Affluent Foundation Holdings Limited
俊裕地基集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1757

ANNUAL REPORT 2022/23

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Mr. Ho Chi Wai
Mr. Cheung Kwok Yan Wilfred
Mr. Lau Leong Ho

AUDIT COMMITTEE

Mr. Ho Chi Wai *(Chairman)*
Mr. Lau Leong Ho
Mr. Cheung Kwok Yan Wilfred

NOMINATION COMMITTEE

Mr. Chan Siu Cheong *(Chairman)*
Mr. Lau Leong Ho
Mr. Ho Chi Wai

REMUNERATION COMMITTEE

Mr. Cheung Kwok Yan Wilfred *(Chairman)*
Mr. Sin Ka Pong
Mr. Lau Leong Ho

COMPANY SECRETARY

Mr. Woo Yuen Ping

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 903–905, 9/F
The Octagon
No. 6 Sha Tsui Road, Tsuen Wan
New Territories, Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
11/F, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Guantao & Chow Solicitors and Notaries
Suites 1801–3, 18/F
One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

WEBSITE

www.hcho.com.hk

STOCK CODE

1757

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Affluent Foundation Holdings Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2023 (the "Relevant Period").

During the Relevant Period, the Group reported a net profit of approximately HK$810,000, representing a decrease of approximately HK$2.1 million compared to the corresponding period. This was mainly attributed to the decrease in revenue and gross profit margin, and net off an increase in other income.

Despite the challenging operating environment, the Group has maintained a strong financial position. As at 31 March 2023, we have unrecognised contract sum of more than HK$160.0 million on hand. This indicates our ability to secure more contracts and provide quality services to our clients.

We remain cautiously optimistic about the Group's future prospects. The Board believes that with our experienced management team, sound business strategies, and commitment to delivering quality services, we can maintain a stable financial performance and even achieve greater profitability in the coming years.

In conclusion, I would like to express my gratitude to our shareholders, customers, business partners, and employees for their continuous support and contribution to the Group's success. We will continue to strive for excellence in all aspects of our business and create value for our stakeholders.

Chan Siu Cheong
Chairman and Chief Executive Officer

Hong Kong, 28 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

The Group reported net profit of approximately HK$810,000 during the Relevant Period, representing decrease of approximately HK$2.1 million for the corresponding period was mainly attributable to the combined effect of:

1. decrease of gross profit of approximately HK$14.9 million due to the decrease in revenue and gross profit margin described in paragraph "Gross profit and gross profit margin" below; and

2. increase of other income of approximately HK$11.6 million as explained in paragraph "Other income" below.

The Group has unrecognised contract sum of more than HK$160.0 million on hand as at 31 March 2023. The Board is cautiously optimistic and believes the Group's financial performance could keep stable and even make a greater profit in future years.

FINANCIAL REVIEW

During the Relevant Period, the Group had been awarded 3 new contracts, with an aggregate original contract sum of approximately HK$60.9 million and had completed 8 projects with an aggregate original contract sum of approximately HK$548.6 million.

As at 31 March 2023, the Group had 14 projects on hand (including projects in progress) with a total original contract sum of approximately HK$1.1 billion.

Revenue

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK$326.5 million, representing a decrease of approximately HK$185.1 million or 36.2% as compared to approximately HK$511.6 million for the year ended 31 March 2022. The decrease was primarily because certain sizable projects located in Wong Chuk Hang and Anderson Road were completed during the Relevant Period.

Gross profit and gross profit margin

The gross profit of the Group for the Relevant Period amounted to approximately HK$4.0 million, representing a decrease of approximately HK$14.9 million or 78.9%, compared to approximately HK$18.9 million for the year ended 31 March 2022. The decrease in gross profit was primarily due to the following reasons:

(a) revenue reduced as the major projects located in Anderson Road is completed and Kai Tak is near the stage of completion while those sizable new projects located in Pokfield Road and Tung Chung are only in commencement stage; and

(b) the Group's gross profit margin for the Relevant Period was approximately 1.2%, as compared with approximately 3.7% for the year ended 31 March 2022. Gross profit margin is lower during the Relevant Period as revenue decreased whilst fixed overheads were still incurred in depreciation of plant and machinery.

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

FINANCIAL REVIEW (CONTINUED)

Other income

The other income of the Group for the Relevant Period amounted to approximately HK$17.5 million, representing an increase of approximately HK$11.6 million or 199.5% as compared to approximately HK$5.8 million for the year ended 31 March 2022. The increase was primarily due to the increase of income from sales of construction wastes, machinery rental and transportation income and the government grants received from ESS under COVID-19 Anti-epidemic Fund launched by the Hong Kong Government in Relevant Period.

Administrative expenses

The administrative expenses of the Group for the Relevant Period amounted to approximately HK$22.3 million which is stable when comparing with the year ended 31 March 2022.

Reversal of expected credit loss, net

The reversal of ECL after the assessment performed for the Relevant Period amounted to approximately HK$1.9 million, representing an increase of approximately HK$1.7 million as compared to the reversal of ECL after the assessment performed for the year ended 31 March 2022 of approximately HK$232,000, which was assessed annually.

Finance costs

The finance costs of the Group for the Relevant Period amounted to approximately HK$824,000, representing an increase of approximately HK$380,000 or 85.6% as compared to approximately HK$444,000 for the year ended 31 March 2022. The increase was primarily due to the effective interest payable in amount due to a Director during the Relevant Period.

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

The Group reported profit and total comprehensive income attributable to equity holders of the Company of approximately HK$810,000 for the Relevant Period representing a decrease of approximately HK$2.1 million for the year ended 31 March 2022. The reasons for the decrease were mainly attributable to the combined effect of reasons discussed in the paragraph headed "Business review and outlook" above.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

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

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

As at 31 March 2023 and 2022, the Company's issued share capital was HK$12 million and the number of its issued ordinary shares was 1,200,000,000 of HK$0.01 each.

As at 31 March 2023, the Group had a total cash and cash equivalents of approximately HK$17.2 million (2022: approximately HK$11.9 million). The amounts of cash and cash equivalents increased mainly due to collection of contract assets.

As at 31 March 2023, the gearing ratio of the Group, calculated by the total debts (defined as the sum of amount due to a director and lease liabilities) divided by the total equity was approximately 49.6% (2022: approximately 53.3%). The decrease was primarily due to the decrease of total debts of approximately HK$559,000 during the Relevant Period.

TREASURY POLICY

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

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

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

CAPITAL EXPENDITURE

During the Relevant Period, the Group invested approximately HK$8.2 million on the acquisition of plant and machinery and furniture, fixtures and equipment. Capital expenditure was principally funded by internal resources.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group has no capital commitments (2022: nil).

CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

There is no significant events occurred subsequent to 31 March 2023 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SIGNIFICANT INVESTMENT HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 23 May 2018 (the "Prospectus"), the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed a total of 112 employees (including executive Directors and independent non-executive Directors), as compared to a total of 129 employees as at 31 March 2022. Total staff costs which included the Directors' emoluments for the Relevant Period were approximately HK$88.7 million (2022: approximately HK$88.6 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

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

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

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

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Thursday, 17 August 2023. The notice of the AGM will be published and despatched to shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company while the principal subsidiaries are principally engaged in the provision of services related to foundation works and provision of construction machinery rental. Details of the principal activities of its subsidiaries are set out in Note 31 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Relevant Period.

BUSINESS REVIEW

Discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks facing the Group and an indication of likely future developments in the Group's business can be found in the section headed "Management Discussion and Analysis" set out on pages 4 to 7 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Relevant Period are set out in the consolidated financial statement on pages 51 to 99 of this annual report. The Board has resolved not to recommend the payment of a dividend for the Relevant Period (2022: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Relevant Period are set out in Note 13 to the consolidated financial statements of this annual report.

RELATIONSHIP WITH KEY STAKEHOLDERS

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

Employees

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

Customers

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

Sub-contractors and Suppliers

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

SHARE CAPITAL AND SHARES ISSUED DURING THE RELEVANT PERIOD

Details of movements during the Relevant Period in the share capital of the Company are set out in Note 22 to the consolidated financial statements of this annual report.

RESERVES

Details of movements in the reserves of the Group during the Relevant Period are set out in the consolidated statement of changes in equity on page 53 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2023, the Company had distributable reserves amounted to approximately HK$40,432,000 (2022: HK$43,244,000).

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

The share option scheme was conditionally approved and adopted by the then sole shareholder of the Company on 14 May 2018 which became valid and effective for a period of 10 years commencing on the Listing Date, being 7 June 2018 (the "**Share Option Scheme**"). The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to recognise and acknowledge the contributions that the eligible participants have or may have made to the Group. Pursuant to the Share Option Scheme, the Board may, as its discretion, offer to grant an option to any director, employee (full-time and part-time), advisor, consultant, supplier, customer, distributor, contractor, agent, business partner or service providers of the Group and to promote the success of the business of the Group.

Pursuant to the terms of the Share Option Scheme and in compliance with the provisions in Chapter 17 of the Listing Rules, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and all other share option schemes of the Company shall not exceed 120,000,000 Shares, being 10% of the total number of the Shares in issue as at the Listing Date.

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

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

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to the participant at the time of making an offer for the grant of a share option.

The total number of securities available for issue under the Share Option Scheme, and all other share option schemes of the Company must not exceed 120,000,000 Shares, representing 10% of the total number of Shares as at the date of this annual report.

No share options have been granted under the Share Option Scheme since the adoption of the Share Option Scheme. An offer of the grant of a share option shall be accepted by the eligible participants within a period of 21 days from the date of the offer of grant of a share option. The consideration paid by each grantee for the acceptance and grant of each share option is HK$1.00, which has to be paid within 21 days.

There were no options outstanding as at 31 March 2023 and no share options were granted, exercised, cancelled or lapsed during the Relevant Period. The remaining life of the Share Option Scheme was approximately 5 years.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Chan Siu Cheong
Mr. Sin Ka Pong

Independent Non-executive Directors

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

In accordance with article 108 of the Articles, Mr. Chan Siu Cheong and Mr. Sin Ka Pong will retire from office as Directors at the AGM and, being eligible, offer themselves for re-election.

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

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

DIRECTORS' SERVICE CONTRACT

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

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

MANAGEMENT CONTRACTS

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

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

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

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

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

Save as disclosed in the paragraphs headed "Related Party Transactions" on page 14 and as set out in Note 25 to the consolidated financial statements of this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or any entity connected with a Director or controlling shareholders of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Period or at any time during the Relevant Period.

COMPETING INTERESTS

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

NON-COMPETITION UNDERTAKING

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

PERMITTED INDEMNITY PROVISION

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

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

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

As at 31 March 2023, interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules, were as follows:

(i) Long position in the Shares

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

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

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

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

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

(iii) Short positions

Other than as disclosed above, as at 31 March 2023, none of the Directors nor chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2023, so far as it is known to or otherwise notified by any Director or the chief executive of the Company, the following persons/entities (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Company

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

Notes:

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

2. Ms. Chu is the spouse of Mr. Chan. Accordingly, Ms. Chu is deemed or taken to be interested in the Shares Mr. Chan is interested in under the SFO.

Save as disclosed above, as at 31 March 2023, the Directors and the chief executive of the Company are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The approximate percentages of the Group's revenue and cost of services attributable to the major customers, subcontractors and suppliers during the Relevant Period and year ended 31 March 2022 are as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
Approximate % of total revenue:		
from the largest customer	**57.0**	44.5
from the five largest customers in aggregate	**98.9**	100.0
Approximate % of total subcontracting charges incurred:		
from the largest subcontractor	**35.5**	33.2
from the five largest subcontractors in aggregate	**89.2**	87.5
Approximate % of total purchases (excluding subcontracting charges incurred):		
from the largest supplier	**34.6**	48.6
from the five largest suppliers in aggregate	**84.7**	96.7

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

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Relevant Period are set out in Note 25 to the consolidated financial statements of this annual report. The related party transactions are fully exempted from the independent shareholders' approval, annual review and all disclosure requirements pursuant to Chapter 14A of the Listing Rules. Further details of the continuing connected transactions are set out in the section headed "Connected Transactions" in the Prospectus and the Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

There is no significant event occurred subsequent to 31 March 2023 and up to the date of this annual report.

RISKS AND UNCERTAINTIES

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

Operational Risks

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

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

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

Market Risks

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

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

Tax Relief

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

REPORT OF THE DIRECTORS

INDEPENDENT AUDITOR

The consolidated financial statements for the Relevant Period have been audited by Grant Thornton Hong Kong Limited, who will retire and, being eligible, offer themselves for reappointment at the AGM.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Relevant Period and up to the date of this annual report except for the deviation from code provision C.2.1 of the CG Code as explained in the Corporate Governance Report.

The details of the Group's compliance with the CG Code are set out in the Corporate Governance Report from pages 20 to 28 of this annual report.

ENVIRONMENTAL POLICY

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

On behalf of the Board
Chan Siu Cheong
Chairman and Chief Executive Officer

Hong Kong, 28 June 2023

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAN Siu Cheong (陳紹昌) ("Mr. Chan"), aged 67, is the chairman of the Board, the chief executive officer of the Company and an executive Director. He was appointed as a Director on 2 June 2017 and was re-designated as an executive Director, the chairman of the Board and the chief executive officer of the Company on 14 May 2018. Mr. Chan is also the chairman of the nomination committee of the Company. Mr. Chan is the founder of our Group and has been a director of HCC Foundations and HCC Transportation since their year of incorporation in 2009 and 1996 respectively. Prior to founding our Group, Mr. Chan worked in the foundation industry as a sub-contractor engaged in foundation works including excavation, concreting and underground drainage works in the early 1980s until he founded HCC Transportation. Mr. Chan has over 30 years of experience in the construction industry. Mr. Chan is responsible for overall management and overseeing and monitoring of projects and machinery of the Group.

Mr. SIN Ka Pong (單家邦) ("Mr. Sin"), aged 65, is an executive Director. He was appointed as a Director on 2 June 2017 and was re-designated as an executive Director on 14 May 2018. Mr. Sin is also a member of the remuneration committee of the Company. Mr. Sin joined the Group in December 2016 with the title of Executive Director of HCC Foundations. Mr. Sin was officially appointed and has been a director of HCC Transportation since March 2017. Mr. Sin is responsible for overall management and business development of the Group.

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

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HO Chi Wai (何志威) ("Mr. Ho"), aged 48, was appointed as an independent non-executive Director on 13 May 2018. He is also the chairman of the audit committee and a member of the nomination committee of the Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

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

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

Mr. CHEUNG Kwok Yan Wilfred (張國仁) ("Mr. Cheung"), aged 43, was appointed as an independent non-executive Director on 13 May 2018. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

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

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. LAU Leong Ho (劉亮豪) ("Mr. Lau"), aged 39, was appointed as an independent non-executive Director on 13 May 2018. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of the Group.

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

SENIOR MANAGEMENT

Mr. LAM Tak Keung (林德強) ("Mr. Lam"), aged 58, is project manager of the Company and he is responsible for overall management of site works including quality control and safety supervision. Mr. Lam joined the Group in August 2012. He has over five years of experience in the construction industry in Hong Kong.

COMPANY SECRETARY

Mr. WOO Yuen Ping (胡遠平) ("Mr. Woo"), aged 37, joined the Group on 30 April 2019. He serves as the company secretary of the Company (the "Company Secretary"). Mr. Woo is primarily responsible for company secretarial and overall financial management matters of the Group.

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

CORPORATE GOVERNANCE REPORT

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as set out in Appendix 14 of the Listing Rules. During the Relevant Period and up to the date of this annual report, the Company complied with the code provisions under the CG Code with the exception of code provision C.2.1 of the CG Code.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

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

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

BOARD OF DIRECTORS (CONTINUED)

The composition of the Board is as follows:

Executive Directors

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

Independent Non-executive Directors

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

Biographical details of each Director and relationship between board members are set out on pages 17 to 19 of this annual report.

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

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

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

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

BOARD COMMITTEES

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

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

Notes:

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

AUDIT COMMITTEE

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

AUDIT COMMITTEE (CONTINUED)

During the Relevant Period, the Audit Committee has held two meetings to (i) review the accounting principles and practices adopted by the Group; (ii) review the financial results for the six months ended 30 September 2022 and the year ended 31 March 2022; (iii) assess if there are any significant issues on financial reporting, internal control and risk management systems; and (iv) the re-appointment and remuneration of external auditor. The individual attendance record of each member at the meeting of Audit Committee is set out below:

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

NOMINATION COMMITTEE

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

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

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

BOARD DIVERSITY

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

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

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

NOMINATION POLICY

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

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

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

DIVIDEND POLICY

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

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

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

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

REMUNERATION COMMITTEE

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

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

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

No Director takes part in any discussion about his own remuneration. Full details of remuneration of the Directors and the five highest paid employees are provided in Note 12 to the consolidated financial statements of this annual report.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

AUDITOR'S REMUNERATION

During the Relevant Period, the statement of the auditor of the Company about their reporting responsibilities on the Group's consolidated financial statements for the Relevant Period is set out in the Independent Auditor's Report of this annual report and the remuneration paid or payable to the Company's auditor, Grant Thornton Hong Kong Limited, and its affiliated firms, in respect of their audit and non-audit services was as follows:

	Service Fee HK$'000
Audit services	738
Non-audit services	
– Agreed-upon procedures engagement on interim financial information of the Group for the six months ended 30 September 2022	108
	846

DIRECTORS AND OFFICERS INSURANCE

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

HUMAN RESOURCES

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

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

SHAREHOLDERS' RIGHTS

How Shareholder can Convene an Extraordinary General Meeting

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

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

(b) The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business at Unit 903–905, 9/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

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

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

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

Procedures by which Enquiries may be put to the Board

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

Procedures for Putting Forward Proposals at Shareholders' Meeting

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

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Relevant Period, the shareholders passed a special resolution on 10 August 2022 approving the adoption of the second amended and restated memorandum and articles of association of the Company. Save as the aforesaid, there has been no changes in the constitutional documents of the Company.

The amended and restated memorandum and articles of association of the Company are available for viewing on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 1: INTRODUCTION

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

Section 1.1: ESG Statement of the Board

The board of directors of the Company (the "Board") is pleased to present the Environmental, Social and Governance Report ("ESG Report") for the year ended 31 March 2023 (the "Reporting Period") in the following to illustrate and highlight our efforts and performance in achieving sustainable development in various ESG-related aspects.

ESG Governance Structure: The Board and ESG Management Team

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

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

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

- Financial expertise: understand the financial implication of ESG issues, analyze the financial impact of ESG risks and opportunities, assess the financial performance of sustainability initiatives, and ensure the ESG risks are integrated into financial reporting.

- Risk management expertise: identify and assess ESG risks, develop risk mitigation strategies, and ensure that ESG risks are appropriately monitored and reported.

- Human resource expertise: manage people and foster a positive workplace culture to ensure that the Group has effective diversity, equity, and inclusion policies to monitor labour practices and support employee well-being.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 1: INTRODUCTION (CONTINUED)

Section 1.1: ESG Statement of the Board (CONTINUED)

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

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

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

Stakeholder Engagement

To achieve sustainable development, the Group maintains close relationships and continuously communicates with its stakeholders. This communication enables the Group to accurately assess the potential impact of its business activities on ESG. The table below highlights the Group's key stakeholders as well as the Group's methods in engaging them:

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

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

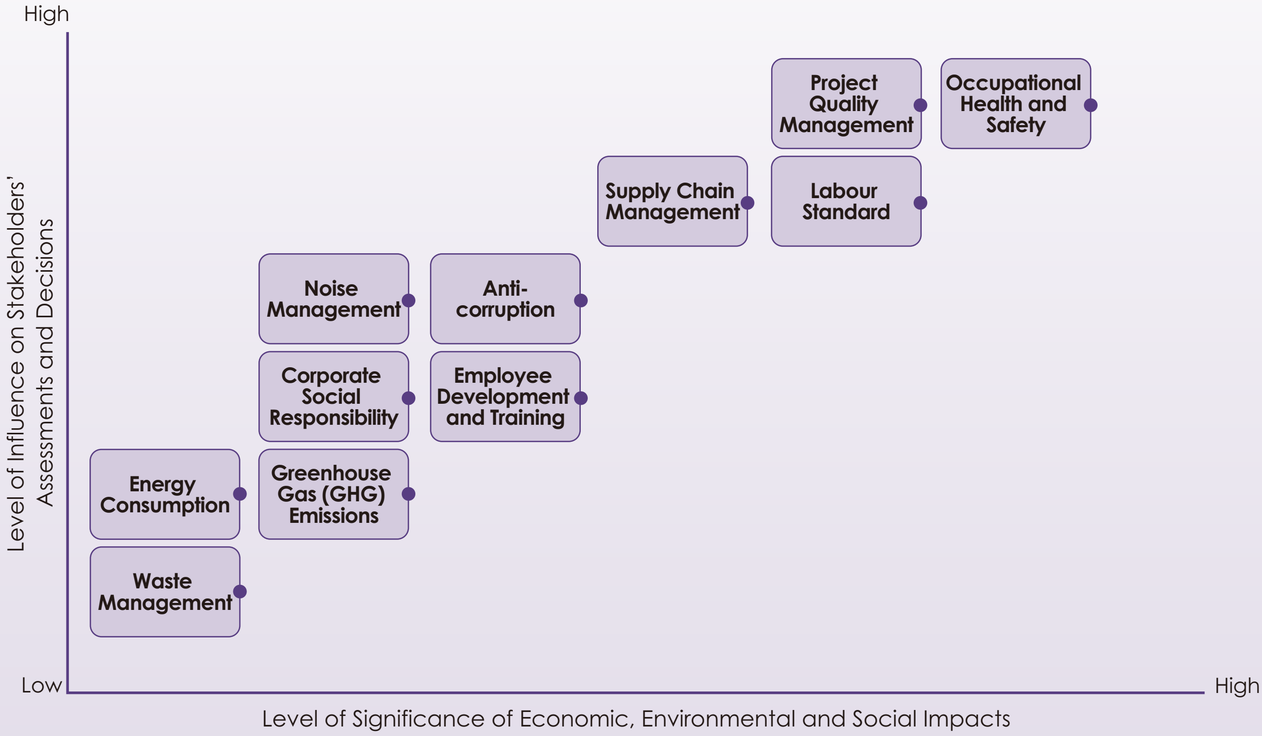
SECTION 1: INTRODUCTION (CONTINUED)

Section 1.1: ESG Statement of the Board (CONTINUED)

Materiality Assessment

A materiality assessment in the form of surveys was conducted during the Reporting Period, where the Group identified sustainability factors that were material to our business operations. The management and employees who are responsible for the key functions of the Group have participated in preparing the ESG Report, assisted the Group in reviewing its operations, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. The Group has compiled a questionnaire in reference to the identified material ESG aspects to collect the information from relevant departments and business units of the Group. The Group's material sustainability aspects will be covered in the ESG Report, and the materiality matrix is as follow:

THE GROUP'S MATERIALITY MATRIX FOR 2022/23



SECTION 1: INTRODUCTION (CONTINUED)

Section 1.1: ESG Statement of the Board (CONTINUED)

Confirmation and Approval

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

Opinion and Feedback

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

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

Section 1.2: About this Report

Reporting Framework

The ESG report is prepared based on the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited with related topics and data reported according to their importance and in keeping with the principals of materiality, quantification, balance, and consistency.

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

- Materiality: Materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the Board and the ESG Management Team. Please refer to the section headed "Materiality Assessment" for further details.

- Quantitative: The standards and methodologies used in calculation of relevant data in the ESG Report, as well as the applicable assumptions were disclosed. The KPIs were supplemented by explanatory notes to establish benchmarks where feasible.

- Balance: The ESG Report was prepared based on an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall ESG performance of the Group.

- Consistency: The statistical methodologies applied to this ESG Report were substantially consistent with the previous reporting periods, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies. If there are any changes that may affect comparison with previous reports, the Group will add comments to the corresponding content of this ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION 1: INTRODUCTION (Continued)

Section 1.2: About this Report (Continued)

Reporting Framework (Continued)

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

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

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

Reporting Period

The ESG Report specifies the ESG activities, challenges and measures being taken by the Group during the financial year ended 31 March 2023.

SECTION 2: ENVIRONMENTAL

A1. Emissions

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

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

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

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

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

SECTION 2: ENVIRONMENTAL (CONTINUED)

A1. Emissions (CONTINUED)

A1.1: Exhaust Gas Emissions

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

A1.2: Greenhouse Gas (GHG) Emissions

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

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

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

GHG emissions from use of vehicles

	Unit	**2023**	2022
Nitrogen oxides	gram	**151,320.91**	272,846.69
Sulphur oxides	gram	**365.69**	411.10
Respiratory suspended particles	gram	**10,494.87**	18,748.30

GHG emissions from mobile combustion sources

	Unit: kg (CO_2 equivalent)	**2023**	2022
Scope 1			
Carbon dioxide	kg	**74,320.60**	82,070.27
Methane	kg	**124.68**	131.66
Nitrous oxide	kg	**12.38**	35.46

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

	Unit	**2023**	2022
Scope 2			
Indirect GHG Emissions	kg (CO_2 equivalent)	**23,022.88**	24,598.71
Indirect GHG Emissions intensity	kg (CO_2 equivalent)/office	**4,604.58**	4,919.74

SECTION 2: ENVIRONMENTAL (CONTINUED)

A1. Emissions (CONTINUED)

A1.3: Hazardous Waste

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

A1.4: Non-hazardous Waste

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

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

	Unit	2023	2022
Non-hazardous waste disposal	tonnes	**1,906.94**	1,532.34
Non-hazardous waste intensity	tonnes/construction project	**635.65**	383.08

A1.5: Measures to Mitigate Emissions

The Group always endeavours to recycle practicable construction material in our design and construction process. During the Reporting Period, the Group set target to reduce 5% of GHG emissions and nonhazardous over the next 5 years, using the Reporting Period as the baseline year. To reduce emissions from vehicles, employees are encouraged to take public transports. The Group plans schedule and arranges the route of its vehicles to avoid unnecessary travel and/or congestion. To reduce its emissions relating to business travel, the Group avoids non-essential business travel and encourages employees to take low-emissions travelling methods.

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

A1.6: Wastes Reduction and Initiatives

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

SECTION 2: ENVIRONMENTAL (CONTINUED)

A2. Use of Resources

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

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

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

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

A2.1: Energy Consumption

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

	Unit	2023	2022
Electricity usage	kWh	**62,224.00**	63,997.00
Electricity usage intensity	kWh/office	**12,444.80**	15,999.25

A2.2: Water Consumption

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

	Unit	2023	2022
Water consumption	cubic metre	**2,318.00**	353
Water consumption intensity	cubic metre/office	**1,159.00**	353

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

During the Reporting Period, the Group set a target of reducing 5% of the direct energy and water consumption over the next 5 years, using the Reporting Period as the baseline year. The Group believes that reducing energy use could be mutually beneficial to the environment and the Group by reducing the operating costs and creating long-term value to its stakeholders. The Group encourages employees to switch off electrical appliances whenever not in use and all unnecessary lighting, air conditioners, and electrical appliances before they leave the office.

A2.5: Packaging Material

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

SECTION 2: ENVIRONMENTAL (Continued)

A3. The Environment and Natural Resources

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

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

Noise Management

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

Indoor Air Quality

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

A4. Climate Change

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

A4.1: Climate-related matters

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

Physical Risks

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

SECTION 2: ENVIRONMENTAL (CONTINUED)

A4. Climate Change (CONTINUED)

A4.1: Climate-related matters (CONTINUED)

Transition Risks

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

SECTION 3: SOCIAL

B1. Employment and Labor Standards

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

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

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

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

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

SECTION 3: SOCIAL (Continued)

B1. Employment and Labor Standards (Continued)

B1.1: Workforce

The Group had 112 employees as at 31 March 2023 (FY2022: 129 employees), all of whom are from Hong Kong, including 39 full time employees (FY2022: 39 employees), 1 part time employee (FY2022: 3 employees), and 72 contractors or short term staff (FY2022: 87 employees). Out of the total number of employees, 103 of our employees were male (FY2022: 116 male employees) and 9 of them were female (FY2022: 13 female employees). Majority of the workforce were within the 51–70 age group, accounting for 71 of our employees (FY2022: 82 employees), while 36 employees were within the 31–50 age group (FY2022: 41 employees), 2 employees were under 30 years old (FY2022: 4 employees) and 3 employees were over 70 years old (FY2022: 2 employees).

During the Reporting Period, the Group's overall full-time employee turnover rate was approximately 39.3% (FY2022: 61.2%). The employee turnover rate for male and female were approximately 35.9% (FY2022: 62.9%) and 77.8% (FY2022: 46.2%) respectively.

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

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

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

B2. Employees' Health and Safety

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

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

Specifically, the following safety measures are adopted:

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

SECTION 3: SOCIAL (CONTINUED)

B2. Employees' Health and Safety (CONTINUED)

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

The work injury statistics for the Group were as follows:

Aspects 2.1 and 2.2	Unit	2023	2022
Number of work-related fatalities	case(s)	0	1
Rate of work-related fatalities	percentage	0%	0.78%
Number of reported accidents (Sick leave > 3 days)	case(s)	13	3
Days lost due to work injury	day(s)	1,296	254

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

Post-Novel Coronavirus ("COVID-19") Pandemic

In the Post-COVID 19 Pandemic, with the aim of continuously safeguarding the health of our staff, the following measures had been implemented:

- Providing face masks and disinfectant products at head office and site offices for staff use.
- Requiring staff to adhere to the Group's office hygiene requirements.
- Placing educational materials regarding public hygiene at head office to raise the relevant awareness of staff.
- Requiring visitors to show a negative COVID-19 test result before visiting the head office, where appropriate.

The above measures were not only for the protection of the health of our staff, but also our customers and the communities close to the worksites where the Group had operations.

B3. Training and Development

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

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

SECTION 3: SOCIAL (CONTINUED)

B3. Training and Development (CONTINUED)

In particular, the Group ensures sufficient safety training shall be provided to employees. Total hours for safety training organised for employees during the Reporting Period amounted to 1,113 (FY2022: 685). The following presents the statistics for hours of safety training attended by employees based on gender and employment categories:

	2023		2022	
	Percentage of employees trained (%)	Average training hours per employee (hours)	Percentage of employees trained (%)	Average training hours per employee (hours)
By Gender				
• Female	100	4.00	100	1.15
• Male	100	10.46	100	5.78
By Employment Category				
• Senior Management	100	1.00	100	1.00
• Middle Management	100	8.80	100	9.30
• Junior Management	100	13.60	100	1.80
• Contractor or Short-Term Staff	100	10.44	100	5.20

B4. Labor Standards

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

B5. Supply Chain Management

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

Specifically, approved lists of suppliers and subcontractors are maintained.

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

– Environmental compliance of products supplied;

– Quality of materials; and

– Any background issues concerning potential conflict of interests in supplying goods to the Group.

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

SECTION 3: SOCIAL (CONTINUED)

B5. Supply Chain Management (CONTINUED)

For subcontractors, the following factors shall be considered:

– Past safety records;

– Quality of work delivered to customers;

– Environmental compliance;

– Records of complaints from customers;

– Labor practices, in particular the hiring of illegal labor; and

– Any background issues concerning potential conflict of interests in providing services to the Group.

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

During the Reporting Period, the Group had engaged 129 suppliers and subcontractors while all of them were in Hong Kong (FY2022: 104).

Service Pledge to Customers

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

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

B6. Product Responsibility

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

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

SECTION 3: SOCIAL (CONTINUED)

B6. Product Responsibility (CONTINUED)

Project Quality Management

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

Privacy Protection

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

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

Intellectual Property Rights

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

Advertising and Labelling

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

B7. Anti-corruption

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

SECTION 3: SOCIAL (Continued)

B7. Anti-corruption (Continued)

Conflict of Interest Management

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

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

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

Whistleblowing Mechanism

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

B8. Community Involvement

The Group always encourages its employees to participate in charitable activities within the community and thus the Group is willing to allow its employees to join various charity events whenever possible. Due to the COVID-19 pandemic, the Group has temporarily suspended the organisation and participation of charitable and voluntary activities, and will resume in coming years.

SECTION 4: FUTURE APPROACH TO SUSTAINABLE DEVELOPMENT

In the future, the Group will:

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

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

OPINION

We have audited the consolidated financial statements of Affluent Foundation Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 99, 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.

KEY AUDIT MATTERS (Continued)

Accounting for construction contracts

Refer to Notes 2.8, 2.13, 4(a) and 5 to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group recognised revenue and costs from construction contracts amounted to approximately HK$326,492,000 and HK$322,505,000 respectively for the year ended 31 March 2023, and recorded contract assets and contract liabilities of HK$94,561,000 and HK$1,891,000 respectively as at 31 March 2023. The Group's revenue and costs of construction contracts are recognised based on output method by reference to the direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract. The value of the services transferred to customer to date is measured according to the progress certificates (by reference to the construction works certified by the customers or their agents). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. These transactions require the management's estimation and judgement of the contract revenue, the contract costs and any variation works which may have an impact on the construction contracts and the corresponding profit taken. We identified the accounting for construction contracts as a key audit matter because of the significant management judgement and estimation involved.	Our audit procedures in relation to construction contracts included the following: – Understood the basis of estimation of the budgets through discussion with the management who is responsible for the budgeting of the construction contracts, and evaluated the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects; – Inspected the key terms and conditions of construction contracts and verified the total contract revenue; – Assessed and checked, on a sample basis, the accuracy of the budgeted construction revenue by agreeing to contract sum or any variation orders as set out in the construction contracts or the agreements entered with customers; – Selected, on a sample basis, the construction contracts to examine project managers' budget of the cost components to actual cost incurred, such as cost of materials, subcontracting charges and labour costs, etc. We compared the budgeted construction costs to supporting documents including but not limited to invoices, quotations and rate of labour costs, etc.; and – Evaluated the management's assessment on the revenue recognised of the construction contracts, on a sample basis, based on the latest progress certificates issued by the customers or their agents, including the certified contract work and variation orders, if any, and discussed with management and the respective project managers about the progress of the projects and cost incurred for work performed but not certified.

KEY AUDIT MATTERS (Continued)

Estimation of expected credit losses on trade and other receivables and contract assets

Refer to Notes 2.6, 2.8, 4(b), 15, 16 and 29.3 to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 March 2023, the net carrying amount of trade and other receivables and contract assets amounted to HK$27,821,000 and HK$94,561,000 respectively (net of expected credit losses ("ECL") of HK$1,024,000 and HK$3,915,000 respectively). Management performed periodic review on the status of construction projects and individual credit evaluations on significant customers. These evaluations focused on the customer's settlement history and current and future ability to pay, and took into account the information specific to the customer as well as pertaining to the current and future economic environment in which the customer operates. For trade and other receivables and contract assets which were not subject to individual evaluations or those that have been individually assessed as not impaired, management collectively assessed ECL taking into account of the nature of customers, the ageing analysis and historical bad debt losses incurred in respect of those group of customers. ECL are estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. We identified the ECL measurement on trade and other receivables and contract assets as a key audit matter due to the significant management judgements and estimates involved in the ECL assessment.	Our audit procedures in relation to the management's assessment on the ECL measurement of trade and other receivables and contract assets included: – Understood, evaluated and validated the design and operating effectiveness of the controls over impairment assessment of trade and other receivables and contract assets. Those controls related to the identification of events that triggered the provision for impairment of receivables from construction contracts and estimation of the impairment provisions; – Obtained management's assessment on the collectability of individual significant customers, and corroborated management's assessment against relevant supporting evidence, including credit history and financial capability of these customers; – Examined on a sample basis the individual significant customer which had not been identified by management as potentially impaired and performed audit procedures to assess the recoverability. Our procedures included examination of the construction progress, independent research on public available information and examination of payment records in the past and current years; and – Reviewed the underlying information referenced by management through validation of the aging reports and comparison with the collection records and average industry provision rate in respect of the collective assessment. We also evaluated whether the historical loss rates were appropriately adjusted based on current and forward-looking information, with the assistance of our specialists.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2023 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS 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.

The directors assisted by the Audit Committee 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. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements 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.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 oerall 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

28 June 2023

Lau Kwong Kei
Practising Certificate No.: P07578

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	5	**326,492**	511,568
Direct costs		**(322,505)**	(492,696)
Gross profit		**3,987**	18,872
Other income	6	**17,478**	5,836
Administrative expenses		**(22,328)**	(21,823)
Reversal of expected credit loss, net		**1,900**	232
Finance costs	7	**(824)**	(444)
Profit before income tax	8	**213**	2,673
Income tax credit	9	**597**	283
Profit and total comprehensive income for the year attributable to equity holders of the Company		**810**	2,956
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company			
Basic and diluted	11	**0.07**	0.25

The notes on pages 55 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**26,075**	30,731
Right-of-use assets	14	**2,128**	3,328
		28,203	34,059
Current assets			
Trade and other receivables	15	**74,184**	41,523
Contract assets	16	**94,561**	135,327
Cash and bank balances	17	**17,221**	11,881
		185,966	188,731
Current liabilities			
Trade and other payables	18	**78,815**	91,155
Amount due to a director	19	**12,196**	39,632
Lease liabilities	20	**1,822**	2,201
Contract liabilities	16	**1,891**	1,891
Tax payable		**1,789**	1,789
		96,513	136,668
Net current assets		**89,453**	52,063
Total assets less current liabilities		**117,656**	86,122
Non-current liabilities			
Amount due to a director	19	**28,124**	–
Lease liabilities	20	**325**	1,193
Deferred tax liabilities	21	**3,544**	4,141
		31,993	5,334
Net assets		**85,663**	80,788
EQUITY			
Share capital	22	**12,000**	12,000
Reserves	23	**73,663**	68,788
Equity attributable to equity holders of the Company		**85,663**	80,788

Chan Siu Cheong
Director

Sin Ka Pong
Director

The notes on pages 55 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital HK$'000 (Note 22)	Share premium HK$'000 (Note 23)	Capital reserve HK$'000 (Note 23)	Other reserve HK$'000 (Note 19)	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2021	12,000	77,625	301	–	(12,094)	77,832
Profit and total comprehensive income for the year	–	–	–	–	2,956	2,956
Balance at 31 March 2022 and 1 April 2022	**12,000**	**77,625**	**301**	**–**	**(9,138)**	**80,788**
Deemed contribution from a shareholder (Note 19)	**–**	**–**	**–**	**4,065**	**–**	**4,065**
Transactions with owners	**–**	**–**	**–**	**4,065**	**–**	**4,065**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**810**	**810**
Balance at 31 March 2023	**12,000**	**77,625**	**301**	**4,065**	**(8,328)**	**85,663**

The notes on pages 55 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
Cash flows from operating activities		
Profit before income tax	**213**	2,673
Adjustments for:		
Depreciation of property, plant and equipment	**12,319**	11,394
Depreciation of right-of-use assets	**2,462**	1,926
Gain on disposal of property, plant and equipment	**(348)**	(805)
Reversal of ECL allowance, net	**(1,900)**	(232)
Finance costs	**824**	444
Operating profit before working capital changes	**13,570**	15,400
Increase in trade and other receivables	**(32,478)**	(16,919)
Decrease/(Increase) in contract assets	**42,483**	(1,373)
(Decrease)/Increase in trade and other payables	**(11,917)**	11,600
Increase in contract liabilities	**–**	32,500
Net cash generated from operating activities	**11,658**	41,208
Cash flows from investing activities		
Purchase of property, plant and equipment	**(8,161)**	(10,076)
Proceeds from disposal of property, plant and equipment	**423**	682
Net cash used in investing activities	**(7,738)**	(9,394)
Cash flows from financing activities		
Proceeds from borrowings	**–**	4,000
Repayment of borrowings	**–**	(37,671)
Repayment of lease liabilities	**(2,509)**	(1,916)
Interest paid	**(134)**	(444)
Decrease in pledged bank deposits	**–**	1,500
Increase in amount due to a director	**4,063**	8,632
Net cash generated from/(used in) financing activities	**1,420**	(25,899)
Net increase in cash and cash equivalents	**5,340**	5,915
Cash and cash equivalents at the beginning of year	**11,881**	5,966
Cash and cash equivalents at the end of year (Note 17)	**17,221**	11,881

The notes on pages 55 to 99 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

Affluent Foundation Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 2 June 2017. The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business is Unit 903–905, 9/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, the New Territories, Hong Kong.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the "Group") are principally engaged as subcontractor in the provision of services related to foundation works in Hong Kong.

As at 31 March 2023 and 2022, the Company's immediate and ultimate holding company is Oriental Castle Group Limited ("Oriental Castle"), a company incorporated in the British Virgin Islands (the "BVI") and owned by Mr. Chan Siu Cheong ("Mr. Chan") and Ms. Chu Wai Ling ("Ms. Chu"). Mr. Chan, Ms. Chu and Oriental Castle are collectively referred to as the controlling shareholders of the Company.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 June 2018.

These consolidated financial statements for the year ended 31 March 2023 were approved for issue by the board of directors (the "Board") on 28 June 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 3.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), and all values are rounded to the nearest thousand (HK$'000), except where otherwise indicated.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and all its subsidiaries made up to 31 March each year.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost and manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management, including costs of relating whether the related assets are functioning properly). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost less their residual values (if any) over their estimated useful lives, using the straight-line method, at the following rates per annum:

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

Accounting policy for depreciation of right-of-use assets is set out in Note 2.10.

Estimates of residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.5 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (CONTINUED)

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

The Group's financial assets are classified into the amortised cost. The classification is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for ECL of trade and other receivables and contract assets which are presented in "reversal of expected credit loss, net".

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and bank balances and trade and other receivables fall into this category of financial instruments.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include leases liabilities, amount due to a director and trade and other payables.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL. Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs.

Accounting policies of lease liabilities are set out in Note 2.10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of financial assets and contract assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and contract assets recognised and measured under HKFRS 15.

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

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

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

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

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has performed individual credit evaluation on significant customers and collective assessment on trade receivables and contract assets based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. See Note 29.3 for further details.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and retention receivables, and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of financial assets and contract assets (CONTINUED)

Other financial assets measured at amortised cost

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

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets 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 regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

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 one year past due, unless the group has reasonable and supportable information that demonstrates otherwise.

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 end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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 collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in Note 29.3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets (other than contract assets)

Property, plant and equipment, right-of-use assets and the Company's investment in a subsidiary are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated in individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash-generating unit, except the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.8 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2.6 and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Leases (CONTINUED)

(a) Definition of a lease and the Group as a lessee (CONTINUED)

Measurement and recognition of leases as a lessee (CONTINUED)

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statement of financial position, right-of-use assets are presented as a separate line item.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

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

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. Prior to the application of amendments to HKAS 37 on 1 April 2022, the Group considers the cost of fulfilling the contract includes the incremental costs of fulfilling that contract. Effective on 1 April 2022, the cost of fulfilling the contracts includes both the incremental costs and an allocation of other costs that relate directly to fulfilling that contract.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) are deducted from share premium to the extent they are incremental cost directly attributable to the equity transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Revenue recognition

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

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

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

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

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

Further details of the Group's revenue and other income recognition policies are as follows:

Construction contracts

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

When the outcome of the contract (including variable order) cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

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

Interest income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Revenue recognition (CONTINUED)

Rental income

Accounting policies for rental income are set out in Note 2.10.

Income from sales of construction wastes

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

2.14 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"). Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. The Group contributes monthly at the lower of (i) HK$1,500; or (ii) 5% of the relevant monthly payroll costs to the MPF Scheme, which contribution is matched by employees. The Group's contributions vest fully with the employees when contributed into the MPF Scheme. Accordingly there were no forfeited contributions available for the Group to reduce its existing level of contributions to the MPF Scheme.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.16 Borrowing costs

Borrowing costs are expensed when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

2.19 Related parties

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

(a) the party is a person or a close member of that person's family and if that person:

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

(b) the party is an entity and if any of the following conditions applies:

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning on 1 April 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

In accordance with the transitional provisions, the Group applied the amendments to contracts for which it has fulfilled all its obligations at 1 April 2022 (i.e. date of initial application). The amendments have no impact on the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and 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[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 date not yet been determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretations 5 and Amendments to HKAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments")

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;

- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

- "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32 "Financial Instruments: Presentation", the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretations 5 and Amendments to HKAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments") (Continued)

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The information provided should enable users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:

- the carrying amount of the related liabilities;
- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and
- facts and circumstances, if any, that indicate that an entity may have difficulty complying with covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The 2022 Amendments also deferred the effective date of the Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The directors expect that the amendments have no other material impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Construction contracts

As explained in Notes 2.8 and 2.13, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers and their agents. The Group reviews and revises the estimates of contract revenue, contract costs and any variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred. When the outcome of a construction contract (including any variable orders) cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

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

Management exercised their judgements and estimated based on contract costs and revenues with reference to the latest available information, which includes detailed contract sum and works performed. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any uncertified work and unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results. Details of contract assets and liabilities are disclosed in Note 16.

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

Under HKFRS 9, the Group makes allowances on items subject to ECL (including trade and other receivables and contract assets) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in Note 2.6. The carrying amounts of trade and other receivables and contract assets at the reporting date is set out in Notes 15 and 16 to the consolidated financial statements.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

If circumstances indicate that the carrying amounts of property, plant and equipment (Note 13) and right-of-use assets (Note 14) may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of property, plant and equipment and right-of-use assets are reviewed yearly in order to assess whether the recoverable amounts have declined below the carrying amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use.

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

As at 31 March 2023, the carrying amount of property, plant and equipment and right-of-use assets are HK$26,075,000 (2022: HK$30,731,000) and HK$2,128,000 (2022: HK$3,328,000) respectively, with no impairment should be provided (2022: nil).

(d) Going concern basis

During the year ended 31 March 2023, the Group recorded a net profit of HK$810,000 and net cash generated from operating activities of HK$11,658,000. The Group's operations are financed by loan from a director and internal resources. As at 31 March 2023, the Group had net current assets and net assets of HK$89,453,000 and HK$85,663,000 respectively. The Group's cash and bank balances amounting to HK$17,221,000 as at 31 March 2023.

The directors have reviewed the current performance and cash flow forecast of the Group prepared by management as part of their assessment of the Group's ability to continue as a going concern. After carefully considering the matters described below, the directors are of the view that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations as and when they fall due:

i. the Group generated net cash inflows from operating activities approximately HK$11,658,000 during the year ended 31 March 2023 and expects to continue to improve its working capital management and generate sufficient cash flows to meet its obligations; and

ii. Mr. Chan, being one of the controlling shareholders of the Company has undertaken to provide continuing financial support to the Group for a period of twelve months from the date of approval of the consolidated financial statements and not to demand the Group's repayment of approximately HK$12,196,000 due to him as at 31 March 2023 within twelve months after the end of the reporting period, in order to maintain the Group as a going concern.

Consequently, the directors have concluded that the Group is a going concern and will continue its operations for the foreseeable future. The appropriateness of the going concern basis is assessed after taking into consideration the relevant available information about future of the Group, including the Group's cash position and cash flow forecast of the Group. Such assessment inherently involves uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis inappropriate.

5. REVENUE AND SEGMENT INFORMATION

The Group's principal activities are disclosed in Note 1 to the consolidated financial statements.

	2023 HK$'000	2022 HK$'000
Contracting revenue	**326,492**	511,568

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

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

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

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

	2023 HK$'000	2022 HK$'000
Customer A	**N/A***	227,619
Customer B	**103,685**	90,016
Customer C	**186,087**	193,704

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

The disaggregation of revenue from contracts with customers is as follows:

	2023 HK$'000	2022 HK$'000
By types of projects:		
Private sector projects	**11,485**	220,205
Public sector projects	**315,007**	291,363
	326,492	511,568

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Performance obligations satisfied in previous periods

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

	2023 HK$'000	2022 HK$'000
Performance obligations satisfied in previous periods	**231,865**	334,942

6. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Gain on disposal of property, plant and equipment	**348**	805
Government grants (Note (a))	**5,588**	–
Income from sales of construction wastes	**8,199**	4,413
Machinery rental and transportation income	**2,681**	618
Sundry income	**662**	–
	17,478	5,836

Note:

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

7. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Bank loans interest wholly repayable within five years	**–**	318
Finance charge on lease liabilities	**134**	126
Effective interest in amount due to a director	**690**	–
	824	444

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8. PROFIT BEFORE INCOME TAX

		2023 HK$'000	2022 HK$'000
Profit before income tax is stated after charging/(crediting):			
(a)	Staff costs (including directors' emoluments (Note 12(a)) (Note (i))		
	– Salaries, wages and other benefits	**86,814**	86,442
	– Contributions to defined contribution retirement plans (Note (ii))	**1,932**	2,189
		88,746	88,631
(b)	Other items		
	Depreciation, included in:		
	Direct costs		
	– Owned assets	**11,463**	10,650
	– Right-of-use assets	**2,006**	1,472
	Administrative expenses		
	– Owned assets	**856**	744
	– Right-of-use assets	**456**	454
		14,781	13,320
	Subcontracting charges (included in direct costs)	**103,620**	146,234
	Auditor's remuneration	**906**	1,043
	Services charged paid for machinery	**4,093**	3,986
	Short term leases	**872**	900
	Net (reversal)/provision of ECL allowance on:		
	– Trade and other receivables	**(183)**	(464)
	– Contract assets	**(1,717)**	232

Notes:

(i) Staff costs (including directors' emoluments)

	2023 HK$'000	2022 HK$'000
Direct costs	**75,886**	76,203
Administrative expenses	**12,860**	12,428
	88,746	88,631

(ii) As at 31 March 2023, the Group had no forfeited contributions under the MPF Scheme which may be used by the Group to reduce the existing levels of contributions (2022: nil).

9. INCOME TAX CREDIT

Hong Kong Profits Tax has not been provided as the Group incurred tax losses for the years ended 31 March 2023 and 2022.

	2023 HK$'000	2022 HK$'000
Provision for Hong Kong Profits Tax		
– Current tax	–	–
Deferred tax (Note 21)	(597)	(283)
Income tax credit	(597)	(283)

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

	2023 HK$'000	2022 HK$'000
Profit before income tax	213	2,673
Tax at Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	35	441
Tax effect of non-taxable income	(1,300)	(98)
Tax effect of non-deductible expenses	606	805
Tax effect of unrecognised temporary differences	278	(35)
Tax effect of unrecognised tax losses	904	1,334
Tax effect of tax loss utilised	(1,120)	(2,730)
Income tax credit	(597)	(283)

10. DIVIDENDS

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

11. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2023	2022
Earnings		
Profit for the year attributable to equity holders of the Company (in HK$'000)	810	2,956
Number of shares		
Weighted average number of ordinary shares	1,200,000,000	1,200,000,000
Basic earnings per share (in HK cents)	0.07	0.25

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 March 2023 and 2022 and therefore, diluted earnings per share equals to basic earnings per share.

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

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

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2023					
Executive directors:					
Mr. Chan (Note (iii))	**1,300**	**57**	**–**	**–**	**1,357**
Mr. Sin Ka Pong	**1,020**	**–**	**85**	**18**	**1,123**
Independent non-executive directors:					
Mr. Cheung Kwok Yan Wilfred	**180**	**–**	**–**	**–**	**180**
Mr. Lau Leong Ho	**180**	**–**	**–**	**–**	**180**
Mr. Ho Chi Wai	**180**	**–**	**–**	**–**	**180**
	2,860	**57**	**85**	**18**	**3,020**
Year ended 31 March 2022					
Executive directors:					
Mr. Chan (Note (iii))	1,300	55	–	–	1,355
Mr. Sin Ka Pong	1,020	–	85	18	1,123
Independent non-executive directors:					
Mr. Cheung Kwok Yan Wilfred	180	–	–	–	180
Mr. Lau Leong Ho	180	–	–	–	180
Mr. Ho Chi Wai	180	–	–	–	180
	2,860	55	85	18	3,018

Notes:

(i) The emoluments shown above represent emoluments received by the directors in their capacity as a director/an employee of the companies comprising the Group during the years ended 31 March 2023 and 2022.

(ii) For the years ended 31 March 2023 and 2022, no emoluments were paid by the Group to the above directors as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

(iii) Mr. Chan is also the Chief Executive Officer of the Company. His emoluments disclosed above included those for services rendered by him in the capacity of the Chief Executive Officer.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2022: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2022: three) individuals during the year are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, fee and allowances	2,941	3,057
Retirement scheme contributions	43	54
	2,984	3,111

The emoluments fell within the following bands:

	2023	2022
Emolument bands:		
HK$nil – HK$1,000,000	1	1
HK$1,000,001–HK$2,000,000	2	2

For the years ended 31 March 2023 and 2022, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

For the years ended 31 March 2023 and 2022, there were no arrangements under which a director waived or agreed to waive any remuneration during the years.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 April 2021					
Cost	1,244	86,703	8,624	713	97,284
Accumulated depreciation	(1,037)	(54,073)	(7,475)	(659)	(63,244)
Net book amount	207	32,630	1,149	54	34,040
Year ended 31 March 2022					
Opening net book amount	207	32,630	1,149	54	34,040
Additions	147	9,209	1,277	–	10,633
Disposals	–	(2,548)	–	–	(2,548)
Depreciation	(70)	(10,650)	(620)	(54)	(11,394)
Net book amount	284	28,641	1,806	–	30,731
At 31 March 2022 and 1 April 2022					
Cost	828	92,602	8,701	401	102,532
Accumulated depreciation	(544)	(63,961)	(6,895)	(401)	(71,801)
Net book amount	284	28,641	1,806	–	30,731
Year ended 31 March 2023					
Opening net book amount	**284**	**28,641**	**1,806**	**–**	**30,731**
Additions	**62**	**8,099**	**–**	**–**	**8,161**
Disposals	**–**	**(498)**	**–**	**–**	**(498)**
Depreciation	**(82)**	**(11,463)**	**(774)**	**–**	**(12,319)**
Net book amount	**264**	**24,779**	**1,032**	**–**	**26,075**
At 31 March 2023					
Cost	**819**	**98,364**	**8,701**	**401**	**108,285**
Accumulated depreciation	**(555)**	**(73,585)**	**(7,669)**	**(401)**	**(82,210)**
Net book amount	**264**	**24,779**	**1,032**	**–**	**26,075**

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14. RIGHT-OF-USE ASSETS

	Office premises HK$'000	Warehouse HK$'000	Total HK$'000
At 1 April 2021			
Cost	874	3,337	4,211
Accumulated depreciation	(837)	(2,299)	(3,136)
Net book amount	37	1,038	1,075
Year ended 31 March 2022			
Opening net book amount	37	1,038	1,075
Lease modification	1,367	–	1,367
Additions	–	2,812	2,812
Depreciation	(454)	(1,472)	(1,926)
Net book amount	950	2,378	3,328
At 31 March 2022 and 1 April 2022			
Cost	1,367	3,951	5,318
Accumulated depreciation	(417)	(1,573)	(1,990)
Net book amount	950	2,378	3,328
Year ended 31 March 2023			
Opening net book amount	**950**	**2,378**	**3,328**
Lease modification	**–**	**1,262**	**1,262**
Depreciation	**(456)**	**(2,006)**	**(2,462)**
Net book amount	**494**	**1,634**	**2,128**
At 31 March 2023			
Cost	**1,367**	**4,073**	**5,440**
Accumulated depreciation	**(873)**	**(2,439)**	**(3,312)**
Net book amount	**494**	**1,634**	**2,128**

Details of the lease contracts are set out in Note 20.

15. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**14,556**	14,632
Less: ECL allowance	**(578)**	(542)
	13,978	14,090
Other receivables and prepayments	**1,931**	8,985
Paid in advance to sub-contractors	**49,781**	11,174
Occupational injury receivables	**7,860**	6,478
Utility and other deposits	**1,080**	1,461
Less: ECL allowance	**(446)**	(665)
	60,206	27,433
	74,184	41,523

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

As at 31 March 2023, the occupational injury receivables which are expected to be recovered over one year are HK$7,860,000 (2022: HK$6,478,000). The Group classifies these occupational injury receivables as current because the Group expects to realise them in its normal operating cycle.

Trade receivables

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

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

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

ECL for trade and other receivables

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

Details of impairment assessment of trade and other receivables for the years ended 31 March 2023 and 2022 are set out in Note 29.3.

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

	2023 HK$'000	2022 HK$'000
0–30 days	7,028	13,157
31–60 days	6,053	–
61–90 days	–	–
Over 90 days	1,475	1,475
	14,556	14,632

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

	2023 HK$'000	2022 HK$'000
At the beginning of the year	542	787
ECL allowance recognised during the year	36	–
Reversal of ECL allowance during the year	–	(245)
At the end of the year	578	542

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

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 April 2021	11,108	8,007	–	19,115
Additions	1,954	–	–	1,954
Amounts recovered during the year	(1,410)	(4,788)	–	(6,198)
Transfers	(2,719)	2,719	–	–
As at 31 March 2022 and 1 April 2022	8,933	5,938	–	14,871
Additions	3,132	–	–	3,132
Amounts recovered during the year	(2,131)	(1,583)	–	(3,714)
Transfers	(283)	283	–	–
As at 31 March 2023	9,651	4,638	–	14,289

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

ECL for trade and other receivables (CONTINUED)

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

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 April 2021	283	601	–	884
ECL allowance	64	107	–	171
Reversal of ECL allowance	(28)	(362)	–	(390)
Transfers	(95)	95	–	–
As at 31 March 2022 and 1 April 2022	**224**	**441**	**–**	**665**
ECL allowance	**50**	**70**	**–**	**120**
Reversal of ECL allowance	**(78)**	**(261)**	**–**	**(339)**
Transfers	**(9)**	**9**	**–**	**–**
As at 31 March 2023	**187**	**259**	**–**	**446**

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

16.1 Contract assets

	2023 HK$'000	2022 HK$'000
Unbilled revenue (Note (a))	**45,612**	82,881
Retention receivables (Note (b))	**52,864**	58,078
Less: ECL allowance (Note (c))	**(3,915)**	(5,632)
	94,561	135,327

Notes:

(a) Unbilled revenue

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

(b) Retention receivables

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

16. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

16.1 Contract assets (Continued)

Notes: (Continued)

(c) ECL allowance

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Details of impairment assessment of contract assets for the years ended 31 March 2023 and 2022 are set out in Note 29.3.

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

	2023 HK$'000	2022 HK$'000
At the beginning of the year	5,632	5,400
ECL allowance recognised during the year	–	232
ECL allowance reversed during the year	(1,717)	–
At the end of the year	3,915	5,632

As at 31 March 2023, the gross amount of contract assets are expected to be recovered within one year is HK$54,727,000 (2022: HK$92,575,000), whereas amounts expected to be recovered over one year is HK$43,749,000 (2022: HK$48,384,000). The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

During the year ended 31 March 2023, transfers from contract assets recognised at the beginning of the year to receivables are HK$60,188,000 (2022: HK$98,954,000). Decrease in the carrying amount of the contract asset during the year ended 31 March 2023 is mainly due to conclusion of several projects.

16.2 Contract liabilities

	2023 HK$'000	2022 HK$'000
Contract liabilities arising from construction wastes disposal contracts from billings in advance of performance	1,891	1,891

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

Contract liabilities outstanding at the beginning of the year amounting to HK$nil (2022: HK$nil) have been recognised as revenue during the year.

Unsatisfied long-term construction contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 March 2023 and 2022 are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	91,745	221,450
More than one year	68,255	192,732
	160,000	414,182

17. CASH AND BANK BALANCES

	2023 HK$'000	2022 HK$'000
Unpledged one-month bank deposits	–	1,500
Cash at banks	17,221	10,381
Cash and bank balances	17,221	11,881

As at 31 March 2022, the unpledged bank deposit earn interest at floating rate at 0.01% per annum.

18. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables (Note (a))	41,827	42,190
Retention payables (Note (b)(i))	24,329	24,639
Accruals and other payables (Note (b)(ii))	12,659	24,326
	78,815	91,155

Notes:

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

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

(ii) As at 31 March 2023, included in trade payables of HK$1,734,000 (2022: HK$2,233,000) was related party balance due to Kam Lung Transport Co., which is a sole proprietorship established by Mr. Tsang Leung Lung, who is also the brother-in-law of Mr. Chan.

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

	2023 HK$'000	2022 HK$'000
0–30 days	15,286	10,027
31–60 days	4,131	5,885
61–90 days	2,239	10,551
Over 90 days	20,171	15,727
	41,827	42,190

(b) (i) As at 31 March 2023, the retention payables of HK$20,848,000 (2022: HK$16,622,000) were expected to be repayable over one year. The Group classifies them as current because the Group expects to realise them in its normal operating cycle.

(ii) As at 31 March 2023, included in accruals and other payables of HK$1,887,000 (2022: HK$4,688,000) was related to the purchase of property, plant and equipment and contra costs recharged by the subcontractors of HK$819,000 (2022: HK$9,164,000).

19. AMOUNT DUE TO A DIRECTOR

	2023 HK$'000	2022 HK$'000
Mr. Chan		
Carrying amount repayable (Note)		
Within one year	**12,196**	39,632
In the second year	**–**	–
In the third to fifth years	**28,124**	–
	40,320	39,632
Less:		
– Amount due within one year	**(12,196)**	(39,632)
Carrying amount shown under non-current liabilities	**28,124**	–

Note: As at 31 March 2023, the loan from a director amounting HK$12,196,000 (2022: HK$8,132,000) is classified as current liabilities represented a non-trade in nature, unsecured, interest-free and repayable on demand.

As at 31 March 2022, the remaining loan from a director is classified as current liabilities represented a non-trade in nature, unsecured, interest-free with principal amount of HK$31,500,000 (the "Loan") which are repayable by September 2022.

During the year ended 31 March 2023, the Loan is extended and re-classified as non-current liabilities at the same terms, which will mature and become repayable by September 2025. Mr. Chan is also one of the controlling shareholders of the Company. The Loan was carried at amortised cost using the effective interest method. The effective interest rate applied was 4.62% per annum. The difference of the principal and the fair value of the Loan at initial recognition amounting to approximately HK$4,065,000 was credited as deemed contribution from a shareholder in equity.

20. LEASE LIABILITIES

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

	2023 HK$'000	2022 HK$'000
Total minimum lease payments:		
Due within one year	**1,881**	2,314
Due in the second to fifth year	**330**	1,222
	2,211	3,536
Future finance charges	**(64)**	(142)
Present value of lease obligations	**2,147**	3,394

20. LEASE LIABILITIES (Continued)

	2023 HK$'000	2022 HK$'000
Present value of minimum lease payment:		
Due within one year	**1,822**	2,201
Due in the second to fifth year	**325**	1,193
	2,147	3,394
Less: Portion due within one year included under current liabilities	**(1,822)**	(2,201)
Portion due after one year included under non-current liabilities	**325**	1,193

As at 31 March 2023, the Group leases an office premise and warehouses (2022: office premise and warehouses) to operate its business. These lease periods are for three and two years (2022: three and two years) respectively. At the end of the lease term, lease liabilities were effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group. None of the leases including contingent rentals. The effective interest rate on these leases was 4.88% to 5.13% for the year ended 31 March 2023 (2022: 4.83% to 4.88%).

As at 31 March 2022, the Group has entered two leases for warehouse from 1 to 1.8 years. These leases do not contain option to renew the lease and are subjected to monthly fixed rental payment.

During the year ended 31 March 2023, the total cash outflows for the leases are HK$3,515,000 (2022: HK$2,942,000).

21. DEFERRED TAXATION

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

The movement in deferred tax liabilities and recognised in the consolidated statement of the financial position during the years ended 31 March 2023 and 2022 are as follows:

	Accelerated tax depreciation HK$'000
As at 1 April 2021	4,424
Charged to profit or loss (Note 9)	(283)
As at 31 March 2022 and 1 April 2022	**4,141**
Charged to profit or loss (Note 9)	**(597)**
As at 31 March 2023	**3,544**

As at 31 March 2023, the unrecognised temporary differences on tax losses are HK$77,655,000 (2022: HK$78,964,000).

As at 31 March 2023, the deferred tax assets of unrecognised temporary differences on depreciation are HK$4,864,000 (2022: HK$6,788,000).

22. SHARE CAPITAL

	2023 Number of shares	2023 HK$'000	2022 Number of shares	2022 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
As at 31 March	**4,000,000,000**	**40,000**	4,000,000,000	40,000
Issued and Fully paid:				
Ordinary share of HK$0.01 each				
As at 31 March	**1,200,000,000**	**12,000**	1,200,000,000	12,000

23. RESERVES

(a) Share premium

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

(b) Capital reserve

Capital reserve represents the aggregate of the paid up share capital of the subsidiaries comprising the Group arising from the reorganisation for the purpose of listing of the Company's shares on the Stock Exchange.

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary		–*	–*
Current assets			
Prepayments and other receivables		256	304
Amounts due from subsidiaries		52,918	55,574
Cash and bank balances		72	195
		53,246	56,073
Current liabilities			
Accruals		814	829
Net current assets		52,432	55,244
Net assets		52,432	55,244
EQUITY			
Share capital	22	12,000	12,000
Reserves		40,432	43,244
Total equity		52,432	55,244

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

Chan Siu Cheong
Director

Sin Ka Pong
Director

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement of the Company's reserves are as follows:

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2021	77,625	(31,692)	45,933
Loss and total comprehensive expenses for the year	–	(2,689)	(2,689)
Balance at 31 March 2022 and 1 April 2022	77,625	(34,381)	43,244
Loss and total comprehensive expenses for the year	–	(2,812)	(2,812)
Balance at 31 March 2023	77,625	(37,193)	40,432

As at 31 March 2023, the distributable reserves of the Company amounting to HK$40,432,000 (2022: HK$43,244,000).

25. RELATED PARTY TRANSACTIONS

In addition to the balances and transactions detailed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the years ended 31 March 2023 and 2022.

(a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the years ended 31 March 2023 and 2022 are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, fee and allowances	3,802	3,755
Discretionary bonuses	330	530
Retirement benefit scheme contributions	43	54
	4,175	4,339

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions

Name of related party	Nature	2023 HK$'000	2022 HK$'000
Ms. Chan Sze Nga (Note (a))	Salary and allowances	1,151	1,102
Ms. Chan Mei Po (Note (b))	Salary and allowances	750	715
Mr. Tsang Ue Sum (Note (c))	Salary and allowances	378	364
Ms. Chan Mei Lei (Note (d))	Salary and allowances	455	388

Notes:

(a) Ms. Chan Sze Nga is the daughter of Mr. Chan and the niece of Mr. Tsang Leung Lung.

(b) Ms. Chan Mei Po is the niece of Mr. Chan.

(c) Mr. Tsang Ue Sum is the nephew of Mr. Chan and the son of Mr. Tsang Leung Lung.

(d) Ms. Chan Mei Lei is the niece of Mr. Chan.

26. LEASE COMMITMENT

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

	2023 HK$'000	2022 HK$'000
Within one year	121	140

27. CONTINGENT LIABILITIES

As at 31 March 2023 and 2022, the Group has been involved in a number of claims, litigations and potential claims against the Group, as a subcontractor, in relation to work-related injuries and non-compliances. The potential claims and litigations against the Group are insured by main contractor's insurance policy. The directors are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made as at 31 March 2023 and 2022 and during the years ended 31 March 2023 and 2022.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliations of liabilities arising from financing activities

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

	Bank borrowings HK$'000	Lease liabilities HK$'000	Amount due to a director HK$'000	Total HK$'000
As at 1 April 2022	**–**	**3,394**	**39,632**	**43,026**
Cash flows:				
Proceeds	**–**	**–**	**4,590**	**4,590**
Repayment	**–**	**–**	**(527)**	**(527)**
Capital element of lease rentals paid	**–**	**(2,509)**	**–**	**(2,509)**
Interest element of lease rentals paid	**–**	**(134)**	**–**	**(134)**
Non-cash:				
Lease modification	**–**	**1,262**	**–**	**1,262**
Deemed contribution from a shareholder	**–**	**–**	**(4,065)**	**(4,065)**
Interest expenses	**–**	**134**	**690**	**824**
As at 31 March 2023	**–**	**2,147**	**40,320**	**42,467**
As at 1 April 2021	33,671	1,131	–	34,802
Cash flows:				
Proceeds	4,000	–	8,632	12,632
Repayment	(37,671)	–	–	(37,671)
Capital element of lease rentals paid	–	(1,916)	–	(1,916)
Interest element of lease rentals paid	–	(126)	–	(126)
Non-cash:				
Settlement by a director (Note 28(b)(iii))	–	–	31,000	31,000
Lease modification	–	1,367	–	1,367
Entering into new leases (Note 28(b)(i))	–	2,812	–	2,812
Interest expenses	–	126	–	126
As at 31 March 2022	–	3,394	39,632	43,026

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Non-cash transactions

During the year ended 31 March 2023:

i. the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$nil (2022: HK$2,812,000) was recognised.

ii. the proceeds from disposal of property, plant and equipment have been net-off with other payables at HK$423,000 (2022: HK$2,670,000) as the plant and machineries were returned to the machinery vendor.

During the year ended 31 March 2022:

iii. deposits paid by a customer amounting HK$31,000,000 was settled by the director on behalf of the Group.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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

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

29.1 Categories of financial assets and liabilities

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

	2023 HK$'000	2022 HK$'000
Financial assets		
At amortised cost:		
– Trade and other receivables	27,821	28,296
– Cash and bank balances	17,221	11,881
	45,042	40,177

	2023 HK$'000	2022 HK$'000
Financial liabilities		
At amortised costs:		
– Trade and other payables	78,815	91,155
– Amount due to a director	40,320	39,632
– Lease liabilities	2,147	3,394
	121,282	134,181

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

29.2 Interest rate risk

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

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

29.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group's maximum exposure to credit risk is limited to the carrying amounts of the financial assets at each reporting date as detailed in Note 29.1.

At 31 March 2023, the Group has concentration of credit risk as 21% and 90% (2022: 1% and 90%) of the total trade receivables were due from the Group's largest customer and five largest customers respectively. At 31 March 2023, the aggregate gross amounts of trade receivables from the Group's largest customer and five largest customers amounted to HK$3,010,000 and HK$13,082,000 respectively (2022: HK$155,000 and HK$13,157,000 respectively). The Group does not hold any collateral from its debtors.

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

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

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

29.3 Credit risk (Continued)

(i) Trade receivables and contract assets

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

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

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

In addition, the Group assesses ECL under HKFRS 9 on trade receivables collectively based on the analysis of credit risk with customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. ECL rate of nil% (2022: 0.1%) applied for balances due less than one year, with loss allowance amounting to HK$nil (2022: HK$11,000) at 31 March 2023. ECL rate of nil% (2022: 3.7%) applied for balances due over one year but within two years, with loss allowance amounting to HK$nil (2022: HK$22,000) at 31 March 2023. ECL rate of 60.8% (2022: 58.2%) applied for balance due over two years, will loss allowance amounting to HK$578,000 (2022: HK$509,000) at 31 March 2023.

Contract assets are related to unbilled revenue and retention receivables which have substantially the same risk characteristics as the trade receivables for the same type of contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Contract assets are assessed for ECL which are based on customers which share common risk characteristics, with ECL rate of 3.97% (2022: 3.99%) applied for and loss allowance amounting to HK$3,912,000 (2022: HK$5,629,000) at 31 March 2023. Contract assets are also assessed for ECL which are based on customers individually adjusted for factors specific to the debtors relating to the latest negotiation with the debtors, historical credit loss experience versus the expected collectability of the debtors, and poor economic environment as at 31 March 2023, and loss allowance amount to HK$3,000 (2022: HK$3,000) for the year.

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

29.3 Credit risk (CONTINUED)

(i) *Trade receivables and contract assets* (CONTINUED)

ECL allowance of trade receivables

As at 31 March 2023 and 2022, the credit loss allowance of trade receivables is as follow:

	Less than 1 year	1 year to 2 years	Over 2 years	Total
31 March 2023				
Collectively assessed:				
– ECL rate	–%	–	60.8%	–
– Gross carrying amount (HK$'000)	13,081	–	1,475	14,556
– Loss allowance (HK$'000)	–	–	(578)	(578)
	13,081	–	897	13,978

	Less than 1 year	1 year to 2 years	Over 2 years	Total
31 March 2022				
Collectively assessed:				
– ECL rate	0.1%	3.7%	58.2%	–
– Gross carrying amount (HK$'000)	13,157	600	875	14,632
– Loss allowance (HK$'000)	(11)	(22)	(509)	(542)
	13,146	578	366	14,090

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

29.3 Credit risk (CONTINUED)

(i) *Trade receivables and contract assets* (CONTINUED)

ECL allowance of contract assets

As at 31 March 2023 and 2022, the credit loss allowance of contract assets is as follow:

	Collectively assessed	Individually assessed	Total
31 March 2023			
– ECL rate	**3.97%**	**100%**	**–**
– Gross carrying amount (HK$'000)	**98,473**	**3**	**98,476**
– Loss allowance (HK$'000)	**(3,912)**	**(3)**	**(3,915)**
	94,561	**–**	**94,561**

	Collectively assessed	Individually assessed	Total
31 March 2022			
– ECL rate	3.99%	100%	–
– Gross carrying amount (HK$'000)	140,956	3	140,959
– Loss allowance (HK$'000)	(5,629)	(3)	(5,632)
	135,327	–	135,327

(ii) *Other receivables*

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward-looking information. The Group assessed that some of other receivables have deteriorated significantly in credit quality since initial recognition after considering the factors as set out in Note 2.6. The ECL assessment of other receivables are based on customers which share common risk characteristics or individually, with ECL rate 1.9% (2022: 2.5%) for stage 1 and 5.6% (2022: 7.4%) for stage 2 applied and loss allowance amounting to HK$446,000 (2022: HK$665,000) at 31 March 2023.

The Group's ECL movement of other receivables are disclosed in Note 15.

(iii) *Cash and bank balances*

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

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

29.4 Liquidity risk

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

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

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

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

	On demand or within one year HK$'000	**Over 1 year but within 5 years** HK$'000	**Total undiscounted cash flow** HK$'000	**Carrying amount** HK$'000
At 31 March 2023				
Trade and other payables	**50,034**	**28,781**	**78,815**	**78,815**
Amount due to a director	**12,196**	**31,500**	**43,696**	**40,320**
Lease liabilities	**1,881**	**330**	**2,211**	**2,147**
	64,111	**60,611**	**124,722**	**121,282**
At 31 March 2022				
Trade and other payables	68,700	22,455	91,155	91,155
Amount due to a director	39,632	–	39,632	39,632
Lease liabilities	2,314	1,222	3,536	3,394
	110,646	23,677	134,323	134,181

29.5 Fair value measurement

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values at 31 March 2023 and 2022 due to their short maturities.

30. CAPITAL MANAGEMENT

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

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

The gearing ratio at the 31 March 2023 and 2022 was as follows:

	2023 HK$'000	2022 HK$'000
Total borrowings		
Amount due to a director	**40,320**	39,632
Lease liabilities	**2,147**	3,394
	42,467	43,026
Total equity	**85,663**	80,788
Gearing ratio	**49.6%**	53.3%

31. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries at 31 March 2023 and 2022 are as follows:

Name of Company	Place of incorporation	Date of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest 2023	2022	Principal activities
Directly held by the Company						
Affluent Century Investments Limited	The BVI	16 March 2017	1 ordinary share	**100%**	100%	Investment holding
Indirectly held by the Company						
Art Ventures Worldwide Limited	The BVI	20 March 2017	2 ordinary shares	**100%**	100%	Investment holding
Luxury Golden Worldwide Limited	The BVI	20 March 2017	2 ordinary shares	**100%**	100%	Investment holding
Hong Chang Construction Foundations (Holdings) Limited ("HCC Foundations")	Hong Kong	14 April 2009	1,000 ordinary shares	**100%**	100%	Undertaking foundation works in Hong Kong
Hong Chang Construction Transportation Engineering Company Limited ("HCC Transportation")	Hong Kong	15 October 1996	100,000 ordinary shares	**100%**	100%	Provision of equipment rental in Hong Kong

FINANCIAL SUMMARY

	For the year ended 31 March				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Results					
Revenue	**326,492**	511,568	446,846	213,121	400,056
Direct costs	**(322,505)**	(492,696)	(437,990)	(197,088)	(442,444)
Gross profit/(loss)	**3,987**	18,872	8,856	16,033	(42,388)
Other income	**17,478**	5,836	5,526	3,369	6,174
Administrative expenses	**(22,328)**	(21,823)	(21,635)	(24,495)	(28,751)
Reversal/(Provision) of expected credit loss, net	**1,900**	232	10,505	(15,849)	(1,727)
Finance costs	**(824)**	(444)	(1,866)	(1,972)	(1,106)
Profit/(Loss) before income tax	**213**	2,673	1,386	(22,914)	(67,798)
Income tax credit/(expense)	**597**	283	(734)	(2,832)	(485)
Profit/(Loss) and total comprehensive income/(expenses) for the year attributable to equity holders of the Company	**810**	2,956	652	(25,746)	(68,283)
Earnings/(Loss) per share attributable to equity holders of the Company Basic and diluted (HK cents)	**0.07**	0.25	0.05	(2.15)	(5.97)

	As at 31 March				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Assets and Liabilities					
Current assets	**185,966**	188,731	166,853	155,135	172,106
Non-current assets	**28,203**	34,059	35,115	30,656	23,332
Current liabilities	**96,513**	136,668	119,404	103,180	86,513
Non-current liabilities	**31,993**	5,334	4,732	5,431	5,999
Total equity	**85,663**	80,788	77,832	77,180	102,926

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