ISO 45001, and was awarded the qualifications such as the disposal license for REE (i.e. regulated electrical equipment, including washing machines, televisions, computers, printers, scanners and monitors), the Chemical Waste Disposal License and the Chemical Waste Transportation and Export License by the Environmental Protection Department of Hong Kong, which allow the Group to provide one-stop waste management.

*Customer satisfaction*

The Group is committed to providing efficient and cordial services, always ensuring satisfactory customer satisfaction. We provide customers with information including price, business capabilities and product characteristics that are clear and authentic. No misstatement or exaggeration for our product and services.

As stipulated in the IMS manual, the Group monitors the quality performance of its businesses based on the customers' feedback. The Group is committed to understanding the views and opinions towards products and services through close communication with customers and proper maintenance of the related records. We collect customers' feedback through a customer satisfaction survey. The feedbacks serve as a valuable reference for our future improvements. During the Reporting Period, no material products and service-related complaints were received.

*Intellectual Property Protection*

The Group attaches great importance to technological innovation and application. The Group's Code of Conduct stated explicitly that new ideas and intellectual property rights, including trademarks, service marks, copyrights, special rights and trade secrets, are all valuable assets of the Group and must be protected. All employees are responsible for protecting the intellectual property rights of the Group and others. Copying of any part of third-party software is prohibited unless it is an authorised copy, or its license explicitly permits copying. Downloading and installation of unauthorised software are not allowed. Employees are required to inform the management immediately if any cases of infringement of the intellectual property of the Group.

*Advertising and Labelling*

The Group does not involve in product packaging and labelling activities. Besides, the Group does not rely heavily on marketing and advertising. The Group does not aware of any significant impact relating to advertising and labelling on its operations.

*Customer Data Protection and Privacy*

The Group attaches great importance to the confidential information of the customers. The Group strives to protect the privacy of its customers, business partners and staff in the collection, processing and use of their business or personal data. The Group's Code of Conduct provides guidance on the handling of confidential information. Moreover, our employees are given limited access to the company database depending on their job positions. Employees are strictly prohibited from modifying their computers without formal approval from the management.

The Group strictly follows the laws and regulations relating to product responsibility, such as the Personal Data (Privacy) Ordinance. A breach of these ordinances can give rise to civil and/or criminal liability including fine and imprisonment. During the Reporting Period, the Group was not aware of any non-compliance case in this regard.

### *Anti-corruption*

Honesty, integrity and fair competition are the core values that all employees of the Group have to defend. The Group's Code of Conduct sets out the employee's conduct in dealing with problems related to acceptance of advantages and conflicts of interest.

Other than the internal anti-bribery and corruption guidelines as stipulated in the Code of Conduct, the Group has whistleblowing policy in place as a communication channel for employees to report concerns relating to ethical business or personal conduct, accounting and financial matters, integrity and professionalism, or allegations of retaliation for having reported matters in good faith. Employees are welcome to send his/her concerns to the Company Secretary via email or by post anonymously. A full investigation will then be conducted by the Audit Committee in a confidential, disciplinary action will be applied to the employee involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case. The Group offers induction training to new employee which includes training in relation to basic employee ethics, such as anti-corruption. The Group will closely monitor the regulatory development and will arrange relevant anti-corruption training for our employees and directors, where necessary. The Group has also implemented appropriate and effective internal controls at different business processes to prevent and detect fraudulent activities.

The Group strictly abides by the laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong, including the Prevention of Bribery Ordinance and Anti-Money Laundering and Counter-Terrorist Financing Ordinance. A breach of these ordinances can give rise to civil and/or criminal liability including fine and imprisonment. During the Reporting Period, the Group was not aware of any non-compliance case or related corruption litigation case in this regard.

## Community

### *Community Investment*

The Group is committed to maintaining the sustainability of its business and its communities. The Group's Community Investment Policy establishes a framework and guidelines for community investment, sponsorship and donation activities, and is expected to contribute to community wellness.

The Group aims to develop long-term relations with stakeholders based on mutual trust, respect and integrity. The Group also seeks to make contributions to programs which have a positive impact on community development. Employees are encouraged to volunteer, and work through collaboration with strategic giving as well as capacity-building initiatives to try and create a positive impact in the community.

The Group mainly focuses on the contribution in the area of education and community. During the Reporting Period, the Group donated HK$64,600. Beneficiary organisation includes as follows:

- Twinklestars, which is an organisation that aims at providing financial support to the needed students for their tertiary education in Mainland China.

- Community Synergy for Rehabilitation Association, which is an organisation that aims at helping rehabilitators to reintegrate into society.

## ESG GUIDE CONTENT INDEX

| Subject Areas, Aspects, General Disclosures and KPIs | | Reference Section/Statement |
|---|---|---|
| General Disclosure | Information on:<br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions |
| KPI A1.1 | The types of emissions and respective emissions data. | Air Emissions |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | GHG Emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Hazardous and Non-hazardous Wastes Management |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Hazardous and Non-hazardous Wastes Management |
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them. | GHG Emissions |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | Hazardous and Non-hazardous Wastes Management |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Use of Resources |

| Subject Areas, Aspects, General Disclosures and KPIs | | Reference Section/Statement |
|---|---|---|
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Use of Resources |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Use of Resources |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Use of Resources |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Not material: Not relevant to the Group's business |
| General Disclosure | Policies on minimizing 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 |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Climate Change |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Climate Change |
| General Disclosure | Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment and Labour Practices |

| Subject Areas, Aspects, General Disclosures and KPIs | | Reference Section/Statement |
|---|---|---|
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Employment and Labour Practices |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Employment and Labour Practices |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>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, how they are implemented and monitored. | Health and Safety |
| B3 Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. | 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 |

| Subject Areas, Aspects, General Disclosures and KPIs | | Reference Section/Statement |
|---|---|---|
| General Disclosure | Information on:<br>(a) the policies; and<br>(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 |
| 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, how they are implemented and monitored. | Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management |

| Subject Areas, Aspects, General Disclosures and KPIs | | Reference Section/Statement |
|---|---|---|
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>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. | Not material: No manufacturing of products |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | Product Responsibility |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Product Responsibility |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Product Responsibility |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Product Responsibility |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering. | Anti-corruption |

| Subject Areas, Aspects, General Disclosures and KPIs | | Reference Section/Statement |
|---|---|---|
| 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, how they are implemented and monitored. | Anti-corruption |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | Anti-corruption |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community Investment |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Community Investment |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Community Investment |

# INDEPENDENT AUDITOR'S REPORT

bakertilly
天職國際

**TO THE SHAREHOLDERS OF GOLDEN PONDER HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Golden Ponder Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 89 to 181, 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.

## 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.

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| **Revenue recognition of construction contracts** | |
| We identified the revenue recognition of construction contracts as a key audit matter as management's estimate of revenue, budgeted costs and the stage of completion of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised.<br><br>The Group recognised revenue from a construction contract by reference to the progress towards complete satisfaction of performance obligation at the end of the reporting period, measured using the input method. Most of the Group's construction contracts with customers take more than one year to complete. Management estimates the revenue and budgeted costs at the commencement of construction contracts and regularly assesses the progress of construction works as well as the financial impact of any scope changes, claims, disputes and liquidation damages.<br><br>As disclosed in Notes 5(b) and 7 to the consolidated financial statements, the Group's revenue from construction contracts amounted to approximately HK$373,132,000 for the year ended 31 March 2023. | Our procedures in relation to the revenue recognition of construction contracts included:<br><br>• Obtaining an understanding of the Group's controls and processes over revenue recognition of construction contracts and contract budget preparation;<br><br>• Discussing with management and the project managers of the Group who are responsible for the preparation of budgets of construction contracts to evaluate the reasonableness of their bases of estimation of the budgeted costs as well as the progress towards completion of the contracts;<br><br>• Checking supporting documents including contracts, variation orders and correspondences with customers, subcontractors and suppliers, in order to evaluate reasonableness of management's estimation of the revenue and budgeted contract costs;<br><br>• Assessing management's estimates of the impact on revenue and budgeted costs arising from scope changes made to the construction contracts, claims, disputes and liquidated damages with reference to supporting documents including variation orders and correspondence among the Group, independent surveyors, customers, subcontractors and suppliers if appropriate;<br><br>• Recalculating the revenue recognised based on the progress of the construction contracts; and<br><br>• On a sample basis, agreeing the contract costs incurred to date on construction contracts to the subcontractors' payment certificates, labour costs and supplier invoices. |

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| **Impairment of trade receivables and contract assets** | |
| We identified the impairment of trade receivables and contract assets as a key audit matter due to the significance of the carrying amounts of trade receivables and contract assets to the consolidated financial statements, as well as the significant judgement involved in developing and implementing the expected credit loss ("**ECL**") model and high level of estimation uncertainty.<br><br>Management estimates ECL of trade receivables and contract assets based on the historical default rates, past-due status and financial capability of individual debtors and forward-looking macroeconomic factors.<br><br>As disclosed in Notes 5(a), 21 and 23 to the consolidated financial statements, as at 31 March 2023, the carrying amount of trade receivables and contract assets are HK$37,813,000 and HK$75,465,000 respectively net of allowance for credit losses of HK$2,392,000 and HK$317,000 respectively. | Our procedures in relation to impairment assessment of trade receivables and contract assets included:<br><br>• Understanding management's process of assessing recoverability of trade receivables and contract assets;<br><br>• Assessing the appropriateness of management's ECL model and challenging assumptions and data used in estimating ECL, including testing the accuracy of the historical data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising loss allowances; and<br><br>• Discussing with the Group's project managers about their evaluation of impact of disputes with customers and unforeseen delay of construction contracts, if any, on the recoverability of trade receivables and contract assets and checking to those relevant correspondences and documents to assess reasonableness of their evaluation. |

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| **Impairment assessment of goodwill** | |
| We identified impairment of goodwill as a key audit matter due to significant management judgement involved in determining the recoverable amount of the goodwill for impairment assessment.<br><br>Impairment of goodwill is assessed by comparing the recoverable amount of respective cash-generating unit ("**CGU**") to which goodwill is allocated, to their carrying values at the end of each reporting period. Significant judgements and estimates are required by the management in assessing the impairment of goodwill, which are determined with reference to the present value of the estimated future cash flows arising from respective CGUs with key assumptions and estimates including expected changes to revenue and direct costs, suitable discount rates and growth rates in order to calculate the recoverable amount of the CGUs.<br><br>Included in the Group's consolidated statement of financial position, as at 31 March 2023, the goodwill amount is HK$74,691,000 and no impairment loss is recorded during the year. | Our procedures in relation to the impairment assessment of goodwill included:<br><br>• Obtaining an understanding on the Group's impairment assessment process including cash flow forecast preparation process;<br><br>• Assessing the reasonableness of the key assumptions and estimates made by the management in determining the recoverable amount of the CGUs, including discount rates, growth rates and expected changes to revenue and direct costs;<br><br>• Evaluating the key inputs adopted in the cash flow forecast by comparing to the historical performance and the most recent actual performance of respective CGUs;<br><br>• Testing the mathematical accuracy of the underlying value-in-use calculations; and<br><br>• Evaluating the sensitivity analysis performed by management around the key assumptions applied to ascertain the extent of changes in those assumptions that either individually or collectively would be required for the goodwill to be impaired. |

## OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another independent auditor whose report dated 24 June 2022 expressed an unmodified opinion on those consolidated financial statements.

## OTHER INFORMATION

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

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

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

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

The directors 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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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.

The engagement director on the audit resulting in this independent auditor's report is Del Rosario, Faith Corazon.

**Baker Tilly Hong Kong Limited**
*Certified Public Accountants*
Hong Kong, 23 June 2023

**Del Rosario, Faith Corazon**
Practising Certificate Number P06143

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

| | Notes | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|---|
| **Revenue** | 7 | **401,352** | 591,900 |
| Cost of services | | **(379,929)** | (565,058) |
| **Gross profit** | | **21,423** | 26,842 |
| Other income, gains and losses | 8 | **(2,662)** | 342 |
| Provision of loss allowance for trade receivables, contract assets and other receivables, net | 40(a) | **(2,007)** | (1,045) |
| Fair value gain/(loss) on derivative financial liability | 29 | **4,050** | (19,080) |
| Share of losses of associates | 19 | **(1,716)** | – |
| Administrative and other expenses | | **(56,025)** | (25,864) |
| Finance costs | 9 | **(1,901)** | (36) |
| **Loss before tax** | 10 | **(38,838)** | (18,841) |
| Income tax credit/(expense) | 11 | **785** | (550) |
| **Loss for the year** | | **(38,053)** | (19,391) |
| Attributable to: | | | |
| Owners of the Company | | **(38,065)** | (19,391) |
| Non-controlling interests | | **12** | – |
| | | **(38,053)** | (19,391) |
| | | **HK cents** | HK cents |
| **Loss per share, attributable to owners of the Company** | | | |
| – Basic and diluted | 14 | **(4.01)** | (2.42) |
| **Loss for the year** | | **(38,053)** | (19,391) |
| **Other comprehensive income for the year** | | | |
| ***Item that will not be reclassified to profit or loss:*** | | | |
| Change in fair value of equity instruments at fair value through other comprehensive income (with nil tax effect) | | **7,931** | – |
| **Total comprehensive expense for the year** | | **(30,122)** | (19,391) |
| **Attributable to:** | | | |
| Owners of the Company | | **(30,134)** | (19,391) |
| Non-controlling interests | | **12** | – |
| | | **(30,122)** | (19,391) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

| | Notes | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **19,316** | 8,340 |
| Right-of-use assets | 16 | **13,844** | 636 |
| Goodwill | 17 | **74,691** | – |
| Intangible assets | 18 | **3,455** | 1,125 |
| Interests in associates | 19 | **3,364** | – |
| Equity instruments at fair value through other comprehensive income | 20 | **27,719** | – |
| Deposits | 22 | **1,604** | – |
| Deferred tax assets | 31 | **1,775** | 1,175 |
| | | **145,768** | 11,276 |
| **Current assets** | | | |
| Inventories | | **137** | – |
| Trade receivables | 21 | **37,813** | 49,170 |
| Deposits, prepayments and other receivables | 22 | **20,462** | 70,816 |
| Contract assets | 23 | **75,465** | 142,108 |
| Pledged bank deposits | 24 | **17,180** | – |
| Cash and cash equivalents | 24 | **70,745** | 87,200 |
| | | **221,802** | 349,294 |
| **Current liabilities** | | | |
| Trade and retention money payables | 25 | **72,449** | 169,853 |
| Accruals and other payables | 26 | **41,701** | 15,053 |
| Derivative financial liability | 29 | **–** | 19,080 |
| Promissory note payables | 27 | **42,937** | – |
| Lease liabilities | 28 | **6,862** | 654 |
| Amount due to the ultimate holding company | 30 | **5,670** | – |
| Amount due to an associate | 30 | **67** | – |
| | | **169,686** | 204,640 |
| **Net current assets** | | **52,116** | 144,654 |
| **Total assets less current liabilities** | | **197,884** | 155,930 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Provision for reinstatement costs | 16 | **4,000** | – |
| Lease liabilities | 28 | **4,983** | 34 |
| Deferred tax liabilities | 31 | **508** | – |
| | | **9,491** | 34 |
| **NET ASSETS** | | **188,393** | 155,896 |
| **Capital and reserves** | | | |
| Share capital | 33 | **9,595** | 8,275 |
| Reserves | | **178,867** | 147,621 |
| **Equity attributable to owners of the Company** | | **188,462** | 155,896 |
| Non-controlling interests | | **(69)** | – |
| **TOTAL EQUITY** | | **188,393** | 155,896 |

The consolidated financial statements on pages 89 to 181 were approved and authorised for issue by the board of directors on 23 June 2023 and are signed on its behalf by:

**Kwok Chun Sing**
*Director*

**Zhan Zhi Hao**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 (Note 33) | Share premium HK$'000 (Note 33) | Fair value reserve HK$'000 (Note 33) | Capital reserve HK$'000 (Note 33) | Retained earnings HK$'000 (Note 33) | Sub-total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| **At 1 April 2021** | 8,000 | 88,035 | – | 15,500 | 56,422 | 167,957 | – | 167,957 |
| Issuance of new shares (Note 33) | 275 | 7,055 | | – | – | 7,330 | – | 7,330 |
| Loss and total comprehensive expense for the year | – | – | – | – | (19,391) | (19,391) | – | (19,391) |
| **At 31 March 2022 and 1 April 2022** | 8,275 | 95,090 | – | 15,500 | 37,031 | 155,896 | – | 155,896 |
| (Loss)/profit for the year | – | – | – | – | (38,065) | (38,065) | 12 | (38,053) |
| Other comprehensive income for the year | | | | | | | | |
| – Change in fair value through other comprehensive income (with nil tax effect) | – | – | 7,931 | – | – | 7,931 | – | 7,931 |
| **Total comprehensive income/(expense) for the year** | – | – | 7,931 | – | (38,065) | (30,134) | 12 | (30,122) |
| Disposal of equity instruments at fair value through other comprehensive income | – | – | (10,950) | – | 10,950 | – | – | – |
| Shares issued for settlement of consideration in relation to acquisition of an associate (Note 29) | 900 | 41,850 | – | – | – | 42,750 | – | 42,750 |
| Shares issued for settlement of consideration in relation to acquisition of a subsidiary (Note 36(b)) | 420 | 19,530 | – | – | – | 19,950 | – | 19,950 |
| Acquisition of a subsidiary (Note 36(b)) | – | – | – | – | – | – | (81) | (81) |
| **At 31 March 2023** | **9,595** | **156,470** | **(3,019)** | **15,500** | **9,916** | **188,462** | **(69)** | **188,393** |

# 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 tax | | **(38,838)** | (18,841) |
| Adjustments for: | | | |
| Bank interest income | 8 | **(343)** | (60) |
| Finance costs | 9 | **1,901** | 36 |
| Depreciation of property, plant and equipment | 10 | **5,992** | 399 |
| Depreciation of right-of-use assets | 10 | **6,143** | 1,235 |
| Amortisation of intangible asset | 10 | **1,870** | 375 |
| Loss on disposal of property, plant and equipment | 10 | **5,577** | 37 |
| Provision of loss allowance of trade receivables, net | 10 | **1,294** | 930 |
| Provision of loss allowance of contract assets, net | 10 | **33** | 115 |
| Provision of loss allowance of other receivables | 10 | **680** | – |
| Fair value (gain)/loss on derivative financial liability | 29 | **(4,050)** | 19,080 |
| Share of losses of associates | 19 | **1,716** | – |
| Covid-19 related rent concessions | 8 | **(138)** | – |
| Operating cash flows before movements in working capital | | **(18,163)** | 3,306 |
| Decrease in inventories | | **40** | – |
| Decrease/(increase) in trade receivables | | **13,458** | (39,974) |
| Decrease/(increase) in deposits, prepayments and other receivables | | **56,780** | (25,273) |
| Decrease/(increase) in contract assets | | **66,610** | (57,626) |
| (Decrease)/increase in trade and retention money payables | | **(100,287)** | 117,736 |
| Increase in accruals and other payables | | **9,607** | 1,496 |
| Cash generated from/(used in) operations | | **28,045** | (335) |
| Income tax refunded | | **–** | 1,425 |
| **Net cash generated from operating activities** | | **28,045** | 1,090 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Placement of pledged bank deposits | | (17,180) | – |
| Purchase of property, plant and equipment | | (9,585) | (152) |
| Purchase of equity instruments at fair value through other comprehensive income | | (40,038) | – |
| Proceeds from disposal of property, plant and equipment | | 30 | – |
| Proceeds from disposal of equity instruments at fair value through other comprehensive income | | 20,250 | – |
| Advance from an associate | | 67 | – |
| Net cash inflow/(outflow) arising from acquisition of subsidiaries | 36 | 16,204 | (1,500) |
| Interest received | | 343 | 60 |
| **Net cash used in investing activities** | | (29,909) | (1,592) |
| **Cash flows from financing activities** | | | |
| Interest paid | 39(b) | (424) | (36) |
| Repayments of lease liabilities | 39(b) | (5,311) | (1,222) |
| Repayments of bank borrowings | 39(b) | (4,017) | – |
| Repayment to the ultimate holding company | 39(b) | (4,839) | – |
| **Net cash used in financing activities** | | (14,591) | (1,258) |
| **Net decrease in cash and cash equivalents** | | (16,455) | (1,760) |
| **Cash and cash equivalents at beginning of the year** | | 87,200 | 88,960 |
| **Cash and cash equivalents at end of the year** | | 70,745 | 87,200 |

## 1. GENERAL INFORMATION

The Company is incorporated as an exempted company with limited liability in the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is located at 71 Fort Street, P.O. Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands and its principal place of business in Hong Kong is located at Room 2901 & 09-10, 29/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company and the principal activities of its subsidiaries are the provision of superstructure building and RMAA work service as a main contractor in Hong Kong and the provision of reverse supply chain management and environmental-related service. The principal activities of its subsidiaries are set out in Note 34.

The immediate and ultimate holding company is Chun Yip International Investment Limited, a company incorporated in the British Virgin Islands, and Mr. Kwok Chun Sing is the ultimate controlling party of the Company since the takeover of the controlling shares of the Company from Mr. Chan Kam Tong and Mr. Chan Kam Ming on 11 January 2023.

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

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) 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 period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

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

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

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments[1] |
| 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 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) [2] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | 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.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

***Amendments to HKAS 1 and HKFRS Practice Statement 2 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.

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

The application of the amendments 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.

***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

The consolidated financial statements 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 the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange of 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 the market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such 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 measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Basis of consolidation

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

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less any impairment loss. The result of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Asset acquisition

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of business are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition-date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. Acquisition-related costs are expensed as incurred.

For business combinations in which the acquisition date is on or after 1 April 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Goodwill (Continued)

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

### Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Interests in associates (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

# 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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.

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

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

## Leases

### *Definition of a lease*

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as a lessee*

*Allocation of consideration to components of a contract*

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

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

*Short-term leases*

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

*Right-of-use assets*

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments from Covid-19-related rent concessions in which the Group applied the practical expedient. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use assets are transferred to property, plant and equipment.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

*Refundable rental deposits*

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

*Lease liabilities*

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

The lease payments represent fixed payments and the exercise price of a purchase option if the Group is reasonably certain to exercise the option.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

*Lease modifications*

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

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

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

*Covid-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments.

The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

### Intangible asset

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments

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

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

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

Interest income is recognised on an effective interest basis for financial assets and are presented as other income.

#### *Financial assets*

*Classification and subsequent measurement of financial assets*

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Amortised cost and interest income*

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

*Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

*Impairment of financial assets*

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

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

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

***Financial assets (Continued)***

*Impairment of financial assets (Continued)*

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(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;

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

***Financial assets (Continued)***

*Impairment of financial assets (Continued)*

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables and contract assets using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

***Financial assets (Continued)***

*Impairment of financial assets (Continued)*

(v) Measurement and recognition of ECL (Continued)

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

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

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

***Financial liabilities and equity instruments***

*Classification as debt or equity*

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

*Equity instruments*

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

*Financial liabilities at amortised cost*

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

***Financial liabilities and equity instruments (Continued)***

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives financial instruments, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

*Derecognition of financial liabilities*

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

### Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including assets similar in nature to cash, which are not restricted as to use.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

### Revenue from contracts with customers

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue from contracts with customers (Continued)

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 liability 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.

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

*Input method*

The Group provides construction services to customer. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced and the payment is generally due within 30 days from the date of invoice. Revenue is recognised from a construction contract by reference to the progress towards complete satisfaction of performance obligation at the end of the reporting period, measured using the input method based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue from contracts with customers (Continued)

#### *Contract assets and contract liabilities*

A contract asset 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.

A contract liability 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 asset is recognised when (i) the Group completes the infrastructure construction works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is 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 under the input method then the Group recognises a contract liability for the difference.

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

### Taxation

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (Continued)

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

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

### Borrowing costs

All borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which it operates (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 end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

### 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 annual 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) 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. There are no forfeited contributions for the MPF Scheme as the contributions are fully vested to the employees upon payment to the scheme. No forfeited contributions may be used to reduce the existing level of contributions.

#### *(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.

### Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other income, rather than reducing the related expense.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and investments in subsidiaries included in the Company's statement of financial position to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Provision and contingent liabilities

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

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

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

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

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

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

### 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties (Continued)

(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 Company's parent.

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.

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

In the application of the Group's accounting policies, which are described in Note 4, management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Key sources of estimation uncertainty

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 within the next financial year, are described below.

#### *(a) Expected credit loss on trade receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The ECL rates are based on the Group's historical observed default rates. The provision matrix is initially based on days past due for groupings of various customer segments that have similar loss patterns. The Group will calibrate the ECL rates to adjust the historical credit loss experience with forward-looking information. If forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 40(a) to the consolidated financial statements.

As at 31 March 2023, the carrying amounts of trade receivables and contract assets were HK$37,813,000 (2022: HK$49,170,000) and HK$75,465,000 (2022: HK$142,108,000) respectively (net of allowance for credit losses on trade receivables and contract assets of HK$2,392,000 (2022: HK$1,098,000) and HK$317,000 (2022: HK$284,000) respectively).

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

### Key sources of estimation uncertainty (Continued)

#### (b) *Measurement of progress of construction works*

The Group uses input method to measure the progress toward satisfaction of the performance obligations, and specifically, the proportion of actual construction costs incurred relative to the estimated total costs. Actual construction costs incurred include direct and indirect costs in the process of transferring goods or services from the Group to customers. The Group believes that costs incurred is proportionate to the progress in satisfying the performance obligation. Therefore, the proportion of actual construction costs incurred relative to the total expected costs can reflect the progress toward satisfaction of construction service. Since the duration of construction is relatively long that it may cover more than one accounting period, the Group will review contract, revise budget and adjust revenue accordingly as the contract carries forward.

During the year ended 31 March 2023, the Group generated revenue of HK$373,132,000 (2022: HK$591,900,000) from construction contracts. As at 31 March 2023, the carrying amount of contract assets is HK$75,465,000 (2022: HK$142,108,000).

#### (c) *Impairment assessment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2023, the carrying amount of goodwill is amounted HK$74,691,000 (2022: Nil).

#### (d) *Purchase price allocation*

The Group applies acquisition accounting to transactions that meet the definition of business combinations. This requires the Group to allocate the acquisition consideration to identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition. Management estimations are required to determine the fair values of assets acquired and liabilities assumed, and the related deferred tax liabilities arising from fair value adjustments at the date of acquisition. The fair values of assets and liabilities acquired on the acquisition dates are set out in Note 36 to the financial statements.

#### (e) *Recognition of deferred tax assets*

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised, and is measured at the tax rates that are expected to apply when the related deferred income tax assets are realised. In determining the deferred tax assets to be recognised, management is required to estimate the future applicable tax rate for each entity within the Group at each tax jurisdiction and the profitability of each entity, so as to estimate the future utilisation of tax losses. Any difference between these estimates and the actual outcome will impact the Group's results in the period in which the actual outcome is determined. As at 31 March 2023, the carrying amount of deferred tax assets amounted to approximately HK$1,775,000 (2022: HK$1,175,000).

## 6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focused on the business lines of the Group. During the year ended 31 March 2023, the Group commenced the business engaging in reverse supply chain management and environmental-related service with the acquisition of Chun Yang International (HK) Company Limited ("**Chun Yang**") and Cornerstone Energy Limited ("**Cornerstone**") (as detailed in Note 36) and it is considered as a new operating and reportable segment by the CODM. The Group's operating segments are classified as (i) Superstructure building and RMAA works service and (ii) Reverse supply chain management and environmental-related service. These operating segments also represent the Group's reportable segments.

No operating segment information was presented for the year ended 31 March 2022 as there was only a single business line, being the provision of superstructure building and RMAA work service.

Disaggregate of revenue from contracts with customers, as well as information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the year ended 31 March 2023 is set out below.

| | For the year ended 31 March 2023 | | |
|---|---|---|---|
| | Superstructure building and RMAA works service<br>HK$'000 | Reverse supply chain management and environmental-related service<br>HK$'000 | Total<br>HK$'000 |
| Segment revenue (from external customers) | 373,132 | 28,220 | 401,352 |
| Segment results | 760 | (18,744) | (17,984) |
| Fair value gain on derivative financial liability | | | 4,050 |
| Share of loss on associates | | | (1,716) |
| Finance costs | | | (1,679) |
| Unallocated expenses | | | (21,509) |
| Loss before tax | | | (38,838) |

## 6. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) earned by each segment without allocation of unallocated expenses (including certain administrative and other expenses), fair value gain on derivative financial liability, share of loss on associates and certain finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group.

### Other segment information

| | For the year ended 31 March 2023 | | |
|---|---|---|---|
| | Superstructure building and RMAA works service HK$'000 | Reverse supply chain management and environmental-related service HK$'000 | Total HK$'000 |
| Amounts included in the measured of segment result: | | | |
| Finance costs | 9 | 213 | 222 |
| Depreciation of property, plant and equipment | 130 | 3,188 | 3,318 |
| Depreciation of right-of-use assets | 603 | 2,589 | 3,192 |
| Amortisation of intangible assets | 750 | 1,120 | 1,870 |
| Provision of loss allowance for | | | |
| – trade receivables | 196 | 1,098 | 1,294 |
| – contract assets | 33 | – | 33 |
| – other receivables | – | 680 | 680 |
| Loss on disposal of property, plant and equipment | 60 | 5,517 | 5,577 |

The Group's revenue from operations derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets.

## 6. SEGMENT INFORMATION (CONTINUED)

### Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the reporting period is as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Customer A | 166,842 | 249,115 |
| Customer B | N/A* | 150,543 |
| Customer C | N/A* | 128,822 |
| Customer D | 116,212 | 63,186 |

* Revenue from relevant customer was less than 10% of the Group's total revenue for the reporting period.

## 7. REVENUE

The principal activities of the Group are provision of (i) superstructure building and RMAA works service and (ii) reverse supply chain management and environmental-related service.

### Disaggregation of revenue

An analysis of the Group's revenue from contracts with customers by the timing of revenue recognition recognised during the reporting period is as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Provision of superstructure building and RMAA works service | 373,132 | 591,900 |
| Reverse supply chain management and environmental-related service | 28,220 | – |
| | 401,352 | 591,900 |
| **Timing of revenue recognition** | | |
| A point in time | 5,165 | – |
| Over time | 396,187 | 591,900 |
| | 401,352 | 591,900 |

## 7. REVENUE (CONTINUED)

As at 31 March 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$408,990,000 (2022: approximately HK$490,967,000). This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which HK$277,659,000 (2022: HK$490,967,000) is expected to occur within one year and HK$131,331,000 (2022: Nil) is expected to occur within more than one year but less than two years.

The Group has applied the practical expedient to its contracts for 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.

## 8. OTHER INCOME, GAINS AND LOSSES

An analysis of the Group's other income, gains and losses recognised during the reporting period is as follows:

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Bank interest income | **343** | 60 |
| Government grant (Note) | **2,288** | – |
| Covid-19 related rent concessions | **138** | – |
| Sundry income | **212** | 319 |
| Exchange loss, net | **(66)** | – |
| Loss on disposal of property, plant and equipment | **(5,577)** | (37) |
| | **(2,662)** | 342 |

Note: Government subsidies obtained are mainly related to the Employment Support Scheme amounting to approximately HK$1,567,000, Distance Business Programme amounting to approximately HK$36,000 and the Recycling Fund amounting to approximately HK$685,000. The Group has elected to present the government subsidies separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expense, and not reduce employee head count below prescribed levels for a specified period of time.

## 9. FINANCE COSTS

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Interest expenses on promissory note | 1,477 | – |
| Interest expenses on bank borrowings | 66 | – |
| Interest expenses on lease liabilities | 358 | 36 |
| | 1,901 | 36 |

## 10. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Depreciation of property, plant and equipment | 5,992 | 399 |
| Depreciation of right-of-use assets | 6,143 | 1,235 |
| Amortisation of intangible asset | 1,870 | 375 |
| | 14,005 | 2,009 |
| Employee benefit expenses (including directors' remuneration (Note 12)) | | |
| – Wages and salaries | 44,754 | 36,492 |
| – Contributions to defined contribution retirement plans | 365 | 1,039 |
| – Others | 253 | 398 |
| | 45,372 | 37,929 |
| Cost of inventories recognised as an expense | 3,513 | – |
| Auditor's remuneration | 800 | 520 |
| Short-term lease expenses | 186 | 824 |
| Provision of loss allowance for | | |
| – trade receivables | 1,294 | 930 |
| – contract assets | 33 | 115 |
| – other receivables | 680 | – |
| Loss on disposal of property, plant and equipment | 5,577 | 37 |

## 11. INCOME TAX CREDIT/(EXPENSE)

The Group is subject to income tax on profits arising in or derived from Hong Kong, being its principal place of business. The income tax credit/(expense) in the consolidated statement of profit or loss and other comprehensive income during the reporting period represents:

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Deferred tax | | |
| Credited/(charged) to profit or loss (Note 31) | **785** | (550) |
| Total income tax credit/(expense) for the year | **785** | (550) |

No provision for Hong Kong profits tax has been made for the year ended 31 March 2023 as the group entities did not have assessable profits subject to Hong Kong profits tax for the year (2022: Nil).

The income tax credit/(expense) for the reporting period can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Loss before tax | **(38,838)** | (18,841) |
| Tax calculated at statutory tax rate of 16.5% | **(6,408)** | (3,109) |
| Tax effect of expenses not deductible for tax purpose | **5,927** | 3,844 |
| Tax effect of income not taxable for tax purpose | **(1,102)** | (10) |
| Tax relief enacted by the tax authority | **–** | (10) |
| Income tax at concessionary rate | **–** | (165) |
| Tax effect of utilisation of unused tax losses previously not recognised | **(40)** | – |
| Tax effect of tax loss not recognised | **838** | – |
| | **(785)** | 550 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

### (a) Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the reporting period, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, is as follows:

**Year ended 31 March 2023**

| | Fees HK$'000 | Salaries and benefits HK$'000 | Discretionary bonuses HK$'000 | Contributions to defined contribution retirement plans HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| *Executive Directors* | | | | | |
| Mr. Chan Kam Tong (Note (i)) | – | 1,123 | 738 | 18 | 1,879 |
| Mr. Chan Kam Ming (Note (ii)) | – | 1,123 | 738 | 18 | 1,879 |
| Mr. Kwok Chun Sing (Chairman) (Note (iii)) | – | 840 | 120 | 10 | 970 |
| Mr. Zhan Zhi Hao (Chief Executive Officer) (Note (iv)) | – | 276 | 25 | 5 | 306 |
| Mr. Tang Chi Kin (Note (v)) | – | – | – | – | – |
| *Independent Non-Executive Directors* | | | | | |
| Mr. Hau Wing Shing Vincent | 192 | – | – | – | 192 |
| Mr. Wan Simon | 192 | – | – | – | 192 |
| Mr. Zhang Jue (Note (vi)) | 180 | – | – | – | 180 |
| | 564 | 3,362 | 1,621 | 51 | 5,598 |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

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

**Year ended 31 March 2022**

| | Fees HK$'000 | Salaries and benefits HK$'000 | Discretionary bonuses HK$'000 | Contributions to defined contribution retirement plans HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| *Executive Directors* | | | | | |
| Mr. Chan Kam Tong (Note (i)) | – | 1,560 | 618 | 18 | 2,196 |
| Mr. Chan Kam Ming (Note (ii)) | – | 1,560 | 618 | 18 | 2,196 |
| Mr. Tang Chi Kin (Note (v)) | – | – | – | – | – |
| *Independent Non-Executive Directors* | | | | | |
| Mr. Hau Wing Shing Vincent | 187 | – | – | – | 187 |
| Mr. Szeto Cheong Mark (Note (vii)) | 146 | – | – | – | 146 |
| Mr. Wan Simon | 187 | – | – | – | 187 |
| Mr. Zhang Jue (Note (vi)) | 39 | – | – | – | 39 |
| | 559 | 3,120 | 1,236 | 36 | 4,951 |

Notes:

(i) On 11 January 2023, Mr. Chan Kam Tong resigned as an executive director and chairman of the board of director.

(ii) On 11 January 2023, Mr. Chan Kam Ming resigned as an executive director and chief executive officer.

(iii) On 12 August 2022, Mr. Kwok Chun Sing was appointed as an executive director and vice chairman of the board of director. On 11 January 2023, Mr. Kwok Chun Sing was appointed as chairman of the board of director.

(iv) On 23 December 2022, Mr. Zhan Zhi Hao was appointed as an executive director. On 11 January 2023, Mr. Zhan Zhi Hao was appointed as chief executive officer.

(v) On 24 January 2022, Mr. Tang Chi Kin was appointed as an executive director.

(vi) On 14 January 2022, Mr. Zhang Jue was appointed as an independent non-executive director.

(vii) On 14 January 2022, Mr. Szeto Cheong Mark resigned as an independent non-executive director.

(viii) On 2 June 2023, Mr. Lam John Cheung-wah was appointed as an independent non-executive director.

## 12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

### (b) Five highest paid employees

The five highest paid employees of the Group for the year ended 31 March 2023 included 2 directors (2022: included 2 directors) and their emoluments are set out in Note 12(a). The emoluments of the remaining 3 highest paid employees (2022: 3) for the year ended 31 March 2023 are as follows:

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Salaries and benefits | **3,329** | 3,423 |
| Contributions to defined contribution retirement plans | **54** | 36 |
| | **3,383** | 3,459 |

The number of non-directors, highest paid employees whose remuneration fell within the bands is as follows:

| | **2023 No. of employee** | 2022 No. of employee |
|---|---|---|
| HK$1,000,001 to HK$1,500,000 | **3** | 3 |
| HK$1,500,001 to HK$2,000,000 | **–** | – |
| | **3** | 3 |

During the year ended 31 March 2023, no remuneration was paid by the Group to the directors or any of the five highest paid employees of the Group as an inducement to join, or upon joining the Group or as compensation for loss of office (2022: Nil). None of the directors, nor the five highest paid employees has waived or agreed to waive any emoluments during the year (2022: None).

## 13. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

## 14. LOSS PER SHARE

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

| | Year ended 31 March | |
|---|---|---|
| | **2023** | 2022 |
| **Loss per share** | | |
| Loss for the purposes of basic loss per share *(HK$'000)* | **38,065** | 19,391 |
| **Number of share** | | |
| Weighted average number of ordinary shares for the purposes of basic loss per share | **949,361,473** | 802,560,479 |

For the year ended 31 March 2023, the calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$38,065,000 (2022: approximately HK$19,391,000) and the weighted average number of 949,361,473 (2022: 802,560,479) ordinary shares.

Diluted loss per share are same as the basic loss per share as there is no dilutive potential ordinary shares in existence during the year ended 31 March 2023 (2022: no dilution of shares).

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and equipment HK$'000 | Leasehold improvement HK$'000 | Machinery HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2021 | 1,035 | 1,122 | – | 726 | 2,883 |
| Additions | 152 | – | 7,330 | – | 7,482 |
| Disposals | (70) | – | – | – | (70) |
| At 31 March 2022 and 1 April 2022 | 1,117 | 1,122 | 7,330 | 726 | 10,295 |
| Additions | 235 | 9,269 | 81 | – | 9,585 |
| Transfer from right-of-use assets (Note 16) | – | – | – | 397 | 397 |
| Additions through acquisition of subsidiaries (Note 36(a)) | 75 | 1,048 | 11,060 | 410 | 12,593 |
| Disposals | – | – | (6,799) | (239) | (7,038) |
| **At 31 March 2023** | **1,427** | **11,439** | **11,672** | **1,294** | **25,832** |
| **Accumulated depreciation** | | | | | |
| At 1 April 2021 | 233 | 935 | – | 421 | 1,589 |
| Provided for the year | 90 | 187 | 61 | 61 | 399 |
| Elimination on disposals | (33) | – | – | – | (33) |
| At 31 March 2022 and 1 April 2022 | 290 | 1,122 | 61 | 482 | 1,955 |
| Provided for the year | 133 | 2,115 | 3,601 | 143 | 5,992 |
| Elimination on disposals | – | – | (1,282) | (149) | (1,431) |
| **At 31 March 2023** | **423** | **3,237** | **2,380** | **476** | **6,516** |
| **Carrying amount** | | | | | |
| **At 31 March 2023** | **1,004** | **8,202** | **9,292** | **818** | **19,316** |
| At 31 March 2022 | 827 | – | 7,269 | 244 | 8,340 |

Details of impairment assessment are set out in Note 17.

## 16. RIGHT-OF-USE ASSETS

| | Motor vehicle leased for own use carried at cost HK$'000 | Other properties leased for own use carried at cost HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Cost** | | | |
| 1 April 2021 | – | 2,789 | 2,789 |
| Additions | – | 265 | 265 |
| Lease modification | – | 1,123 | 1,123 |
| At 31 March 2022 and 1 April 2022 | – | 4,177 | 4,177 |
| Additions | – | 13,071 | 13,071 |
| Additions through acquisition of subsidiaries (Note 36(a)) | 542 | 6,135 | 6,677 |
| Transfer to property, plant and equipment | (542) | – | (542) |
| **At 31 March 2023** | **–** | **23,383** | **23,383** |
| **Accumulated depreciation** | | | |
| At 1 April 2021 | – | 2,306 | 2,306 |
| Depreciation charge for the year | – | 1,235 | 1,235 |
| At 31 March 2022 and 1 April 2022 | – | 3,541 | 3,541 |
| Depreciation charge for the year | 145 | 5,998 | 6,143 |
| Transfer to property, plant and equipment | (145) | – | (145) |
| **At 31 March 2023** | **–** | **9,539** | **9,539** |
| **Carrying amounts** | | | |
| **At 31 March 2023** | **–** | **13,844** | **13,844** |
| At 31 March 2022 | – | 636 | 636 |

Details of impairment assessment are set out in Note 17.

## 16. RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | **2023** | 2022 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest expenses on lease liabilities | **358** | 36 |
| Expense relating to short-term leases | **186** | 824 |
| Total cash outflow for leases | **5,855** | 2,082 |

For the year ended 31 March 2023, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of 3 to 6 years (2022: 3 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The lease does not include any option to renew for an additional period after the end of contractual term.

During the year ended 31 March 2023, the Group entered into new office lease. Right-of-use assets of HK$13,071,000 (2022: HK$265,000) , including reinstatement cost of HK$4,000,000 (2022: Nil) and lease liabilities of HK$9,071,000 (2022: HK$265,000) were recognised at the commencement of the lease. Furthermore, the Group did not recognise any right-of-use assets (2022: HK$1,123,000) and lease liabilities (2022: HK$1,123,000), respectively, in relation to lease modification during the year.

For the year ended 31 March 2023, the Group leases a motor vehicle under leases expiring in 2 year through acquisition of a subsidiary (Note 36(a)). The lease included an option to renew the lease when all terms are renegotiated and include an option to purchase the motor vehicle at the end of the lease term at a price deemed to be a bargain purchase option. The lease does not include variable lease payments. During the year ended 31 March 2023, the Group has fully settled the lease and the motor vehicle leased for own use with carrying amount of HK$397,000 is transferred to property, plant and equipment.

## 17. GOODWILL

| | HK$'000 |
|---|---|
| **Carrying amount** | |
| At 1 April 2022 | – |
| Arising on acquisition of subsidiaries (Note 36) | 74,691 |
| **At 31 March 2023** | 74,691 |

Goodwill has been allocated for impairment testing purpose to the following CGUs.

– Reverse supply chain management business in Hong Kong ("**Division A**")
– Environmental-related service business in Hong Kong ("**Division B**")

The carrying amount of goodwill as at 31 March 2023 allocated to these CGUs are as below:

| | **2023** HK$'000 |
|---|---|
| Division A | 53,197 |
| Division B | 21,494 |
| | 74,691 |

### Division A

The recoverable amount of the Division A is determined based on a value-in-use calculation from a business valuation report on the Division A prepared by an independent qualified professional valuer, AP Appraisal Limited. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate stated below which is by reference to the forecasts based on the funds available for the Group's business and does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the Division A operates. The cash flows are discounted using the discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to Division A.

## 17. GOODWILL (CONTINUED)

### Division A (Continued)

Key assumption used for the value-in-use calculations are as follows:

| | 2023 |
|---|---|
| Growth rate | 2.5% |
| Gross margin | 14.29% |
| Discount rate | 20.2% |

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

In addition to goodwill, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective cash-generating unit for the purpose of impairment assessment.

During the year ended 31 March 2023, since the recoverable amount of Division A was larger than its carrying amount, the directors of the Company considered that no impairment of goodwill is needed.

### Division B

The recoverable amount of the Division B is determined based on a value-in-use calculation from a business valuation report on the Division B prepared by an independent qualified professional valuer, AP Appraisal Limited. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate stated below which is by reference to the forecasts based on the funds available for the Group's business and does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the Division B operates. The cash flows are discounted using the discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to Division B.

Key assumption used for the value-in-use calculations are as follows:

| | 2023 |
|---|---|
| Growth rate | 2.5% |
| Gross margin | 40.07% |
| Discount rate | 17.03% |

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

During the year ended 31 March 2023, since the recoverable amount of Division B was larger than its carrying amount, the directors of the Company considered that no impairment of goodwill is needed.

## 18. INTANGIBLE ASSETS

| | Licenses HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2021 | – |
| Addition through acquisition of a subsidiary (Note 36(c)) | 1,500 |
| At 31 March 2022 and 1 April 2022 | 1,500 |
| Additions through acquisition of a subsidiary (Note 36(a)) | 4,200 |
| **At 31 March 2023** | **5,700** |
| **Accumulated depreciation** | |
| At 1 April 2021 | – |
| Amortisation for the year | 375 |
| At 31 March 2022 and 1 April 2022 | 375 |
| Amortisation for the year | 1,870 |
| **At 31 March 2023** | **2,245** |
| **Carrying amounts** | |
| **At 31 March 2023** | **3,455** |
| At 31 March 2022 | 1,125 |

Details of impairment assessment are set out in Note 17.

## 19. INTERESTS IN ASSOCIATES

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Cost of investment in associates | 27,720 | – |
| Additions arising from acquisition of subsidiaries (Note 36(a)) | 3,979 | – |
| Share of post-acquisition losses and other comprehensive expenses | (1,716) | – |
| Derecognition upon step acquisition (Note 36(a)) | (26,619) | – |
| Carrying amount | 3,364 | – |

The following table contains the particulars of associates, which are unlisted corporate entities whose quoted market price is not available:

| Name of associate | Place of incorporation/ registration and operation | Particulars of issued and paid-up capital/registered share capital | Proportion of ownership interest 31 March 2023 | Proportion of ownership interest 31 March 2022 | Principal activity |
|---|---|---|---|---|---|
| 晉揚(深圳)新能源生態有限公司(“**晉揚深圳**”) | The PRC | Registered capital RMB2,080,000 | 40% | – | Provision of data destruction services |
| China Resources Chun Yang Technology Company Limited (“**China Resources**”) | Hong Kong | 2,000,000 ordinary shares | 49% | – | Provision of data destruction services |

The associates were acquired through acquisition of subsidiary as set out in Note 36(a). Pursuant to the articles of association, the Group only has significant influence on these entities as the other shareholder of each of these entities has the enough voting power to control and operate these entities. Thus, these entities are accounted for as associates by the Group.

## 19. INTERESTS IN ASSOCIATES (CONTINUED)

All of the above associates are accounted for using the equity method in the consolidated financial statements.

### (a) Summarised financial information of 晋揚深圳

Summarised financial information of 晋揚深圳, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

| | **2023** |
|---|---|
| | HK$'000 |
| Non-current assets | 312 |
| Current assets | 1,818 |
| Current liabilities | (60) |
| Equity | 2,070 |
| Revenue | 820 |
| Loss and total comprehensive expense for the year | (1,360) |

Reconciliation of the above summarised financial information of 晋揚深圳 to the carrying amount of the interest in associate recognised in the consolidated financial statements:

| | **2023** |
|---|---|
| | HK$'000 |
| Net assets of the associate | 2,070 |
| Group's effective interest | 40% |
| Group's share of net assets of the associate | 828 |
| Goodwill (Note) | 604 |
| Carrying amount in the consolidated financial statements | 1,432 |

Note: For the year ended 31 March 2023, the directors of the Company considered that the recoverable amount of 晋揚深圳 was higher than its carrying amount, no impairment loss on interests in associates relating to 晋揚深圳 is recognised during the year.

## 19. INTERESTS IN ASSOCIATES (CONTINUED)

### (b) Summarised financial information of China Resources

| | 2023 HK$'000 |
|---|---|
| Current assets | 4,161 |
| Current liabilities | (251) |
| Equity | 3,910 |
| Loss and total comprehensive expense for the year | (146) |

Reconciliation of the above summarised financial information of China Resources to the carrying amount of the interest in associate recognised in the consolidated financial statements:

| | 2023 HK$'000 |
|---|---|
| Net assets of the associate | 3,910 |
| Group's effective interest | 49% |
| Group's share of net assets of the associate | 1,916 |
| Goodwill (Note) | 16 |
| Carrying amount in the consolidated financial statements | 1,932 |

Note: For the year ended 31 March 2023, the directors of the Company considered that the recoverable amount of China Resources was higher than its carrying amount, no impairment loss on interests in associates relating to China Resources is recognised during the year.

## 20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Listed shares in Hong Kong, at fair value (Note (a)) | 14,722 | – |
| Unlisted investment fund in Hong Kong, at fair value (Note (b)) | 12,997 | – |
| | 27,719 | – |

Notes:

(a) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI. Changes in fair value are recognised in the other comprehensive income as they arise.

Certain listed equity investments were sold during the year due to risk monitoring consideration. The fair value of the listed equity investments at the date of derecognition was HK$20,250,000 and the cumulative gain on disposal of HK$10,950,000 has been transferred to retained earnings.

The fair value of the listed equity investments is measured using quoted market price available on the Stock Exchange which was a level 1 input in terms of HKFRS 13 Fair Value Measurement.

(b) The above unlisted equity investments represent the Group's equity interest in a private investment fund established in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI. Changes in fair value are recognised in the other comprehensive income as they arise.

## 21. TRADE RECEIVABLES

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Trade receivables – contracts with customers | 40,205 | 50,268 |
| *Less:* loss allowance | (2,392) | (1,098) |
| | 37,813 | 49,170 |

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 Group grants the credit period of 30 to 60 days for its customers of its reverse supply chain management and environmental-related services business. Further details of the movement of impairment losses and the Group's credit policy and credit risk arising from trade receivables are set out in Note 40(a).

Trade receivables are non-interest bearing and the Group does not hold any collateral or other credit enhancements over these balances.

## 21. TRADE RECEIVABLES (CONTINUED)

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

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Within 30 days | 23,260 | 49,170 |
| 31 to 90 days | 5,869 | – |
| 91 to 120 days | 7,044 | – |
| 121 to 365 days | 571 | – |
| Over one year but less than two years | 1,069 | – |
| | 37,813 | 49,170 |

## 22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| **Non-current** | | |
| Deposits | 1,604 | – |
| **Current** | | |
| Deposits | 1,983 | 60,877 |
| Prepayments | 15,323 | 9,003 |
| Other receivables | 3,836 | 936 |
| *Less*: loss allowance | (680) | – |
| | 20,462 | 70,816 |
| Total | 22,066 | 70,816 |

## 22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's deposits as at 31 March 2022 were current deposits of HK$56,177,000, placed with an insurance company as security for the issuance of non-interest bearing surety bonds for construction contracts. As at 31 March 2023, such deposits were released, and during the year ended 31 March 2023, performance bonds were granted under the banking facilities of the Group in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers for construction contracts (Note 37).

The balances of other receivables are unsecured, interest-free and repayable on demand. The Group's other receivables were neither past due nor impaired as at 31 March 2023 and 2022.

As at 31 March 2023, included in other receivables are balances of HK$484,000 (2022: Nil) due from a related party, which is a company wholly-owned by a director of a subsidiary of the Group. The amounts are unsecured, interest-free and repayable on demand.

## 23. CONTRACT ASSETS

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| **Contract assets arising from:** | | |
| Construction services | **75,782** | 142,392 |
| *Less:* loss allowance | **(317)** | (284) |
| | **75,465** | 142,108 |

## 23. CONTRACT ASSETS (CONTINUED)

### Construction services

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. Additionally, the Group typically agrees one to three years retention period for 5% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection.

*Movements in the gross carrying amounts of contract assets:*

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Balance at beginning of the year | **142,392** | 84,766 |
| Decrease in contract assets as a result of transferring from contract assets to trade receivables | **(134,292)** | (70,096) |
| Increase in contract assets as a result of changing in measure of progress | **67,682** | 127,722 |
| Balance at end of the year | **75,782** | 142,392 |

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

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Within one year | **75,465** | 142,108 |

## 23. CONTRACT ASSETS (CONTINUED)

### Construction services (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are with reference to those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are with reference to days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. Further details of the Group's credit risk policy and credit risk arising from contract assets are set out in Note 40(a).

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

Cash and cash equivalents comprises cash on hand and bank balances. As at 31 March 2023, bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 2.58% (2022: 0.001% to 0.6%) per annum.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group as a security for issuance of non-interest bearing surety bonds for construction contracts. As at 31 March 2023, the pledged bank deposits carried an fixed interest rate of 3% per annum.

## 25. TRADE AND RETENTION MONEY PAYABLES

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Trade payables | **49,788** | 138,820 |
| Retention money payables (Note) | **22,661** | 31,033 |
| | **72,449** | 169,853 |

Note: Retention monies to sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

## 25. TRADE AND RETENTION MONEY PAYABLES (CONTINUED)

An aging analysis of trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Within 30 days | 23,665 | 86,291 |
| 31 to 90 days | 14,933 | 51,047 |
| 91 to 120 days | 2,903 | 158 |
| 121 to 365 days | 4,159 | – |
| Over 365 days | 4,128 | 1,324 |
| | 49,788 | 138,820 |

## 26. ACCRUALS AND OTHER PAYABLES

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Accruals | 4,318 | 8,213 |
| Other payables (Note) | 26,411 | 173 |
| Provision for contracting costs | 5,110 | 6,664 |
| Deposit received | 5,862 | 3 |
| | 41,701 | 15,053 |

Note:

This includes an amount due to a director of a subsidiary of the Group amounting to HK$20,458,000 (2022: Nil). They are unsecured, interest-free and repayable on demand.

## 27. PROMISSORY NOTE PAYABLES

On 8 August 2022, the Company issued promissory note with a fair value of HK$41,460,000 which will mature in one year from the date of issuance carrying interest at 5% per annum. The directors of the Company considered that no derivatives were embedded in the promissory note payable and it is appropriate to use amortised cost to account for the promissory note payable in the consolidated statement of financial position. For the year ended 31 March 2023, effective interest expenses of promissory note of HK$1,477,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

## 27. PROMISSORY NOTE PAYABLES (CONTINUED)

On 21 March 2023, the Company and the ultimate holding company of the Company entered into the subscription and debt capitalisation agreement pursuant to which the parties conditionally agreed that the ultimate holding company shall subscribe for, and the Company shall allot and issue, 103,650,000 capitalisation shares at the capitalisation price to settle the promissory notes. The transaction has not yet completed as at 31 March 2023 and has been subsequently completed on 15 May 2023.

## 28. LEASE LIABILITIES

| | Other properties and motor vehicles leased for own use carried at cost HK$'000 |
|---|---|
| **At 1 April 2021** | 522 |
| Additions | 265 |
| Lease modification | 1,123 |
| Interest expense | 36 |
| Lease payments | (1,258) |
| **At 31 March 2022 and 1 April 2022** | 688 |
| Additions | 9,071 |
| Addition through acquisition of a subsidiary (Note 36(a)) | 7,535 |
| Interest expense | 358 |
| Lease payments | (5,669) |
| Covid-19 related rental concessions | (138) |
| **At 31 March 2023** | 11,845 |

## 28. LEASE LIABILITIES (CONTINUED)

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

| | Total minimum lease payments HK$'000 | Total future interest expenses HK$'000 | Present value of the minimum lease payments HK$'000 |
|---|---|---|---|
| **At 31 March 2023** | | | |
| Not later than one year | 7,151 | 289 | 6,862 |
| Later than one year and not later than two years | 5,077 | 94 | 4,983 |
| | 12,228 | 383 | 11,845 |
| At 31 March 2022 | | | |
| Not later than one year | 663 | 9 | 654 |
| Later than one year and not later than two years | 34 | – | 34 |
| | 697 | 9 | 688 |

The present value of future lease payments are analysed as:

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Current liabilities | 6,862 | 654 |
| Non-current liabilities | 4,983 | 34 |
| | 11,845 | 688 |

## 29. DERIVATIVE FINANCIAL LIABILITY

On 25 February 2022, the Company entered into a sale and purchase agreement (the "**Agreement**") with an independent third party pursuant to which the Group shall acquire 40% equity interest in Chun Yang, a company incorporated in Hong Kong with limited liability, at a nominal consideration of approximately HK$25,290,000 to be settled by an allotment and issuance of 90,000,000 shares of the Company.

Pursuant to the Agreement, the Company is obliged to complete the acquisition at a future date. Hence, a derivative forward contract within the scope of HKFRS 9 was entered into by the Company to acquire 40% equity interest in Chun Yang before the completion of the acquisition. As at 31 March 2022, fair value of the derivative forward contract of approximately HK$19,080,000 was recognised as a derivative financial liability in the consolidated statement of financial position.

The fair value change of the derivative financial liability from the contract inception date to 31 March 2022 of approximately HK$19,080,000 was recognised in the consolidated statement of comprehensive income during the year ended 31 March 2022.

On 29 April 2022, the Company completed the acquisition of 40% equity interest in Chun Yang with a consideration amounted to approximately HK$42,750,000 based on the Company's closing share price on 29 April 2022. Since then, Chun Yang became an associate of the Group. The interest in associates is initially recognised at a cost of HK$27,720,000, taking into consideration settlement of the derivative financial liability with a fair value of HK$15,030,000. The fair value change of the derivative financial liability of HK$4,050,000 was recognised in the consolidated statement of comprehensive income during the year ended 31 March 2023 accordingly.

On 8 August 2022, the Group acquired an additional 60% equity interest of Chun Yang. After the additional acquisition, Chun Yang becomes a wholly owned subsidiary of the Group and therefore, there is a deemed disposal of the previously held equity interest in Chun Yang at the date of acquisition. The Group accordingly remeasured the fair value of such previously held interest at the date of acquisition and there is no gain or loss arisen from this remeasurement.

## 30. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY/AN ASSOCIATE

The amounts are unsecured, interest-free and repayable on demand.

## 31. DEFERRED TAX ASSETS/LIABILITIES

The component of deferred tax assets/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

| | **Fair value adjustments on acquisition of subsidiaries** HK$'000 | **Tax losses** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| At 1 April 2021 | – | 1,725 | 1,725 |
| Charge to profit or loss | – | (550) | (550) |
| At 31 March 2022 and 1 April 2022 | – | 1,175 | 1,175 |
| Addition through acquisition of a subsidiary (Note 36(a)) | (693) | – | (693) |
| Credited to profit or loss (Note 11) | 185 | 600 | 785 |
| **At 31 March 2023** | **(508)** | **1,775** | **1,267** |

Deferred tax assets are recognised for tax losses carried forward to the extent that utilisation of the related tax losses through the future taxable profits is probable. The tax losses can be utilised for offsetting future taxable profits of the Group.

At the end of the reporting period, the Group has unused tax losses of approximately HK$49,277,000 (2022: HK$9,918,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$10,757,000 (2022: HK$7,121,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$38,520,000 (2022: HK$2,797,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | | **148,179** | 60,140 |
| Property, plant and equipment | | **14,073** | 7,269 |
| Right-of-use assets | | **8,852** | – |
| Equity instruments at fair value through other comprehensive income | | **27,719** | – |
| | | **198,823** | 67,409 |
| **Current assets** | | | |
| Amount due from subsidiaries | | **54,314** | 88,383 |
| Prepayments and other receivables | | **1,139** | 203 |
| Cash and cash equivalents | | **3,249** | 8,792 |
| | | **58,702** | 97,378 |
| **Current liabilities** | | | |
| Accruals | | **3,785** | 1,143 |
| Amount due to a subsidiary | | **13,349** | 5,582 |
| Promissory note payables | | **42,937** | – |
| Derivative financial liability | | **–** | 19,080 |
| Lease liabilities | | **2,650** | – |
| | | **62,721** | 25,805 |
| **NET CURRENT (LIABILITIES)/ASSETS** | | **(4,019)** | 71,573 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **194,804** | 138,982 |
| **Non-current liabilities** | | | |
| Provision for reinstatement costs | | **4,000** | – |
| Lease liabilities | | **3,546** | – |
| | | **7,546** | – |
| **NET ASSETS** | | **187,258** | 138,982 |
| **Capital and reserves** | | | |
| Share capital | 33 | **9,595** | 8,275 |
| Reserves | 33 | **177,663** | 130,707 |
| **TOTAL EQUITY** | | **187,258** | 138,982 |

The Company's statement of financial position was approved and authorised for issue by the board of directors on 23 June 2023 and are signed on its behalf by:

| | |
|---|---|
| **Kwok Chun Sing** | **Zhan Zhi Hao** |
| *Director* | *Director* |

## 33. SHARE CAPITAL AND RESERVES

| | Number of shares | Amount HK$'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.01 each | | |
| At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 | 1,500,000,000 | 15,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.01 each | | |
| At 1 April 2021 | 800,000,000 | 8,000 |
| Issuance of new shares (Note (a)) | 27,487,500 | 275 |
| At 31 March 2022 and 1 April 2022 | 827,487,500 | 8,275 |
| Issuance of new shares (Note (b) and (c)) | 132,000,000 | 1,320 |
| **At 31 March 2023** | **959,487,500** | **9,595** |

Notes:

(a) On 25 February 2022, the Company issued a total of 27,487,500 ordinary shares to an independent third party as the settlement of the consideration for purchase of machineries amounting to approximately HK$7,330,000.

(b) On 29 April 2022, the Company issued a total of 90,000,000 ordinary shares to an independent third party for the acquisition of 40% equity interest in Chun Yang.

(c) On 29 April 2022, the Company issued a total of 42,000,000 ordinary shares to an independent third party as the consideration for the acquisition of 95% equity interest in Cornerstone.

## 33. SHARE CAPITAL AND RESERVES (CONTINUED)

### Reserves

Details of movements of the Group's reserves are set out in the consolidated statement of changes in equity on page 92.

***(i) Share premium***

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

***(ii) Capital reserve***

Capital reserve represents the aggregate of the share capital of Head Fame and investment from pre-IPO investors.

***(iii) Retained earnings***

Retained earnings represent the cumulative profit or loss recognised.

***(iv) Fair value reserve***

The fair value reserve comprises the cumulative net change in the equity instruments of financial assets measured at FVOCI at the end of the reporting period and is dealt with in accordance with the accounting policies set out in Note 4.

## 33. SHARE CAPITAL AND RESERVES (CONTINUED)

### Reserves (Continued)

Details of movements of the Company's reserves are set out below.

| | Share premium HK$'000 | Contributed surplus HK$'000 | Fair value reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2021 | 88,035 | 60,139 | – | (2,009) | 146,165 |
| Loss and total comprehensive expense for the year | – | – | – | (22,513) | (22,513) |
| Issuance of new shares | 7,055 | – | – | – | 7,055 |
| At 31 March 2022 and 1 April 2022 | 95,090 | 60,139 | – | (24,522) | 130,707 |
| Loss for the year | – | – | – | (22,355) | (22,355) |
| Other comprehensive income for the year – change in fair value through other comprehensive income (with nil tax effect) | – | – | 7,931 | – | 7,931 |
| Total comprehensive income/(expense) for the year | – | – | 7,931 | (22,355) | (14,424) |
| Disposal of equity instruments at fair value through other comprehensive income | – | – | (10,950) | 10,950 | – |
| Shares issued for settlement of consideration in relation to acquisition of an associate | 41,850 | – | – | – | 41,850 |
| Shares issued for settlement of acquisition of a subsidiary | 19,530 | – | – | – | 19,530 |
| **At 31 March 2023** | **156,470** | **60,139** | **(3,019)** | **(35,927)** | **177,663** |

## 34. DETAILS OF SUBSIDIARIES

The following list contains only the particulars of the major subsidiaries with active operations of the Group during the year:

| Name of subsidiary | Place of incorporation establishment | Place of operation | Issued and fully paid ordinary share capital/ registered capital | Percentage of equity attributable to the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | **2023** | | 2022 | | |
| | | | | **Direct** | **Indirect** | Direct | Indirect | |
| Century Success Limited | British Virgin Islands | Hong Kong | US$300 | **100%** | **–** | 100% | – | Investment holding |
| Head Fame Company Limited | Hong Kong | Hong Kong | HK$500,000 | **–** | **100%** | – | 100% | Provision of superstructure building and RMAA works service as a main contractor |
| Chun Yang International (HK) Company Limited | Hong Kong | Hong Kong | HK$10,000 | **100%** | **–** | – | – | Provision of reverse supply chain management and environmental-related services |
| Cornerstone Energy Limited | Hong Kong | Hong Kong | HK$10,000 | **95%** | **–** | – | – | Provision of technology for recycling retired EV batteries |
| Builders Company Limited | Hong Kong | Hong Kong | HK$300,000 | **–** | **100%** | – | 100% | Provision of EV charging and electrical works |

## 35. LEASE COMMITMENTS

### Group as lessee

Future lease payments are recognised as lease liabilities in the consolidated statement of financial position except for short-term leases and low-value assets, in accordance with the policies set out in Note 4, and the details regarding the Group's future lease payments are disclosed in Note 28.

The commitments for minimum leases payments in relation to the leases that account for short-term lease are shown below.

The Group leases office premises which run for less than one year and simplified accounting is applied to short-term leases. The total future minimum lease payments payable by the Group under non-cancellable short-term leases are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | – | 50 |

## 36. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of Chun Yang

As set out in Note 29, the Group held 40% equity interest in Chun Yang since 29 April 2022 (the "**Existing Shareholding**").

Reference is made to the announcement of the Company dated 15 July 2022, the Company entered into a sale and purchase agreement with an independent third party, pursuant to which the vendor agreed to sell and the Company agreed to purchase a further 60% equity interests of Chun Yang.

On 8 August 2022, the Group completed the acquisition of 60% of equity interest of Chun Yang for a consideration of HK$41,460,000 which was settled by the way of the issue of the promissory notes in the aggregate principal amount of HK$41,460,000, bearing an interest of 5% per annum and due within one year by the Company to the vendor.

On 21 March 2023, the Company and the ultimate holding company of the Company entered into the subscription and debt capitalisation agreement pursuant to which the parties conditionally agreed that the ultimate holding company shall subscribe for, and the Company shall allot and issue, 103,650,000 capitalisation shares at the capitalisation price to settle the promissory notes. The transaction has not yet completed as at 31 March 2023 and has been subsequently completed on 15 May 2023.

Acquisition-related costs of approximately HK$130,000 are expensed and are included in administrative and other expenses during the year ended 31 March 2023.

## 36. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### (a) Acquisition of Chun Yang (Continued)

The relative fair value of the identifiable assets acquired and liabilities assumed at the acquisition date is analysed as follows:

| | HK$'000 |
|---|---|
| **Consideration** | |
| Promissory note payables as at issue date | 41,460 |
| Fair value of the Existing Shareholding | 26,619 |
| Total consideration | 68,079 |

| | Chun Yang carrying amount before combination HK$'000 | Fair value adjustment HK$'000 | Fair value HK$'000 |
|---|---|---|---|
| Plant and equipment | 12,593 | | 12,593 |
| Right-of-use assets | 6,677 | | 6,677 |
| Intangible assets | – | 4,200 | 4,200 |
| Deposits | 1,561 | | 1,561 |
| Interests in associates | 3,979 | | 3,979 |
| Other receivable, deposits and prepayments | 7,149 | | 7,149 |
| Trade receivables | 3,395 | | 3,395 |
| Inventories | 177 | | 177 |
| Cash and cash equivalents | 15,605 | | 15,605 |
| Accrued expenses and other payables | (25,326) | | (25,326) |
| Trade payables | (2,883) | | (2,883) |
| Lease liabilities | (7,535) | | (7,535) |
| Bank and other borrowings | (4,017) | | (4,017) |
| Deferred tax liabilities | – | (693) | (693) |
| Total identified net assets at fair value | 11,375 | 3,507 | 14,882 |
| Goodwill arising on acquisition of a subsidiary | | | 53,197 |
| Total consideration | | | 68,079 |
| Net cash inflow of cash and cash equivalents include in cash flows from investing activities | | | |
| Cash and cash equivalents balances acquired | | | 15,605 |
| | | | 15,605 |

## 36. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### (a) Acquisition of Chun Yang (Continued)

**Goodwill arising on acquisition:**

| | HK$'000 |
|---|---|
| Consideration transferred | 68,079 |
| Less: recognised amounts of net assets acquired | (14,882) |
| Goodwill arising on acquisition: | 53,197 |

Goodwill is arisen in the acquisition of Chun Yang. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue of growth, future market development and the assembled workforce of Chun Yang. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the loss for the year is HK$17,793,000 attributable to the additional business contributed by Chun Yang. Revenue for the year includes HK$10,795,000 generated from Chun Yang.

Had the acquisition of Chun Yang been completed on 1 April 2022, revenue for the year of the Group would have been HK$17,173,000, and loss for the year would have been HK$20,031,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2022, nor is it intended to be a projection of future results.

## 36. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### (b) Acquisition of Cornerstone

Reference is made to the announcement of the Company dated 25 February 2022, the Company entered into a sale and purchase agreement with an independent vendor, pursuant to which the vendor agreed to sell and the Company agreed to purchase 95% equity interests of Cornerstone.

On 29 April 2022, the Group completed the acquisition of 95% of equity interest of Cornerstone for a consideration settled by the allotment and issue of 42,000,000 new shares of the Company to the vendor, which amounted to approximately HK$19,950,000 based on the Company's closing share price on 29 April 2022.

Acquisition-related costs of approximately HK$50,000 are expensed and are included in administrative and other expenses during the year ended 31 March 2023.

The relative fair value of assets acquired and liabilities assumed at the acquisition date is analysed as follows:

| | HK$'000 |
|---|---|
| **Consideration** | |
| Fair value of 42,000,000 shares at HK$0.475 each issued at the acquisition date | 19,950 |

| | Fair value<br>HK$'000 |
|---|---|
| Cash and cash equivalents | 599 |
| Accrued expenses and other payables | (2,224) |
| Total identified net liabilities at fair value | (1,625) |
| Non-controlling interest | 81 |
| Goodwill arising on acquisition of subsidiaries | 21,494 |
| Total consideration | 19,950 |
| Net cash inflow of cash and cash equivalents include in cash flows from investing activities | |
| Cash and cash equivalents balances acquired | 599 |
| | 599 |

## 36. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### (b) Acquisition of Cornerstone (Continued)

The non-controlling interests (5%) in Cornerstone recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Cornerstone and amounted to HK$81,000.

**Goodwill arising on acquisition:**

| | HK$'000 |
|---|---|
| Consideration transferred | 19,950 |
| Add: recognised amounts of net liabilities acquired | 1,625 |
| Less: non-controlling interests | (81) |
| Goodwill arising on acquisition: | 21,494 |

Goodwill is arisen in the acquisition of Cornerstone. The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue of growth, future market development and the assembled workforce of Cornerstone. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the profit for the year is HK$240,000 attributable to the additional business generated by Cornerstone. Revenue for the year includes HK$7,220,000 generated from Cornerstone.

Had the acquisition of Cornerstone been completed on 1 April 2022, revenue for the year of the Group would have been HK$7,679,000, and profit for the year would have been HK$10,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2022, nor is it intended to be a projection of future results.

## 36. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### (c) Acquisition of Builders Company Limited

On 3 September 2021, Acquire Success Limited ("**ASL**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with two individual vendors, pursuant to which the vendors agreed to sell and ASL agreed to purchase all the issued shares of Builders Company Limited (the "**Target Company**").

On 30 September 2021, the Group completed the acquisition (the "**Acquisition**") of 100% of equity interest of the Target Company for a cash consideration of HK$1,500,000. The Target Company is currently registered as a registered general building contractor with the Buildings Department, with a qualified individual acting as an authorised signatory.

The Acquisition was accounted for as asset acquisition, rather than as business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset (i.e. construction license). Accordingly, the Company identified and recognised the individual identifiable assets acquired and liabilities assumed. The investment cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction does not give rise to goodwill.

The relative fair value of assets acquired and liabilities assumed at the acquisition date is analysed as follows:

| | HK$'000 |
|---|---|
| Total consideration of the Acquisition | 1,500 |
| Asset | |
| Intangible asset | 1,500 |
| Total identifiable net asset acquired | 1,500 |

## 37. CONTINGENT LIABILITIES

### Performance bonds

As at 31 March 2023, performance bonds of HK$42,180,000 (2022: Nil) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract works. The performance bonds were granted under the banking facilities of the Group which were secured by assets as set out in Note 24.

Management of the Group do not consider it is probable that a claim will be made against the Group in respect of the above performance bonds.

### Litigation

At the end of the reporting period, the Group was a defendant in a number of claims, lawsuits and potential claims relating to employee's compensation cases and personal injury claims. In the opinion of the directors, the possibility of any outflow of resources in settling these claims is remote and accordingly no provision for liabilities in respect of these litigations is necessary.

## 38. RELATED PARTY TRANSACTIONS

Key management personnel remuneration represents emoluments paid to the directors of the Company as set out in Note 12.

## 39. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Significant non-cash transactions

During the year ended 31 March 2023, the consideration for the acquisition of 40% equity interest in Chun Yang and the consideration for the acquisition of 95% equity interest in Cornerstone are settled by issuing of 90,000,000 and 42,000,000 shares of the Company respectively.

During the year ended 31 March 2022, addition of property, plant and equipment of approximately HK$7,330,000 were settled by issuing 27,487,500 new shares of the Company.

## 39. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

| | Amounts due to the ultimate holding company HK$'000 (Note 30) | Lease liabilities HK$'000 (Note 28) | Bank borrowings HK$'000 | Total |
|---|---|---|---|---|
| At 1 April 2021 | – | 522 | – | 522 |
| Interest paid | – | (36) | – | (36) |
| Repayments of lease liabilities | – | (1,222) | – | (1,222) |
| Total changes from financing cash flows | – | (1,258) | – | (1,258) |
| Other changes: | | | | |
| Lease modification | – | 1,123 | – | 1,123 |
| Lease additions | – | 265 | – | 265 |
| Interest expenses | – | 36 | – | 36 |
| At 31 March 2022 and 1 April 2022 | – | 688 | – | 688 |
| Interest paid | – | (358) | (66) | (424) |
| Repayments of lease liabilities | – | (5,311) | – | (5,311) |
| Repayments of bank borrowings | – | – | (4,017) | (4,017) |
| Repayments of amount due to the ultimate holdings company | (4,839) | – | – | (4,839) |
| Total changes from financing cash flows | (4,839) | (5,669) | (4,083) | (14,591) |
| Other changes: | | | | |
| Lease additions | – | 9,071 | – | 9,071 |
| Addition through acquisition of a subsidiary | 10,509 | 7,535 | 4,017 | 22,061 |
| Covid-19 related rent concessions | – | (138) | – | (138) |
| Interest expenses | – | 358 | 66 | 424 |
| **At 31 March 2023** | **5,670** | **11,845** | **–** | **17,515** |

## 40. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade receivables, contract assets, deposits and other receivables, cash and cash equivalents and pledged bank deposits that derive directly from its operations. Principal financial liabilities of the Group include trade and retention money payables, accruals and other payables, promissory note payables, amounts due to the ultimate holding company/an associate and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, equity price risk and interest rate 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 refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group has rebutted the presumption that default has occurred when a financial asset is more than 90 days past due as the directors of the Company are of the opinion that the balances are still considered recoverable due to long-term/on-going relationship and good repayment record from these customers, if the Group has also assessed that there is no significant increase in credit risk since initial recognition, twelve-month expected credit loss is recognised.

The Group was exposed to the concentration on of credit risk as at 31 March 2023 on trade receivables and contract assets. As at 31 March 2023, approximately 41% (2022: approximately 41%) and approximately 86% (2022: approximately 93%) of the total trade receivables and contract assets was due from the largest and top five largest debtors respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and contract assets are disclosed in Notes 21 and 23 respectively.

## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

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

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

## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

| | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount 2023 HK$'000 | Gross carrying amount 2022 HK$'000 |
|---|---|---|---|---|
| Financial assets at amortised cost | | | | |
| Trade receivables (Note 21) | (Note (i)) | Lifetime ECL (collective assessment) | **39,205** | 49,268 |
| | Loss | Lifetime ECL – credit-impaired | **1,000** | 1,000 |
| | | | **40,205** | 50,268 |
| Deposits and other receivables (Note 22) | Low risk | 12-month ECL – not credit-impaired | **7,423** | 61,813 |
| Contract assets (Note 23) | (Note (i)) | Lifetime ECL (collective assessment) | **75,782** | 142,392 |
| Cash and cash equivalents (Note 24) | Low risk | 12-month ECL – not credit-impaired | **70,745** | 87,200 |
| Pledged bank deposits (Note 24) | Low risk | 12-month ECL – not credit-impaired | **17,180** | – |

Note:

(i) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for the trade receivables with credit-impaired, the Group determines the ECL on these items on a collective basis.

## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

***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 calculated using a provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the past five years and are adjusted for reasonable and supportable forward-looking information that is available without undue costs or effort. In addition, management measures ECL individually for trade receivables and contract assets that are credit-impaired. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

During the year ended 31 March 2023, the Group provided impairment allowance for contract assets and trade receivables of approximately HK$33,000 and approximately HK$1,294,000, respectively (2022: impairment allowance for contract assets of approximately HK$115,000 and loss allowance for trade receivables of approximately HK$930,000, respectively).

The Group writes off a trade receivable and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

***Other receivables and deposits***

The management of the Group regularly reviews and assesses the credit quality of the counterparties. During the year ended 31 March 2023, the Group provided impairment allowance for other receivables of approximately HK$680,000 (2022: Nil). The Group uses 12-month ECL to assess the loss allowance of the remaining other receivables and deposits since these receivables are not past due and there has not been a significant increase in credit risk since initial recognition.

***Cash and cash equivalents and pledged bank deposits***

The credit risks on cash and cash equivalents and pledged bank deposits are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

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

| | Trade receivables (Lifetime ECL – not credit impaired) HK$'000 | Trade receivables (Lifetime ECL – credit impaired) HK$'000 | Contract assets (Lifetime ECL – not credit impaired) HK$'000 |
|---|---|---|---|
| At 1 April 2021 | 18 | 150 | 169 |
| Impairment losses recognised | 80 | 850 | 115 |
| As at 31 March 2022 | 98 | 1,000 | 284 |
| Impairment losses recognised | 1,294 | – | 33 |
| **As at 31 March 2023** | **1,392** | **1,000** | **317** |
| Average loss rate | | | |
| **At 31 March 2023** | **3.55%** | **100%** | **0.42%** |
| At 31 March 2022 | 0.20% | 100% | 0.20% |

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

The following table provides information about the exposure to credit risk for trade receivables and contract assets as at 31 March 2023 and 2022 within lifetime ECL (not credit-impaired).

**At 31 March 2023**

| | Gross carrying amount HK$'000 | Average loss rate % | Loss allowance HK$'000 | Net carrying amount HK$,000 |
|---|---|---|---|---|
| Trade receivables and contract assets | | | | |
| Not past due | 99,140 | 0.4 | 415 | 98,725 |
| 1 to 30 days past due | 5,211 | 0.8 | 44 | 5,167 |
| 31 to 120 days past due | 7,906 | 2.0 | 160 | 7,746 |
| 121 to 365 days past due | 592 | 3.5 | 21 | 571 |
| Over 365 days past due | 2,138 | 50 | 1,069 | 1,069 |
| | 114,987 | | 1,709 | 113,278 |

At 31 March 2022

| | Gross carrying amount HK$'000 | Average loss rate % | Loss allowance HK$'000 | Net carrying amount HK$'000 |
|---|---|---|---|---|
| Trade receivables and contract assets | | | | |
| Not past due | 191,660 | 0.2 | 382 | 191,278 |

## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and retention money payables, accruals and other payables, lease liabilities, promissory note payables, amount due to the ultimate holding company and amount due to an associate, and also in respect of its cash flow management.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms. In the opinion of the directors of the Company, the Group was able to comply with all covenants of the banking facilities as at 31 March 2023 and 31 March 2022.

The liquidity policies have been followed by the Group throughout the reporting period and are considered to have been effective in managing liquidity risks.

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 | Within one year or on demand HK$'000 | Between one and two years HK$'000 |
|---|---|---|---|---|
| **At 31 March 2023** | | | | |
| Trade and retention money payables | 72,449 | 72,449 | 72,449 | – |
| Accruals and other payables | 41,701 | 41,701 | 41,701 | – |
| Lease liabilities | 11,845 | 12,228 | 7,151 | 5,077 |
| Promissory note payables | 42,937 | 43,533 | 43,533 | – |
| Amount due to the ultimate holding company | 5,670 | 5,670 | 5,670 | – |
| Amount due to an associate | 67 | 67 | 67 | – |
| | 174,669 | 175,648 | 170,571 | 5,077 |

## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk (Continued)

| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within one year or on demand HK$'000 | Between one and two years HK$'000 |
|---|---|---|---|---|
| **At 31 March 2022** | | | | |
| Trade and retention money payables | 169,853 | 169,853 | 169,853 | – |
| Accruals and other payables | 15,053 | 15,053 | 15,053 | – |
| Lease liabilities | 688 | 697 | 663 | 34 |
| | 185,594 | 185,603 | 185,569 | 34 |

### (c) Equity price risk

The Group is exposed to equity price risk arising from listed equity investments and unlisted investment fund classified as equity instrument at FVTOCI (see Note 20).

The Group's listed equity investments are listed on recognised stock exchanges. Listed equity investments held in the portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Equity price risk (Continued)

As at 31 March 2023 it is estimated that an increase/decrease of 10% in the relevant stock market index (for listed equity investments) and fair value of unlisted investment, with all other variables held constant, would have (decreased)/increased the Group's other components of consolidated equity as follows:

| | | 2023 Effect on other components of equity HK$'000 |
|---|---|---|
| Change in the relevant equity price risk variable: | | |
| Increase | 10% | **2,772** |
| Decrease | 10% | **(2,772)** |

The sensitivity analysis indicates the instantaneous change in the Group's other components of consolidated equity that would arise assuming that the changes in the stock market index or fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is assumed that the fair values of the Group's listed investments would change in accordance with the historical correlation with the relevant stock market index, that none of the Group's listed investments would be considered impaired as a result of the decrease in the relevant stock market index, and that all other variables remain constant. It is also assumed that the fair values of the Group's unlisted investment would change in accordance with the market value, that none of the Group's unlisted investments would be considered impaired as a result of the decrease in market value, and that all other variables remain constant.

### (d) Interest rate risk

The Group has significant bank deposits with floating interest rate which are exposed to cash flow interest rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risks. The Directors consider the Group's exposure to cash flow interest rate risk on the bank deposits is insignificant as most deposits bear variable interest rates which have not significantly fluctuated in recent years.

Sensitivity analysis on bank deposits is not presented as the Director consider that the Group's exposure to interest rate fluctuations on bank deposits is insignificant.

## 41. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns. As part of this review, the directors of the Group consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Group, the Group will balance its overall capital structure, through issue of new share as well as issue of new debts.

## 42. FAIR VALUE MEASUREMENT

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels, based on the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

The directors consider that the carrying amounts of financial instruments measured at amortised cost at 31 March 2023 and 2022 were approximate to their fair values on the grounds that either their maturity periods are short or their effective interest rates were approximate to the relevant discount rates.

## 42. FAIR VALUE MEASUREMENT (CONTINUED)

The following table provides an analysis of financial instruments measured at fair value. The classification is based on the degree to which the key inputs used in the fair value measurements are observable and the significance of adjustments to the key inputs used in the fair value measurements.

| Financial assets | Fair value at 31 March 2023 HK$'000 | Fair value measurement as at 31 March 2023 categorised into Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 |
|---|---|---|---|---|
| **Equipment instruments at FVTOCI** | | | | |
| Equity security, listed | 14,722 | 14,722 | – | – |
| Investment fund, unlisted | 12,997 | – | – | 12,997 |

| Financial liability | Fair value at 31 March 2022 HK$'000 | Fair value measurement as at 31 March 2022 categorised into Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 |
|---|---|---|---|---|
| Derivative financial liability – forward contract | 19,080 | – | – | 19,080 |

## 42. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of the opening and closing balance of financial instruments classified as level 3 fair value hierarchy is provided as follows:

| | HK$'000 |
|---|---|
| **Derivative financial liability – forward contract** | |
| At 1 April 2021 | – |
| Change in fair value | 19,080 |
| At 31 March 2022 and 1 April 2022 | 19,080 |
| Change in fair value | (4,050) |
| Derecognised upon completion of acquisition of an associate (Note 29) | (15,030) |
| **At 31 March 2023** | – |
| **Equity instruments at FVTOCI – investment fund, unlisted** | |
| At 1 April 2021, 31 March 2022 and 1 April 2022 | – |
| Additions | 20,000 |
| Change in fair value | (7,003) |
| **At 31 March 2023** | 12,997 |

## 42. FAIR VALUE MEASUREMENT (CONTINUED)

### Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

| **Description** | **Valuation technique** | **Significant unobservable inputs** | **Fair value As at 31 March 2023** HK$'000 |
|---|---|---|---|
| Derivative financial liability – forward contract | Income approach | Revenue growth rates and discount rate in deriving the fair value of Chun Yang | N/A (2022: HK$19,080) |
| Investment funds, unlisted | Adjusted net asset approach | Book value of assets and liabilities of the investees adjusted to their fair value | 12,997 |

## 43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial assets and financial liabilities as at the end of the reporting period are as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Financial assets measured at FVTOCI | **27,719** | – |
| **Financial assets measured at amortised cost** | | |
| Trade receivables | **37,813** | 49,170 |
| Deposits and other receivables | **6,743** | 61,813 |
| Cash and cash equivalents | **70,745** | 87,200 |
| Pledged bank deposits | **17,180** | – |
| | **132,481** | 198,183 |
| **Financial liabilities measured at amortised cost** | | |
| Trade and retention money payables | **72,449** | 169,853 |
| Accruals and other payables | **41,701** | 15,053 |
| Lease liabilities | **11,845** | 688 |
| Promissory note payables | **42,937** | – |
| Amounts due to the ultimate holding company | **5,670** | – |
| Amounts due to an associate | **67** | – |
| | **174,669** | 185,594 |
| **Financial liabilities measured at FVTPL** | | |
| Derivative financial liability | **–** | 19,080 |

## 44. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on 23 June 2023.

# FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual report and audited financial statements, is set out below:

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **401,352** | 591,900 | 210,660 | 283,148 | 425,773 |
| (Loss)/profit before tax | **(38,838)** | (18,841) | (14,064) | (935) | 22,383 |
| Income tax credit/(expense) | **785** | (550) | 1,750 | (1,116) | (5,559) |
| (Loss)/profit for the year | **(38,053)** | (19,391) | (12,314) | (2,051) | 16,824 |
| Attributable to: | | | | | |
| Owners of the Company | **(38,065)** | (19,391) | (12,314) | (2,051) | 16,824 |
| Non-controlling interests | **12** | – | – | – | – |
| | **(38,053)** | (19,391) | (12,314) | (2,051) | 16,824 |

## ASSETS, LIABILITIES AND TOTAL EQUITY

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Total assets** | **367,570** | 360,570 | 234,153 | 284,952 | 298,567 |
| **Total liabilities** | **(179,177)** | (204,674) | (66,196) | (96,681) | (108,245) |
| **NET ASSETS** | **188,393** | 155,896 | 167,957 | 188,271 | 190,322 |
| Attributable to: | | | | | |
| Owners of the Company | **188,462** | 155,896 | 167,957 | 188,271 | 190,322 |
| **TOTAL EQUITY** | **188,393** | 155,896 | 167,957 | 188,271 | 190,322 |

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