

Thelloy Development Group Limited 德萊建業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1546

Annual Report
2024



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Corporate Information

Registered Office

PO Box 309
Ugland House
Grand Cayman
KY1-1104, Cayman Islands

Head Office and Principal Place of Business

19/F, The Globe,
79 Wing Hong Street, Lai Chi Kok
Kowloon, Hong Kong

Executive Directors

Mr. Lam Kin Wing Eddie (*Chairman*)
Mr. Shut Yu Hang
Mr. Lam Arthur Chi Ping

Independent Non-executive Directors

Mr. Tang Chi Wang
Mr. Tse Ting Kwan
Mr. Wong Kwong On
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)

Company Secretary

Mr. Fung Nam Shan

Authorised Representatives

Mr. Lam Kin Wing Eddie
Mr. Shut Yu Hang

Audit Committee

Mr. Tse Ting Kwan (*Chairman*)
Mr. Tang Chi Wang
Mr. Wong Kwong On

Remuneration Committee

Mr. Wong Kwong On (*Chairman*)
Mr. Tse Ting Kwan
Mr. Lam Kin Wing Eddie
Mr. Lam Arthur Chi Ping
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)

Nomination Committee

Mr. Tang Chi Wang (*Chairman*)
Mr. Shut Yu Hang
Mr. Tse Ting Kwan
Mr. Lam Arthur Chi Ping
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)

Legal Adviser as to Hong Kong Law

P.C. Woo & Co.

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102
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 Banker

Hang Seng Bank Limited
20/F, 83 Des Voeux Road Central
Hong Kong

Independent Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Company Website

www.thelloy.com

Stock Code

1546

Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Thelloy Development Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), I am delighted to present the annual report of the Group for the year ended 31 March 2024 (the “**Year**”) to you.

Review

The economy of Hong Kong witnessed signs of recovery during the Year, with real gross domestic product (“**GDP**”) growing 2.7% year-on-year in Q1 2024, having increased by 4.3% in the preceding quarter. Stable growth is expected in the future driven by revival of inbound tourism and the government's effort in promoting a mega event economy. Domestically, resilient labour market and rising employment earnings should lend support to private consumption, while continued economic growth can in turn boost fixed asset investment.

The local construction industry also experienced moderate growth under the backdrop of gradual economic recovery, with a 4.9% increase in expenditure on building and construction, where the private sector saw a notable rise of 10.2% despite a low baseline for comparison. This positive trend in the private sector suggests growing optimism in the market, which is further supported by the government's various housing and infrastructure initiatives and the recent lifting of all demand-side management measures in relation to residential properties. Riding on the recovery of the private market, public sector projects are expected to face less intense competition, but shall continue to dominate and register stronger growth.

Leveraging on the Group's competency for public projects, our order book is strengthened by the addition of a major new contract, amounting to approximately HK\$518 million, for the construction of Quarry Park at Anderson Road Quarry. During the Year, we have also successfully completed and delivered a number of projects, including the Modular Integrated Construction (“**MiC**”) transitional housing project in Cheung Sha Wan and the Alteration and Addition works for North Point Study Centre of the Education University of Hong Kong. Our design and build expertise and adherence to project excellence have led us to many project success and commendations, with our first MiC transitional housing Nam Cheong 220, being named as finalist of the Green Building Award 2023, following the recognition of Merit Award by the Quality Building Award in April 2023.

To better prepare ourselves for the upcoming opportunities and to embrace the transformation into “Construction 2.0”, the Group has continued efforts in developing its capabilities in MiC design-and-build, expanding application of building information modeling (“**BIM**”) technology, utilizing laser scanner to improve productivity, and adopting artificial intelligence for site safety. Taking safety as an integral part of our company culture, we have applied innovative technologies to implement the Smart Site Safety System in our new projects.

Apart from safety, we are also committed to introduce energy-efficient initiatives and strive to achieve our waste and emissions mitigation targets. Our relentless efforts were being recognized by receiving the Hong Kong Quality Assurance Agency – Green and Sustainability Contribution Awards, for completing multiple pioneering MiC projects and for promoting safe and ecofriendly construction. We have also recently obtained green financing for our Anderson Quarry Park project.

Chairman's Statement (Continued)

Forward

Looking forward, the Group remains cautiously optimistic in the near term operating environment, as geopolitical tensions and a longer period of tight financial conditions in the external environment will affect local economic confidence and activities. In the construction market, there are also a number of challenges impacting construction management, such as labour shortage, aging workforce, rising construction costs, and increasingly stringent regulatory regime on sustainability and safety. Nonetheless, with challenges come opportunities. The government introduced the Labour Importation Scheme in 2023, though it might not be directly beneficial to the Group, we welcome the initiative to alleviate the labour shortage problem and to increase construction productivity. We will also (i) actively adopt innovative technologies to modernize construction procedures, (ii) utilize prefabrication and DfMA approaches to speed up construction time, and (iii) diversify our area of expertise by identifying suitable suppliers to form strategic partnerships. These said strategies will strengthen our capabilities in promoting greener and safer construction amid transition into a low carbon economy.

Furthermore, construction activities in Hong Kong are expected to experience favourable growth in the coming years, driven by the government emphasis on infrastructure investment. The government is pushing forward the Long Term Housing Strategy to meet its supply target of 308,000 public housing units over the next ten years. Meanwhile, the Northern Metropolis and its associated infrastructure projects will continue to provide boost to the construction industry. Benefitting from these initiatives, the Group with its licenses and expertise on public works, is confident to capture future business opportunities and to enhance our competitive market position.

A Note of Appreciation

On behalf of the Board, I wish to take this opportunity to express my gratitude to shareholders of the Company (the "Shareholders"), business partners and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staff for their diligence, commitment and contribution throughout the years.

Thelloy Development Group Limited

Lam Kin Wing Eddie

Chairman

Hong Kong, 28 June 2024

Management Discussion and Analysis

Business Review and Outlook

Construction

The Hong Kong economy recorded a moderate growth during the Year, with inbound tourism and private consumption growing under the government's latest initiative to promote a mega event economy. Real GDP rose by 2.7% year-on-year in Q1 2024, lending support to a resilient labour market and boosting fixed asset investment. Under the backdrop of a stably recovering economy, the government continues to push forward infrastructure initiatives, increasing public housing supply to meet a target of 308,000 units over the next ten years. The Northern Metropolis and its associated infrastructure projects will be a new engine for Hong Kong's growth over the next 20 years, which will continue to provide boost to the construction activities. Expenditure on building and construction has therefore remained strong, noting a 4.9% increase in 2023.

The Group's strategy is to optimize business opportunities through expanding our core business in public work projects and developing our expertise in sustainable construction amid the transition towards a low carbon economy. Riding on the construction boom and leveraging on the Group's competency, our order book is strengthened by the addition of a major new contract, amounting to approximately HK\$518 million, for the construction of Quarry Park at Anderson Road Quarry. During the Year, we have also successfully completed and delivered a number of projects, including the MiC transitional housing project in Cheung Sha Wan and the Alteration and Addition works for North Point Study Centre of the Education University of Hong Kong. Our design and build expertise and adherence to project excellence have led us to many project success and commendations, with our first MiC transitional housing Nam Cheong 220, being named as finalist of the Green Building Award 2023, following the recognition of Merit Award by the Quality Building Award in April 2023.

To embrace the transformation into "Construction 2.0" and to develop our capabilities in greener and safer construction, the Group has continued efforts in developing its capabilities in MiC design-and-build, expanding application of BIM technology, utilizing laser scanner to improve productivity, and adopting artificial intelligence for site safety. Taking safety as an integral part of our company culture, we have applied innovative technologies to implement the Smart Site Safety System in our new projects. We are also committed to introduce energy-efficient initiatives and strive to achieve our waste and emissions mitigation targets. Our relentless efforts were being recognized by receiving the Hong Kong Quality Assurance Agency – Green and Sustainability Contribution Awards, for completing multiple pioneering MiC projects and for promoting safe and ecofriendly construction. We have also recently obtained green financing for our Anderson Quarry Park project.

In the near term, it is expected that geopolitical tensions and a longer period of tight financial conditions in the external environment will affect local economic confidence and activities. In the construction market, there are also a number of challenges impacting construction management, such as labour shortage, aging workforce, rising construction costs, and increasingly stringent regulatory regime on sustainability and safety. Nonetheless, we remain cautiously optimistic in turning these challenges into opportunities. The government introduced the Labour Importation Scheme in 2023, though it might not be directly beneficial to the Group, we welcome the initiative to alleviate the labour shortage problem and to increase construction productivity. Meanwhile, we also remain focused in recruiting and nurturing young talents to develop their expertise in the industry. We will (i) actively adopt innovative technologies to modernize construction procedures, (ii) utilize prefabrication and design for manufacture and assembly (DfMA) approaches to speed up construction time, and (iii) diversify our area of expertise by identifying suitable suppliers to form strategic partnerships. These said strategies and measures will strengthen our capabilities in sustainable construction and enable us to capture opportunities in the coming golden era of the construction industry.

Management Discussion and Analysis (Continued)

Property

The Group is also involved in the property business through its interests in Great Glory Developments Limited (“**Great Glory**”, which is owed as to 49% by the Group), which can achieve synergy with the Group’s existing business in building construction. The flagship project under Great Glory, through its 70% shareholding interest in World Partners Limited (“**World Partners**”) is to redevelop an industrial building in Tsuen Wan into a commercial property, which will undergo excavation and lateral support (ELS) and foundation works for the coming years. Great Glory also has interests in various land lots in Yuen Long, where added value was created by obtaining planning approval for senior living development in September 2023.

FINANCIAL REVIEW

Revenue

During the Year, revenue of the Group slightly decreased from approximately HK\$259.1 million for the Previous Year to approximately HK\$258.0 million, representing a decrease of approximately 0.4%. The decrease was mainly attributable to the combined effect of (i) the increase in revenue from the building construction services from approximately HK\$96.2 million for the Previous Year to approximately HK\$188.9 million for the Year, representing an increase of approximately 96.4%; (ii) a decrease in revenue from design and build services from approximately HK\$61.4 million for the Previous Year to approximately HK\$25.2 million for the Year, representing a decrease of approximately 59.0%; and (iii) a decrease in revenue from RMAA services from approximately HK\$101.6 million for the Previous Year to approximately HK\$43.9 million for the Year, representing a decrease of approximately 56.7%. The significant increase in revenue from building construction was mainly due to a project nearly completed during the Year while the drop in revenue from design and build services and RMMA services are due to the completion of several projects on hand during the Year.

Direct Costs

The Group’s direct costs increased from approximately HK\$212.8 million for the Previous Year to approximately HK\$227.8 million for the Year, representing an increase of approximately 7.0% as compared to the Previous Year. Such increase was primarily due to the increase in raw materials, subcontractor and direct staff costs during the Year.

Gross Profit and Gross Profit Margin

The Group’s gross profit amounted to approximately HK\$30.2 million and HK\$46.3 million for the Year and the Previous Year respectively, representing a decrease of approximately 34.7%. The decrease was mainly due to the increase in direct costs as discussed above.

The overall gross profit margin decreased from approximately 17.9% for the Previous Year to approximately 11.7% for the Year. Such drop is mainly attributable to the commencement of a new project with lower profit margin.

Other Income and Other Losses

During the Year, the Group’s other income mainly represented bank interest income, rental income and government grants, which decreased by approximately HK\$2.0 million from approximately HK\$3.5 million for the Previous Year to approximately HK\$1.5 million for the Year, representing a decrease of approximately 55.7%. This was mainly attributable to a decrease in the subsidies of Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government and no loan interest income was recognised after the full repayment of loan during the Previous Year.

Management Discussion and Analysis (Continued)

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$35.0 million and HK\$32.9 million for the Year and the Previous Year respectively, representing an increase of approximately 6.2%. Such increase was primarily due to the increase in staff costs during the Year.

Finance Costs

For the Year and the Previous Year, the Group's finance costs amounted to approximately HK\$4.5 million and HK\$2.6 million respectively, representing an increase of approximately 73.4%. The increase in finance costs was mainly due to the rise in interest rate on bank borrowings during the Year.

Income Tax Expense

For the Year and the Previous Year, the Group's income tax expense amounted to approximately HK\$0.5 million and HK\$2.1 million, representing a decrease of approximately 75.4%, as a result of the decrease in taxable profit for the Year.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the Year decreased by approximately HK\$4.4 million from approximately HK\$12.7 million for the Previous Year to approximately HK\$8.3 million for the Year. Such decrease was mainly due to (i) an increase in direct costs and finance costs; and (ii) a decrease in subsidies from the Employment Support Scheme received under the Anti-epidemic Fund set up by the Hong Kong Government.

Dividends

The Board does not recommend the payment of a final dividend for the Year (2023: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position. As at 31 March 2024, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$34.1 million (2023: approximately HK\$68.0 million) and the current ratio was approximately 0.75 (2023: approximately 0.91). As at 31 March 2024, bank borrowings of HK\$71.0 million (2023: HK\$60.0 million) were secured by the Group's pledged bank deposits and properties, repayable within one year, borne floating interest rate at Hong Kong Interbank Offered Rate plus a spread of range from 1.35% to 2.5% (2023: 1.35% to 1.75%) with an effective rate of 6.39% (2023: 4.66%) per annum and denominated in Hong Kong dollars.

Gearing Ratio

The gearing ratio of the Group as at 31 March 2024 was approximately 43.5% (2023: 40.5%). The gearing ratio is calculated as total borrowings and lease liabilities divided by total equity as at the end of the reporting period.

The increase in gearing ratio was due to increase in bank borrowings.

Management Discussion and Analysis (Continued)

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 31 March 2024, the Group had pledged bank deposits of approximately HK\$2.0 million (2023: approximately HK\$2.0 million), where all properties with carrying amount of approximately HK\$83.0 million (2023: approximately HK\$79.7 million) have been pledged to secure the banking facilities granted to the Group.

Capital Structure

There has been no change in capital structure of the Company during the Year. The capital of the Company comprises ordinary shares ("**Shares**") and other reserves.

Other Commitment

On 5 March 2021, in order to finance the land acquisition plan of Great Glory, the Group agreed to provide the additional capital contribution in the aggregate amount of HK\$188,650,000 to Great Glory and such contributions shall be payable upon request of the Great Glory from time to time. As at 31 March 2024, the outstanding commitment was HK\$86,325,000 (2023: HK\$104,191,000).

Human Resources Management

As at 31 March 2024, the Group had a total of 133 employees (2023: 99). The increase was mainly due to the award of one new contract during the Year. To ensure that the Group can attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. The total staff costs (including directors' remuneration) incurred for the Year were approximately HK\$58.3 million (2023: HK\$52.4 million). In addition, discretionary bonus was granted to eligible employees by reference to the Group's operating results and employees' individual performance. During the Year, the Group also sponsored staff to attend seminars and training courses for professional development.

Foreign Currency Risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. During the Year, there was no material impact on the Group arising from the fluctuation in the foreign exchange rates between the currencies. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Year.

Management Discussion and Analysis (Continued)

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

As at 31 March 2024, the Company held a significant investment, with a value of over 5% of the Company's total assets as at 31 March 2024, in Great Glory. The Group's total investment in Great Glory is HK\$188,650,000, and the amount provided up to 31 March 2024 was approximately HK\$102,325,000. As at 31 March 2024, the Group owned 49 shares in Great Glory, representing 49% equity interests in Great Glory with a carrying amount of the Group's interests in Great Glory of approximately HK\$119,793,000, representing approximately 33.9% of the total assets of the Company as at 31 March 2024. No market value was available for this investment as at 31 March 2024.

Great Glory is a company established in the British Virgin Islands with limited liability and mainly carries on the business of property investment and development in Hong Kong.

Please refer to the section headed "Management Discussion and Analysis – Business Review and Outlook – Property" above for further details of the progress of the property project under Great Glory. The Board considers that the investments in Great Glory can expand the Group's business interests in Hong Kong's property market and can achieve synergy with the Group's existing business in building construction.

Save as disclosed above, there were no other significant investments held as at 31 March 2024.

During the Year, there were no material acquisitions nor disposals of subsidiaries, associates or joint ventures by the Group.

Future Plans for Materials Investments and Capital Assets

The Group does not have any plans for material investments and capital assets acquisitions for the coming 12 months.

Performance Guarantees

As at 31 March 2024, performance guarantees of approximately HK\$14.1 million (2023: HK\$20.9 million) were issued by certain banks in favour of the Group's customers as security for the observance of the Group's obligations under various contracts entered into between the Group and its customers.

As at 31 March 2024, a performance guarantee of approximately HK\$0.9 million (2023: HK\$0.9 million) was issued by a bank in favour of the Group's landlord as security for a premise leased by the Group.

Save as disclosed, the Group had no other material performance guarantees at the end of the reporting period.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally approved by the Company pursuant to the written resolutions of the then sole shareholder of the Company on 22 September 2015. The Share Option Scheme remained valid and effective following the transfer of listing of its shares from GEM to the Main Board of the Stock Exchange on 26 October 2017 and will be implemented in full compliance with the requirements under Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

Biographies of Directors, Senior Management and Company Secretary

Executive Directors

Mr. Lam Kin Wing Eddie (“**Mr. Lam**”), aged 65, is an Executive Director, the Chairman and Chief Executive of the Company. He is also a member of the remuneration committee. Mr. Lam is a director of all subsidiaries of the Company and a director of Cheers Mate Holding Limited, being a controlling shareholder of the Company. He is also the father of Mr. Lam Arthur Chi Ping, an Executive Director. He joined the Group as a director in March 1995 and is responsible for overall business strategy and major business decisions of the Group.

Mr. Lam has over 47 years of experience in the building construction industry of Hong Kong and possesses extensive experience in planning, operating and managing construction projects of various sizes and nature. Prior to joining the Group, Mr. Lam worked in Hsin Chong Construction Co., Ltd, Gammon Building Construction Limited and Shiu On Building Contractors Ltd. from 1977 to 1993.

Mr. Lam qualified as a Chartered Builder and a Registered Professional Surveyor (Quantity Surveying) in Hong Kong in March 1985 and in January 2004 respectively. He was admitted as a member of the Hong Kong Institute of Construction Managers in May 1997 and became its fellow in December 2006, and admitted as a member of the Chartered Institute of Building in March 1985 and became its fellow in September 2010.

Mr. Lam is currently the President of the Hong Kong Construction Association, the Chairman of the Construction Industry Training Board of the Construction Industry Council, the Chairman of the Pneumoconiosis Compensation Fund Board, and an Honorary President of the Hong Kong Institute of Construction Managers. He is also currently a member of the Mandatory Provident Fund Industry Schemes Committee of Mandatory Provident Fund Schemes Authority, a member of the Land and Development Advisory Committee and Building Contractors Committee of the Development Bureau and the Deputy Chairman of the Hong Kong Quality Assurance Agency.

Mr. Lam Arthur Chi Ping, aged 33, was appointed as an Executive Director and a member of each of the remuneration committee and nomination committee of the Board in 2021. He is currently a director of Techoy Construction Company Limited (“Techoy Construction”), and a director of a number of other subsidiaries of the Company. He is responsible for new ventures and property development and corporate affairs of the Group.

He holds a Bachelor degree in Economics from the University of Warwick, a Master’s degree in Real Estate Economics and Finance from the London School of Economics and Political Science and a Master’s degree in Construction Project Management from the University of Hong Kong. In 2017, he was elected as a professional member of the Royal Institute of Chartered Surveyors. He first joined the Group as a new ventures manager of Techoy Construction in 2018 and he has worked at various real estate consultancy firms, namely Savills (Hong Kong) Limited and CBRE Limited prior to joining the Group. He is the son of Mr. Lam Kin Wing Eddie who is an Executive Director and the Chairman of the Board.

Mr. Shut Yu Hang (“**Mr. Shut**”), aged 59, is an Executive Director of the Company and a member of the nomination committee. Mr. Shut is also a director of Techoy Construction. He joined the Group as a construction manager in August 1998 and was promoted as a general manager in January 2008 and is responsible for general management and day-to-day operation of the Group.

Mr. Shut has over 36 years of experience in the building construction industry of Hong Kong. Mr. Shut was admitted as a graduate member of The Institution of Structural Engineers in November 1994, and a member of the Hong Kong Institute of Construction Managers in November 2014. He was also recognized as a member of and as Registered Construction Manager of the Hong Kong Institute of Construction Manager in November 2014 and 17 March 2017 respectively. Further, Mr. Shut was appointed as a committee member of the Contractors Registration Committee Panel and the Contractors Registration Committee by the Buildings Department from January 2011 to January 2017. Mr. Shut is also appointed as a member of the Appeal Tribunal Panel by Development Bureau from December 2018 to November 2024.

Biographies of Directors, Senior Management and Company Secretary (Continued)

Independent Non-Executive Directors

Mr. Tang Chi Wang (“Mr. Tang”), aged 46, was appointed as an Independent Non-Executive Director of the Group on 22 September 2015. He is the chairman of the nomination committee and a member of the audit committee.

Mr. Tang has over 27 years of experience in the building construction industry in Hong Kong. Since April 2012, he has been working as the Executive Director of Advise Building Consultancy Limited and is responsible for overseeing the operation of the firm. Since November 2019, Mr. Tang has been an Independent Non-Executive Director of CTR Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1416). Mr. Tang was also an Independent Non-Executive Director of Silver Tide Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1943), for the period from April 2021 to October 2022.

Mr. Tang is a fellow member of The Hong Kong Institute of Surveyors, Hong Kong Institute of Construction Managers, The Chartered Association of Building Engineers, The Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators. He is also a member of the Royal Institution of Surveyors and the Chartered Institute of Building, and a general mediator of mediator panels of Hong Kong Mediation Accreditation Association Limited, an accredited mediator of panel of mediators of Hong Kong Mediation Centre, a mediator of The Hong Kong Institute of Architect and The Hong Kong Institute of Surveyors joint panel of mediators and a mediator of list of mediators of Hong Kong Institute of Construction Managers.

Mr. Tang obtained a diploma in Building Studies from the Morrison Hill Technical Institute (now renamed the Hong Kong Institute of Vocational Education (Morrison Hill)) in August 1996, a Higher Diploma in Surveying from the City University of Hong Kong in November 1999, a Bachelor of Science (Honours) degree in Building Surveying from the University of Northumbria at Newcastle in June 2000, a postgraduate diploma in Arbitration from The College of Estate Management in January 2005, a Bachelor of Laws (Honours) from the University of London in August 2008 and a Master of Public Administration from the Hong Kong Baptist University in November 2011.

Mr. Tse Ting Kwan (“Mr. Tse”), aged 49, was appointed as an Independent Non-Executive Director on 22 September 2015. He is the chairman of the audit committee and a member of each of the nomination committee and the remuneration committee.

Mr. Tse has over 20 years of experience in auditing, finance and accounting. He was the financial controller of Chinese People Holdings Company Limited (stock code: 681) until September 2020, and he was responsible for accounting, finance and tax matters. In addition, since October 2012, Mr. Tse has been acting as an Independent Non-Executive Director of Imperium Technology Group Limited (stock code: 776). Since June 2022, Mr. Tse has been appointed as an Independent Non-Executive Director of Superactive Group Company Limited (stock code: 176). All of the above companies are listed on the Main Board of the Stock Exchange. Mr. Tse holds a bachelor degree of Business Administration from the Lingnan College (now renamed as the Lingnan University) in November 1997. He is currently a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Biographies of Directors, Senior Management and Company Secretary (Continued)

Mr. Wong Kwong On (“**Mr. Wong**”), aged 65, was appointed as an Independent Non-Executive Director on 22 September 2015. He is the chairman of the remuneration committee and a member of the audit committee.

Mr. Wong has various experience in the building and civil construction industry of Hong Kong. From May 1990 to May 1995, Mr. Wong worked as a quantity surveyor for the following construction companies:

- (i) Shui On Construction Company Limited (from May 1990 to March 1991);
- (ii) Gitanes Engineering Company Limited (from March 1991 to November 1991); and
- (iii) Shui On Civil Contractors Limited (from November 1991 to February 1992 and from January 1993 to May 1995).

His responsibilities as a quantity surveyor included contract administration and provision of contractual advice to projects which he was involved in.

From January 2001 to May 2011, he became the Director of Consultant Associates (H.K.) Limited, a construction claim consultant company. Since May 2011, Mr. Wong started practising as a solicitor of Chan & Associates and since June 2013, he has been working as the principal of the law firm Wong & Lawyers and is responsible for overseeing the operation of the firm.

Mr. Wong was admitted a member of The Hong Kong Institute of Surveyors in March 1986, a member of the Chartered Institute of Building in August 1994, a fellow member of the Chartered Institute of Arbitrators in January 1995 and a solicitor of the High Court of Hong Kong in June 2000.

Mr. Wong obtained an Associateship in Building Technology and Management in November 1983 and a Diploma in Management Studies in November 1988 from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University), a Postgraduate Certificate in Hong Kong Law from the City Polytechnic of Hong Kong (now renamed the City University of Hong Kong) in November 1992, a Master of Arts in Arbitration and Dispute Resolution in November 1995 from City University of Hong Kong, a Bachelor of Laws from the University of Wolverhampton in October 1996 and a Postgraduate Certificate in Laws in June 1998 from the University of Hong Kong.

Ms. Yeung Cheuk Chi Vivian (“**Ms. Yeung**”), aged 33, was appointed as an Independent Non-Executive Director on 20 June 2024. She is a member of each of the nomination committee and the remuneration committee. She holds the qualification of Solicitor of the High Court of Hong Kong Special Administrative Region (“**HKSAR**”).

Ms. Yeung has around 9 years of experience in the legal profession, specialising in mergers and acquisitions (“**M&A**”), private equity (including real estate private equity), joint ventures and distressed M&A transactions across the region. She has extensive experience in representing major corporations, investment banks and private equity firms on a variety of corporate matters, including corporate governance and restructuring. Ms. Yeung is currently a member of the regional legal team of AXA Asia. Prior to that, she worked in major international law firms in their Hong Kong and Singapore offices.

Biographies of Directors, Senior Management and Company Secretary (Continued)

Ms. Yeung previously served as a member of the Buildings Energy Efficiency Disciplinary Board Panel from October 2018 to October 2021 and a member of the Licensing Appeals Board of HKSAR from January 2020 to December 2023. Ms. Yeung presently holds the following HKSAR Government appointed positions, including serving as a member of the Immigration Tribunal, the Appeal Panel (Housing), the Appeal Board on Public Meetings and Processions, the Independent Police Complaints Council (as an observer), and the District Youth Community Building Committee of Wanchai District.

Ms. Yeung obtained a degree of Bachelor of Arts in Law and Business Studies from University of Warwick in 2014, and completed Postgraduate Certificate in Laws (PCLL) at University of Hong Kong in 2015.

Senior Management

Mr. Hui Man Ho, Terence (“Mr. Hui”), aged 42, is the general manager of real estate ventures and digital transformation of the Company. He joined the Group in 2021 and is responsible for general management of the Company’s real estate development and improvement on the Company’s productivity by digital transformation and innovation adoption.

Mr. Hui has 17 years of experience in the building industry across consultant, contractor and developer roles. He holds degrees of Bachelor of Arts in Architectural Studies, Master in Architecture and Master of Science in Integrated Project Delivery from the University of Hong Kong. He is an architect and a construction manager, a member of Hong Kong Institute of Architects, a Chartered Member of Royal Institute of Architects, and a member of the Hong Kong Institute of Construction Managers. He possesses comprehensive and professional knowledge in BIM, BEAM and NEC, as a Certified BIM Manager of Construction Industry Council, a BIM Pro certified by HKIA, a BEAM Professional in New Building and Existing Building categories certified by Hong Kong Green Building Council and a Certified NEC Professional by Character Institution of Civil Engineering Surveyors. He was also appointed as a Member of the Committee on Productivity of the Construction Industry Council from April 2022 to January 2024.

Ms. Choi Yuen Fong, aged 54, is currently an administration and personnel manager of Techoy Construction, and a member of the senior management of the Group. She joined the Group in March 1997 and is mainly responsible for administrative and human resources matters of the Group.

Ms. Chan Lap Yee (“Ms. Chan”), aged 62, is currently an estimating manager of Techoy Construction, and a member of the senior management of the Group. She joined the Group in May 1997 as an estimator of Techoy Construction and was later promoted as a senior estimator in January 2013. Ms. Chan was admitted as a member of the Association of Cost Engineers in August 1993. She is mainly responsible for project tendering matters of the Group.

Ms. Chan Kwai Fong, aged 52, is currently an accounting manager of Techoy Construction, and a member of the senior management of the Group. She joined the Group in March 1998 and is primarily responsible for financial management of the Group.

Biographies of Directors, Senior Management and Company Secretary (Continued)

Company Secretary

Mr. Fung Nam Shan (“**Mr. Fung**”), aged 47, was appointed as the company secretary of the Company (the “**Company Secretary**”) on 13 November 2015. Mr. Fung holds a bachelor’s degree in commerce awarded by the University of Newcastle, Australia. Mr. Fung has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

Currently, Mr. Fung is an Independent Non-Executive Director of Energy International Investments Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 0353)) and JH Educational Technology INC. (a company listed on the Main Board of the Stock Exchange (stock code: 1935)). He is also the company secretary of China Putian Food Holding Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1699)).

Mr. Fung was an Independent Non-Executive Director of China Fortune Investments (Holding) Limited, which was previously listed on GEM of the Stock Exchange (stock code: 8116), during the period from August 2021 to September 2021. He was the joint company secretary of Future Bright Mining Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2212)) during the period from November 2015 to October 2016 and the company secretary and authorised representative of each of China Ocean Group Development Limited (formerly known as “China Ocean Fishing Holdings Limited”) (a company listed on GEM of the Stock Exchange (stock code: 8047)) during the period from May 2015 to May 2017, MH Development Limited (formerly known as “Camsing International Holding Limited”), which was previously listed on the Main Board of the Stock Exchange (stock code: 2662), during the period from February 2016 to August 2021, China Supply Chain Holdings Limited (formerly known as “Yat Sing Holdings Limited”) (a company listed on the Main Board of the Stock Exchange (stock code: 3708)) during the period from March 2016 to July 2021, Yues International Holdings Group Limited (formerly known as “Goal Rise Logistics (China) Holdings Limited”) (a company listed on the Main Board of the Stock Exchange (stock code: 1529)) during the period from June 2021 to June 2022, and Seamless Green China (Holdings) Limited, which was previously listed on GEM of the Stock Exchange (stock code: 8150), during the period from May 2015 to April 2024.

Mr. Fung was employed as financial controller and company secretary of South China Assets Holdings Limited (formerly known as “South China Land Limited”) which was previously listed on GEM of the Stock Exchange (stock code: 8155) from February 2011 to April 2013. Mr. Fung worked for PricewaterhouseCoopers as an audit manager for several years which he accumulated experience in auditing, accounting and taxation in Hong Kong and China. He has been one of the marketing committee members of The Hong Kong Youth Hostels Association and also a member of its charity walk organising committee since 2012.

Mr. Fung is the partner of CityLinkers Corporate Solutions Limited, a professional services provider offering services in areas of finance, compliance, legal and advisory.

Corporate Governance Report

Corporate Governance

The Company's corporate governance code are based on the principles and code provisions of the Corporate Governance Code (the "CG Code") set out in Part 2 of Appendix C1 to the Listing Rules. The Company is committed to ensuring a quality board and transparency and accountability to shareholders. The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam Kin Wing Eddie ("Mr. Lam") serves as the Chairman and also acts as the Chief Executive, which constitutes a deviation from the code provision C.2.1 of the CG Code.

The Board is of the view that vesting both roles in Mr. Lam will allow for more effective planning and execution of business strategies. The Board has a total of seven Directors and four of them are Independent Non-Executive Directors ("INED(s)") who are qualified professionals and/or experienced individuals. As all major decisions of the Board are made in consultation with all the members of the Board which meet on a regularly quarterly basis to review the operations of the Group, and shall be approved by majority approval of the Board, with the four INEDs on the Board scrutinising important decisions and offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Company applied the principles and complied with all applicable code provisions in the CG Code during the Year, save for code provision C.2.1 of the CG Code.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the INEDs without material interest in that transaction. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

Composition of the Board

As at the date of this report, the Board comprises 3 executive Directors and 4 INEDs, the name and office of each of the members of the Board and the Board committees of the Company are as follows:

Board members

Mr. Lam Kin Wing Eddie (*Chairman and Chief Executive*)
Mr. Shut Yu Hang
Mr. Lam Arthur Chi Ping
Mr. Tang Chi Wang
Mr. Tse Ting Kwan
Mr. Wong Kwong On
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)

Office

Executive Director
Executive Director
Executive Director
INED
INED
INED
INED

Corporate Governance Report (Continued)

Audit Committee members

Mr. Tse Ting Kwan (*Chairman*)
Mr. Tang Chi Wang
Mr. Wong Kwong On

Remuneration Committee members

Mr. Wong Kwong On (*Chairman*)
Mr. Lam Arthur Chi Ping
Mr. Lam Kin Wing Eddie
Mr. Tse Ting Kwan
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)

Nomination Committee members

Mr. Tang Chi Wang (*Chairman*)
Mr. Shut Yu Hang
Mr. Tse Ting Kwan
Mr. Lam Arthur Chi Ping
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)

On 20 June 2024, Ms. Yeung Cheuk Chi Vivian was appointed as an INED and a member of each of the Remuneration Committee and Nomination Committee. Ms. Yeung Cheuk Chi Vivian has obtained legal advice referred to Rule 3.09D of the Listing Rules on 19 June 2024 and has confirmed she understood her obligations as a director.

All Directors (including INEDs) were appointed for an initial term of 3 years and are subject to retirement by rotation at least once every three years in accordance with the memorandum and articles of association of the Company (the “Articles”).

Save as disclosed in “Biographies of Directors, Senior Management and Company Secretary”, as at the date of this report, there is no other financial, business, family or other material/relevant relationship(s) among the members of the Board.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the business needs of the Group. A balanced composition of executive Directors and INEDs is maintained to ensure independence and effective management. During the Year, the Company has satisfied the Rules 3.10(1) and (2) and 3.10(A) of the Listing Rules in having at least three INEDs, representing more than one third of the Board and at least one of the INEDs with appropriate professional qualifications or accounting or related financial management expertise.

The appointment of new Directors is recommended by the Remuneration Committee and the Nomination Committee and approved by the Board or by the Shareholders in a general meeting of the Company based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and non-conflicts of interests are the key factors.

In considering the re-appointment of Directors, the Board, with the assistance and recommendation from the Nomination Committee, will also take into account a number of factors, including but not limited to the structure, size and composition of the Board, the candidates’ qualifications and their ability to devote sufficient time as and when required to discharge their responsibilities as a Director and to make positive contribution to the development of the Company’s strategy, policies and performance.

Pursuant to article 16.18 of the Articles, at every annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years and any Director required to stand for re-election pursuant to article 16.2 of the Articles shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation.

Corporate Governance Report (Continued)

Pursuant to article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting.

The daily operation and management of the business of the Group, among other matters, the implementation of strategies, are delegated to the executive Directors. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

With the assistance of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

Notices of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to the Directors from time to time to update them with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

Draft minutes are normally circulated to Directors or members of the relevant Board committees for comments within a reasonable time after each meeting.

According to the current Board's practice, any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the INEDs who have no material interest in that transaction. Directors will abstain from voting and will not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has received from each of the INEDs an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

Pursuant to code provision B.1.4 of the CG Code, the Board has established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) INEDs are encouraged to actively participate in the Board meetings; (ii) the number of INEDs must comply with the requirements under the Listing Rules; and (iii) the INEDs shall devote sufficient time to discharge their duties as a Director. Furthermore, the Directors may access external independent professional advice to assist their performance of duties at the expense of the Company. The Board has reviewed the implementation and effectiveness of such mechanism on an annual basis.

Corporate Governance Report (Continued)

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (i) attending regular Board meetings focusing on business strategy, operational issues and financial performance of the Group; (ii) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (iii) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transactions; and (iv) ensuring processes are in place to maintain the overall integrity of the Group, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws.

Director's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. In preparing the accounts for the Year, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;
- approved adoption of all Hong Kong Financial Reporting Standards which are in conformity with the International Financial Reporting Standards;
- satisfied the disclosure requirements under the Companies Ordinance (Chapter 622 of the laws of Hong Kong); and
- made judgments and estimates that are prudent and reasonable; and prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are 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 reporting responsibilities of the Group's external auditor, Deloitte Touche Tohmatsu ("**DTT**"), are set out in the Independent Auditor's Report on pages 89 to 93 to this annual report.

Delegation by the Board

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committee are described below. All committees are chaired by an INED. All committees have their respective terms of reference which are no less exacting than those set out in the CG Code.

Corporate Governance Report (Continued)

During the Year, the Board held four meetings in total and an annual general meeting of the Company on 11 August 2023 (the "2023 AGM"), and the individual attendance record of each Director at the meetings of the Board and the 2023 AGM is set out below:

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meeting(s)
<i>Executive Directors:</i>		
Mr. Lam (Chairman)	4/4	1/1
Mr. Shut Yu Hang	4/4	1/1
Mr. Lam Arthur Chi Ping	4/4	1/1
<i>INEDs:</i>		
Mr. Tang Chi Wang	4/4	1/1
Mr. Tse Ting Kwan	4/4	1/1
Mr. Wong Kwong On	4/4	1/1
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)	N/A	N/A

Note: The attendance figure represents the actual attendance/the number of meetings a Director was required to attend.

Apart from the regular Board meetings, the Chairman also held a meeting with the INEDs without the presence of the executive Directors pursuant to the CG Code during the Year.

Audit Committee

The Audit Committee was established on 22 September 2015 with terms of reference as revised by the Board with effect from 24 January 2019. The Audit Committee consists of three INEDs, namely Mr. Tse Ting Kwan, serving as the chairman, Mr. Tang Chi Wang and Mr. Wong Kwong On. During the Year, the Company fully complied with Rule 3.21 of the Listing Rules.

The primary responsibilities of the Audit Committee are to (i) review the financial reporting process of the Group and its internal control and risk management systems and the effectiveness of the Company's internal audit function; (ii) oversee the audit process, (iii) review the Company's compliance with the CG Code; (iv) review and supervise the Company's financial reporting process and internal control systems; and (v) perform other duties assigned by the Board. There is at least one of the members of the Audit Committee possessing appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules.

During the Year, the Audit Committee reviewed the financial results of the Group (including the Group's annual and half-yearly reports), audit plans and fees proposed by the external auditor of the Group, the independence of the external auditor, accounting principles and practices of the Group, the Listing Rules and statutory compliance, the report on internal controls, risk management, effectiveness of the Company's accounting, internal audit function, financial reporting matters and adequacy of resources, staff qualifications and experience, training programmes as well as those relating to the Group's environmental, social and governance's performance and reporting and made recommendations to the Board to improve the quality of financial information to be disclosed and internal control and other matters in accordance with its terms of reference. The Audit Committee has also reviewed and approved the engagement of the external auditor of the Group to perform statutory audit and approved their fees and re-appointment at the AGM. There was no disagreement between the Board and the Audit Committee on the selection and re-appointment of the external auditor.

Corporate Governance Report (Continued)

The Group's financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the Year, the Audit Committee held two meetings. The individual attendance record of each member at the meetings of the Audit Committee during the Year is set out below:

Name of Members	Attendance/ Number of Meetings
Mr. Tse Ting Kwan (<i>Chairman</i>)	2/2
Mr. Tang Chi Wang	2/2
Mr. Wong Kwong On	2/2

Note: The attendance figure represents the actual attendance/the number of meetings a member was required to attend.

Nomination Committee

The Nomination Committee was established on 22 September 2015 with terms of reference as revised by the Board with effect from 26 October 2017. The Nomination Committee consists of three INEDs, namely Mr. Tang Chi Wang, serving as the chairman, Mr. Tse Ting Kwan and Ms. Yeung Cheuk Chi Vivian and two executive Directors, namely Mr. Lam Arthur Chi Ping and Mr. Shut Yu Hang.

The Nomination Committee is mainly responsible for (i) reviewing the Board's structure, size, composition (including the skills, knowledge and experience) and diversity against factors including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of service, having regard to the Group's business activities, assets and management portfolio, (ii) selecting Board members and ensuring transparency of the selection process, (iii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iv) assessing the independence of the INEDs, having regard to the requirements under the Listing Rules; and (v) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The Nomination Committee identifies individuals suitably qualified to become or continue to be the Board members by taking into consideration criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals as nomination for directorships.

Nomination Policy

When making recommendations regarding the appointment of any proposed candidate to the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:—

- (i) reputation for integrity;
- (ii) accomplishment, experience and reputation in the business and other relevant sectors relating to the Company and/or its subsidiaries;
- (iii) commitment in respect of sufficient time and attention to the Company's business;
- (iv) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;
- (v) the ability to assist and support management and make significant contributions to the Company's success;

Corporate Governance Report (Continued)

- (vi) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an INED; and
- (vii) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

On 20 June 2024, Ms. Yeung Cheuk Chi Vivian was nominated as an INED and a member of each of the Remuneration Committee and the Nomination Committee by the Nomination Committee.

Save as disclosed above, during the Year and up to the date of this report, no candidate was nominated for directorship.

The Nomination Committee and the Board review the terms of reference of the Nomination Committee at least annually. The terms of reference of the Nomination Committee are in line with the requirements of the Listing Rules.

During the Year, one Nomination Committee meeting was held. The individual attendance record of each member at the meeting of the Nomination Committee during the Year is set out below:

Name of Members	Attendance/ Number of Meetings
Mr. Tang Chi Wang (<i>Chairman</i>)	1/1
Mr. Shut Yu Hang	1/1
Mr. Tse Ting Kwan	1/1
Mr. Lam Arthur Chi Ping	1/1
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)	N/A

Note: The attendance figure represents the actual attendance/the number of meetings a member was required to attend.

During the Year, the Nomination Committee members (i) reviewed and considered the structure, size, diversity and composition of the Board and the Board Diversity Policy (as defined thereunder); (ii) assessed the independence of INEDs; (iii) recommended the re-appointments of the retiring Directors at the AGM; and (iv) considering other matters in accordance with its terms of reference.

The Nomination Committee will review the Board composition by considering the benefits of all aspects of diversity, including but not limited to those described under the heading of Board Diversity Policy in this report. The Board Diversity Policy shall be reviewed by the Nomination Committee, as appropriate, to ensure its effectiveness. During the Year, the Board composition has been reviewed and is considered to be satisfied, having regard to the independence and the Board diversity policy.

Pursuant to code provision C.1.5 of the CG Code, the Directors have disclosed to the Company at the time of their appointments and from time to time thereafter the number and nature of offices held in public companies or organisations, other significant commitments, and the identity of the public companies or organisations involved.

Board Diversity Policy

The Board has adopted a board diversity policy (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.

Corporate Governance Report (Continued)

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. By adopting such criteria, it facilitates the Company to develop a pipeline of candidates to the Board to achieve gender diversity.

Measurable objectives have been set to implement the Board Diversity Policy and selection of candidates will be based on a range of factors as stated above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises seven Directors. Four of the Directors are INEDs and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity in terms of professional background and skills.

During the Year, the Board, via the Nomination Committee, conducted an annual review of the implementation and effectiveness of the Board Diversity Policy and is satisfied that the Board Diversity Policy has been properly implemented and is effective.

Gender Diversity

The proportion of female Board representation is a measurable objective of the Company in assessing the implementation of the Board Diversity Policy. The Board recognises the importance of the Board gender diversity for enhancing the corporate governance system and strategic decisions in the boardroom.

Ms. Yeung Cheuk Chi Vivian was appointed as an INED on 20 June 2024. After her appointment, gender diversity is achieved on the Board level as the Board is no longer composed of a single gender.

The Board will continue to ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity.

In striving to maintain gender diversity, similar considerations are used when recruiting and selecting senior management and general staff. As of 31 March 2024, a 69.7:30.3 male to female gender ratio, being a measurable objective for gender diversity, has been achieved in the workforce (including senior management). Further information about the composition of the Group's workforce can be found in the "Environmental, Social and Governance Report" on pages 29 to 74 to this annual report.

Remuneration Committee

The Remuneration Committee was established on 22 September 2015 with terms of reference as revised by the Board with effect from 12 January 2023. The Remuneration Committee consists of three INEDs, namely Mr. Wong Kwong On, serving as the chairman, Mr. Tse Ting Kwan and Ms. Yeung Cheuk Chi Vivian, and two executive Directors namely Mr. Lam and Mr. Lam Arthur Chi Ping.

The primary duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's policy and structure of all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing a policy on such remuneration, (ii) assess performance of executive Directors and approve the terms of executive Directors' service contracts and (iii) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

Corporate Governance Report (Continued)

During the Year, since there were no shares granted under the Share Option Scheme (as stated in the Report of the Directors), no material matters relating to the Share Option Scheme under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee.

The Remuneration Committee and the Board review the terms of reference of the Remuneration Committee from time to time. The terms of reference of the Remuneration Committee are in line with the requirements of the Listing Rules.

According to the terms of reference of the Remuneration Committee, the Remuneration Committee makes recommendation to the Board for its final determination of the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, consisting of any compensation payable for loss or termination of their office or appointment; and make recommendations to the Board about the Directors' fee of INEDs. In determining the emoluments payable to the Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, responsibilities and performance of the Directors.

The Remuneration Committee members held two meetings during the Year. During the Year, the Remuneration Committee has discussed, reviewed and recommended the remuneration packages and recommended the proposed bonus for the Directors and the senior management to the Board for approval and assessed the performance of executive Directors. The remuneration policy of the Company enables the Company to retain and motivate employees (including executive Directors) to meet corporate objectives. A Director is not allowed to approve his own remuneration. The remuneration package of an executive Director includes basic salary, allowance, discretionary bonus and share-based benefits, which are all covered by a service contract. The Director's fee of INEDs is subject to annual assessment. Remuneration surveys on companies operating in similar business, inflation rates, industry trends and performance of the Company are referred to when the Remuneration Committee is considering the remuneration packages of the Directors.

The individual attendance record of each member at the meetings of the Remuneration Committee during the Year is set out below:

Name of Members	Attendance/ Number of Meetings
Mr. Wong Kwong On (<i>Chairman</i>)	2/2
Mr. Tse Ting Kwan	2/2
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)	N/A
Mr. Lam	2/2
Mr. Lam Arthur Chi Ping	2/2

Note: The attendance figure represents the actual attendance/the number of meetings a member was required to attend.

Details of the Directors' remuneration and the five highest paid individuals for the Year as regarded to be disclosed pursuant to the CG Code are provided in note 6 to the consolidated financial statements.

Corporate Governance Report (Continued)

Remuneration of the Senior Management

During the Year, the remuneration of the senior management is listed below by bands:

	Number of individuals
Nil to HK\$1,500,000	3
HK\$1,500,001 to HK\$2,000,000	1

Corporate Governance Functions

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the Audit Committee under code provision A.2.1 of the CG Code. During the Year, the Audit Committee has (i) reviewed the Company's policies and practices on corporate governance and made relevant recommendations to the Board; (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewed and monitored the code of conduct applicable to employees and the Directors; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as code of conduct governing Directors' securities transaction. In response to the specific enquiry made by the Company of the Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

Continuous Professional Development for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Directors are continually updated with business and market changes, and legal and regulatory developments to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memoranda, Board papers, and updates on corporate governance practices and director's responsibilities under the Listing Rules, applicable laws and other relevant statutory requirements.

Corporate Governance Report (Continued)

During the Year, the Board members participated in the following training programs in accordance with code provision C.1.4 of the CG Code:

Name of Directors	Types of training	
	Attending training	Reading materials updating on new rules and regulations
<i>Executive Directors</i>		
Mr. Lam (Chairman)	✓	✓
Mr. Shut Yu Hang	✓	✓
Mr. Lam Arthur Chi Ping	✓	✓
<i>INEDs</i>		
Mr. Tang Chi Wang	✓	✓
Mr. Wong Kwong On	✓	✓
Mr. Tse Ting Kwan	✓	✓
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)	N/A	N/A

Directors and Officers Insurance

Appropriate insurance policies that cover Directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group and, as at the date of this report, the Directors and officers of the Company are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers of the Company shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

Company Secretary

The Company Secretary is an external service provider, and his primary corporate contact person is Mr. Lam, an executive Director and the Chairman, for the purpose of code provision C.6.1 of the CG Code. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Fung Nam Shan, the Company Secretary, has attended 15-hour relevant professional training as per the requirement under Rule 3.29 of the Listing Rules.

Corporate Governance Report (Continued)

Risk Management and Internal Control

The Company has an internal audit function.

The Directors are responsible for maintaining and reviewing the effectiveness of the internal controls of the Company, including material financial, operational and compliance controls, risk management functions and particularly the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions, internal audit as well as those relating to the Group's environmental, social and governance performance and reporting. The Directors assess the effectiveness of the risk management and internal control systems on an ongoing basis. Appropriate policies and control procedures have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Company performance are appropriately identified and managed. In the case of the Company, such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material misstatement or losses.

During the Year, the Board, through the Audit Committee, has conducted an annual review under code provisions D.2.1, D.2.2 and D.2.3 of the CG Code on the effectiveness of the risk management and internal control system covering (i) all material controls in the financial, operational and compliance controls, various functions for risks management as well as physical and information systems security; and (ii) matters covered in code provisions D.2.2 and D.2.3 of the CG Code. The Board considered such risk management and internal control system effective and adequate.

A discussion on the principal types of risk which the Group is facing is included in note 32(b) to the consolidated financial statements and the "Principal Risks and Uncertainties Facing the Company" section contained in the Report of the Directors on pages 77 to 78 to this annual report.

Policy on Disclosure of Inside Information

The Group has set out the procedures and internal controls for handling and dissemination of inside information in order to comply with code provision D.2.4(e) of the CG Code.

There are guidelines to the Directors, officers and all relevant employees of the Group to ensure that proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- defines the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;
- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;
- procedures of communicating with the Group's stakeholders, including but not limited to shareholders, investors, and business partners in ways which are in compliance with the Listing Rules.

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

Corporate Governance Report (Continued)

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

Independent Auditor's Remuneration & Responsibilities

The Company has appointed DTT as the external auditor of the Group. For the Year, DTT received HK\$1,100,000 for audit services and HK\$130,000 for non-audit services (tax services) respectively.

The Audit Committee recommended to the Board the re-appointment of DTT as the external auditor and that the related resolution will be put forth for the shareholder's consideration and approval at the annual general meeting of the Company to be held on Friday, 23 August 2024 (the "2024 AGM").

There was no disagreement between the Board and the Audit Committee on the selection and re-appointment of DTT as the external auditor during the Year.

Policy of Communications with Shareholders and Investors

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group.

Our website at www.thelloy.com allows the Company's potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information.

Shareholders are provided with contact details of the Company, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in the "Corporate Information" section of this annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

During the Year, the Board conducted a review of the implementation and effectiveness of the Policy of Communications with Shareholders and Investors as described above. Having considered the available channels of communication in place as detailed above, the Board is satisfied that the shareholders communication policy has been properly implemented and is effective.

Corporate Governance Report (Continued)

Procedures for Shareholders to Convene an Extraordinary General Meeting

To safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to article 12.3 of the Articles, any one or more shareholder(s) holding together, as at the date of deposit of the requisition shares representing not less than one-tenth of the voting rights in the share capital of the Company which carry the right of voting at general meetings of the Company shall at all times have the right, by written requisition to require general meetings to be convened for the transaction of any business specified in such requisition. If within twenty-one (21) days of such deposit the Board does not proceed duly to convene the meeting to be held within a further twenty-one (21) days, the requisitionists themselves may do so.

Shareholders may send written enquiries to the Company or put forward any enquiries or proposals to the Board. The contact details are as follows:

Company Secretary
Thelloy Development Group Limited
Address: 19/F, The Globe
79 Wing Hong Street
Lai Chi Kok
Kowloon, Hong Kong
Fax no.: (852) 2529 9898

To put forward proposals at an annual general meeting or an extraordinary general meeting, the shareholders shall submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's registered office.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to article 12.4 of the Articles:

- (a) for an annual general meeting it shall be called by at least twenty-one (21) days' notice in writing; and
- (b) any extraordinary general meetings, they may be called by not less than fourteen (14) days' notice in writing.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's address above-mentioned and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional Documents

There were no change in the constitutional documents of the Company during the Year.

Environmental, Social and Governance Report

About this Report

Reporting Period, Basis and Principles

Thelloy Development Group Limited, and its subsidiaries (collectively the “**Group**”, “**We**”, “**Thelloy**”) publishes the eighth Environmental, Social and Governance (“**ESG**”) report (the “**Report**”) this year to report non-financial information and communicates with the stakeholders about the Group’s social responsibility and ESG performance from 1 April 2023 to 31 March 2024 (the “**Reporting Period**”).

This Report is prepared in accordance with all the “mandatory disclosure requirements” and the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) in Appendix C2 to the Rules Governing the Main Board Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Group follows the four core reporting principles of materiality, quantitative, balance and consistency as stated in the ESG reporting Guide when preparing this Report, details are illustrated as follows:

- **Materiality:**
The Group identifies the material ESG issues that are sufficiently important to investors and other stakeholders by stakeholder engagement and materiality assessment. Details are explained in the section headed “Stakeholder Engagement” and “Materiality Assessment”.
- **Quantitative:**
This Report discloses the ESG key performance indicators (“**KPIs**”) with quantitative measures, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.
- **Balance:**
This Report provides an unbiased picture of our performance, avoids selections, omission, or presentation formats that may inappropriately influence a decision or judgment by the report readers.
- **Consistency:**
This Report adopts consistent methodologies to allow for meaningful year-on-year comparisons of ESG data over time.

Reporting Scope and Boundary

This Report discloses related policies and initiatives for the core and material businesses namely the provision of (i) building construction services; and (ii) repair, maintenance, alteration, and addition (“**RMAA**”) works and services in Hong Kong as main contractor.

This Report discloses KPIs of the corporate office (“**office**”) and the representative project(s) (“**project(s)**”).

Environmental, Social and Governance Report (Continued)

The Board's Statement

The Board of Directors (the “**Board**”) of the Group attaches great importance to our sustainable development. It is responsible for reviewing major ESG matters of the Group, supervising and evaluating the overall ESG management and implementation of the Group, and bearing overall responsibility for the Group's ESG strategy and reporting.

The Group values the suggestions and opinions of all stakeholders and ensures sufficient communication channels with key stakeholders to discuss and determine the Group's key ESG issues and potential ESG risks faced, and continuously improve the ESG related strategies and policy systems. The Board has reviewed the major ESG issues for this year and approved the proposed adjustments to the degree of importance of various ESG issues to ensure the timeliness and reasonableness of the materiality matrix. Please refer to the “Materiality Assessment” section for details.

The Group has established an ESG targets management structure related to indicators such as emissions, energy consumption, and water resources management, and the Board reviews the progress of goal achievement and reviews any necessary adjustments or improvements on an annual basis to ensure that the Group continues to make progress in achieving ESG targets. Please refer to the “Environmentally Conscious Operations” section for details.

All data and materials disclosed in this Report are derived from internal documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's internal management systems. The board is responsible for supervising the content of this Report to ensure no false representations or misleading statements contained in, or material omissions from this Report, and is responsible for the truthfulness, accuracy and completeness of its content.

This report discloses in detail the above environmental, social and governance matters, which have been reviewed and approved by the Board of Directors on 29 March 2024.

Contact Details

We welcome any comments or suggestions from our stakeholders. If you have any comments, please contact the Group at:

Address: 19/F., The Globe, 79 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong
Tel: 2525 9333
Email: info@thelloy.com

Environmental, Social and Governance Report (Continued)

Our Awards



Certification/Award
Green Building Award 2023
Organiser
Hong Kong Green Building Council



Certification/Award
Environmental Merit Award 2023
Organiser
Hong Kong Construction Association



Certification/Award
Gold Seal Award for Contribution to Livable City Construction (Promoting Eco-friendly Construction)
Organiser
Hong Kong Quality Assurance Agency



Certification/Award
Gold Seal Award for Contribution to Livable City Construction (Promoting Safety Construction)
Organiser
Hong Kong Quality Assurance Agency



Certification/Award
Proactive Safety Contractor Award
Organiser
Hong Kong Construction Association



Certification/Award
Quality Building Award – Temporary Building Category Merit
Organiser
Quality Building Award 2022

Environmental, Social and Governance Report (Continued)



Outstanding Award for Excellent Contribution to Livable City Construction — Promote MiC Adoption

Certification/Award
Outstanding Award for Excellent Contribution to Livable City Construction (Promoting MiC adoption)
Organiser
Hong Kong Quality Assurance Agency



Certification/Award
5 Years Plus Caring Company Award
Organiser
Hong Kong Council of Social Service



Certification/Award
Mental Health Friendly Supreme Organisation
Organiser
Department of Health, the Labour Department and the Occupational Safety and Health Council.



Certification/Award
SportsHour Company Scheme 2023-25
Organiser
InspiringHK Sports Foundation



Pioneering Organisation in ESG Disclosure Enhancement

Certification/Award
Pioneering Organisation in ESG Disclosure Enhancement
Organiser
Hong Kong Quality Assurance Agency



Certification/Award
Hong Kong Green Organisation
Organiser
Environmental Campaign Committee

Environmental, Social and Governance Report (Continued)

Chairman's Message

Dear Stakeholders,

We are pleased to present our eighth ESG Report for the fiscal year ended 31 March 2024.

Thelloy recognises that sustainability is increasingly important for business as the world today faces challenging issues, including but not limited to climate change, shortage of natural resources and undermining of human rights. Expectations for companies to take the initiative on sustainability become more demanding.

To achieve and maintain the highest standards in all aspects of our business activities, the Group closely follows global trends and responds to carbon neutrality calls by integrating sustainable development strategies into its daily operations. Our long-term targets include achieving carbon neutrality by 2050 in Hong Kong. We are committed to continuously improving our energy efficiency through professional expertise, on-site efficiency improvements, and maintaining efficient management practices. We have joined Hong Kong Construction Association (“**HKCA**”)’s ESG Recognition Scheme which can foster a culture of sustainability within our organisation.

Pursuing a people-oriented approach, we deem employees as partners along the path to sustainable development, work to create a fair and inclusive working environment for them, and provide various training opportunities and programmes, so as to grow together with all staff members. We also have enhanced our capabilities in Building Information Modelling (“**BIM**”) and the New Engineering Contract (“**NEC**”) framework to ensure that our team is well-versed in the latest methodologies and improve the performance of works contracts in cost and time management. We highly value the health and safety of our stakeholders during our daily operations. We adhere to safety regulations and implement safety management practices to eliminate unsafe conditions and acts. The Group continues to dedicate our efforts in creating long-term values and positive impacts for our community.

Based on our core business, we have developed various management systems to deliver our key performance in areas such as craftsmanship, health and safety stewardship, environmental and social responsibility. These management systems have been accredited and under constant review according to relevant International Standards ISO9001 Quality Management Systems, ISO14001 Environmental Management Systems, ISO45001 Occupational Health & Safety Management Systems and ISO50001 Energy Management Systems to keep abreast of the market.

We are fully committed to pursuing sustainability and will continue to enhance our management procedures and apply innovative construction technologies in our projects to enhance social and environmental performances. As we continue our sustainability journey, the Group will continually engage stakeholders to further understand their needs and concerns. Going forward, we will provide even more insights in our future reports, keep incorporating sustainability into our business operations, to forge a long-term sustainable business.

Yours faithfully,

For and on behalf of the Board

Lam Kin Wing Eddie

Chairman

Hong Kong, 28 June 2024

Environmental, Social and Governance Report (Continued)

Sustainable Governance Structure

Keenly aware that ESG governance is the key for reaching long-lasting development, withstand risks, and seize opportunities, we raise our three-tier ESG governance standards and improve related management framework to form a closed-loop management system from decision-making, communication and actual implementation to reporting.



The Board

The Board has the overall responsibility for the Group's ESG strategy and reporting in achieving green operations for sustainable development. They ensure that the consideration of ESG issues is integrated into the operations as well as embedding ESG principles into the Group's overall business strategies through education, control, and supervision procedures.

The Board oversees the Group's ESG management strategy and material ESG issues identified through the stakeholder engagement and materiality assessment exercise. The Board is also ultimately responsible for identifying, evaluating, and managing the risks pertaining to ESG and climate-related issues. Furthermore, the Board is responsible for formulating ESG management plans, and monitor the progress made against the targets and initiatives as set out in the plans.

To reinforce the Board's and senior management's obligations for ESG topics and enhance the integration of the ESG management into our business operations, we have examined our ESG governance structure during the Reporting Period. The Executive Directors hold monthly review meetings to discuss risks and ESG-related issues. Through the compliance section, they implement relative actions and measures to address these issues. The compliance section then provides feedback directly on the progress and effectiveness of the implemented measures.

The Audit Committee

The audit committee of the Group is responsible for identifying, evaluating, monitoring and managing ESG-related risks and the effectiveness of the ESG management systems. They take part in reviewing the progress of ESG targets and reporting to the Board on the progress; and coordinating the implementation and execution of all ESG-related work of the Group.

Environmental, Social and Governance Report (Continued)

The Compliance Section

The compliance section under the audit committee is tasked with coordinating ESG matters, it ensures that the Group complies with relevant environmental regulations, implements health and safety policies to protect employees and stakeholders, conducts regular risk assessments, promotes sustainable practices and ensures adherence to social responsibility standards.

The ESG Working Group

The ESG working group is mainly responsible for promoting and communicating the Group's ESG governance strategy and measures, collecting ESG data and organising the preparation of ESG reports.

Stakeholder Engagement

The Group is aware that communication with stakeholders is a key part of sustainable development management and an important reference for us to improve our operation management and sustainability. We attach great importance to the suggestions and feedback of stakeholders and have set up a variety of communication channels to hear the stakeholder voice and ensure that information is open and transparent, and the communication process is efficient. We have set up various communication channels to further understand the opinions and concerns of our stakeholders.

Stakeholders	Expectations and demands	Communication and response
Government and regulatory agency	<ul style="list-style-type: none"> Compliance with laws and regulations Tax obligations Upholding anti-corruption and integrity practices 	<ul style="list-style-type: none"> Inspection and supervision Regular report disclosure Communication with regulatory authorities
Shareholder and investor	<ul style="list-style-type: none"> Rights and interests protection Investment return Information disclosure 	<ul style="list-style-type: none"> E-mail and calls General meetings The Group's official website and public disclosure
Employee	<ul style="list-style-type: none"> Employee rights and interests protection Remuneration and benefits Occupational health and safety Professional development 	<ul style="list-style-type: none"> Regular meetings and check-ins Questionnaires and intranet Employee training and activities
Customer	<ul style="list-style-type: none"> Product and service quality Privacy protection Business integrity Compliance operations 	<ul style="list-style-type: none"> Customer communication Complaint channels Customer engagement activities E-mail, hotline, and social media
Supplier/Subcontractor/ Business Partner/Industry Association	<ul style="list-style-type: none"> Fair competition Win-win cooperation 	<ul style="list-style-type: none"> Standardising procurement and tendering Supplier selection, monitoring and assessment

Environmental, Social and Governance Report (Continued)

Materiality Assessment

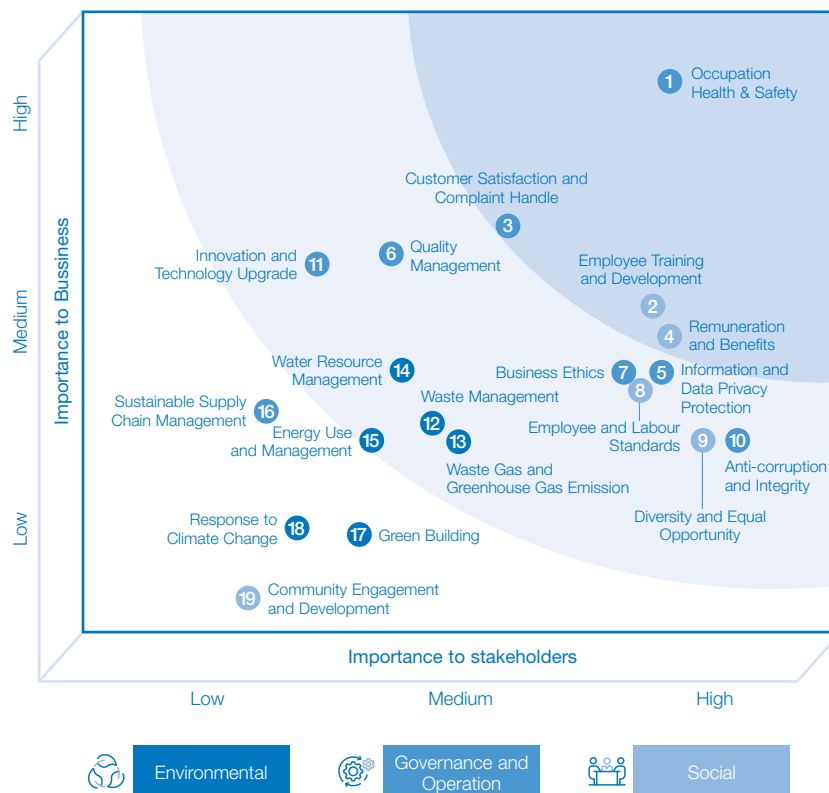
Combining our own development, industry characteristics and policy environment with the expectations of stakeholders, we identified relevant ESG issues and assessed their materiality on our business as well as to our stakeholders. During the Reporting Period, the Group conducted a materiality assessment through online questionnaires.

1. Identification

Referencing from the ESG Reporting Guide and considering the sustainability issues that are pertinent among industry peers, 19 ESG issues were identified where they posed higher importance to both stakeholders and our business operation.

2. Prioritisation

To determine the materiality of the ESG issues, we have assessed and scored the relevance/importance of each of the ESG issues based on the views of our senior management and key stakeholders on a scale of 0 to 10 (0 is irrelevant and 10 is crucial). The vertical axis of the below materiality matrix shows the impact on stakeholders and the horizontal axis presents the impact on business¹.



¹ The top right quadrant lists out highly material issues, while the least material issues are shown at the bottom left. The darker the colour, the higher the materiality of the area.

Environmental, Social and Governance Report (Continued)

The table below highlights the ESG issues which were determined to be material to the Group:

Environmental Issues	Social Issues	Governance and Operation Issues
12. Waste Management	1. Occupation Health & Safety	3. Customer Satisfaction and Complaint Handle
13. Waste Gas and Greenhouse Gas Emission	2. Employee Training and Development	5. Information and Data Privacy Protection
14. Water Resource Management	4. Remuneration and Benefits	6. Quality Management
15. Energy Use and Management	8. Employee and Labour Standards	7. Business Ethics
17. Green Building	9. Diversity and Equal Opportunity	10. Anti-corruption and Integrity
18. Response to Climate Change	19. Community Engagement and Development	11. Innovation and Technology Upgrade
		16. Sustainable Supply Chain Management

3. Validation

The Board has reviewed and confirmed the results of the materiality assessment, including the priority and importance of the identified sustainability issues. Based on these results, the Group will continue to improve its ESG performance to meet stakeholders' expectations and deal with the risks faced by it.

People-Oriented, Safety First

The Group has consistently adhered to a "people-oriented" philosophy, striving to create a fair and equitable employment environment and ensuring a safe and healthy workplace for all employees. We offer a wide range of vocational training courses, facilitate clear development pathways, and focus on attracting and retaining exceptional talent. By providing employees with challenging job opportunities and ample room for growth, we demonstrate our trust and investment in their potential. Additionally, we promote a harmonious work culture by nurturing relationships at every organisational level.

During the Reporting Period, there were no instances of non-compliance with laws and regulations related to employment matters, including compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. We adhered to the regulations including but not limited to the following:

- The Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- The Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong);
- The Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong);
- The Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong);
- The Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong);
- The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); and
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

Environmental, Social and Governance Report (Continued)

Employee and Talent Management

Diversity and Equal Opportunities

The Group places significant importance on our employees and the distribution of talent resources. We promote a diverse, inclusive and anti-discrimination workplace that facilitates employees from different backgrounds to thrive.

The Group's policy is to attract and hire the most competent individuals and maintain a talent pool that aligns with the organisation's staffing needs and strategic planning. Job opportunities are presented to the most qualified candidates based on their qualifications and capabilities to fulfil the job requirements, regardless of whether they are referred or direct applicants. We adopt a fair and unbiased approach to make position-related decisions of talents based on consistent selection criteria, such as their skills and qualifications instead of their gender, ethnicity, religion or other characteristics, regardless of whether it pertains to recruitment, promotion or transfer. The Group regularly organises orientation seminars for new colleagues to help them understand the our history, culture, philosophy, engineering projects, medical benefits, welfare information, and more.

For detailed KPI data on employees, please refer to KPI Performance Summary of this Report.

Employment and Labour Standard

The Group's No Child and Forced Labour Policy is rooted in its dedication to identifying realistic, significant, and culturally sensitive solutions that contribute to the eradication of such unethical labour practices. Consequently, the Group supports the necessity for suitable measures to gradually eliminate these exploitative practices and abuses.

The Human Resources and Administration Department is responsible for verifying the authenticity of age, identification, work authorisation documents, and other relevant materials when recruiting talent to prevent any form of illicit employment. Employment contracts and other records, which document all relevant details of employees, including age, are maintained and are open for verification by any authorised personnel or relevant statutory body. Our Corporate Internal Audit and Compliance Department undertakes audits and assessments annually.

In addition, we strictly regulate the conduct of our suppliers and contractors, forbidding the use of any form of child or forced labour practices. We are also committed to establishing contingency measures to counter any instances of child or forced labour should they arise.

If any cases of child or forced labour are discovered, the Human Resources and Administration Department will report to management. The department head or responsible project staff will then carry out an investigation to identify the causes. Disciplinary actions will be taken in accordance with the Group's policy if anyone is found responsible for such cases.

All employees are required to possess an ID card for verifying the identity and credentials of our workforce. We utilise an access control system which integrates a card management system and biometric authentication devices to verify worker identity. This devices in corporate with Construction Workers Registration System ("CWRS") to obtain daily attendance record ("DAR") of workers as required by Construction Workers Registration Ordinance (Cap.583).

During the Reporting Period, no non-compliance cases regarding child and forced labour were found.

Environmental, Social and Governance Report (Continued)

Compensation and Benefits

The Group's Employees' Handbook (the "**Handbook**") outlines a comprehensive array of compensation and benefits policies designed to support and reward employees. These include competitive salaries with a 13-month salary, paid annual and sick leave, various types of special leave (such as marriage, maternity, and mourning leave), and allowances for work-related expenses. Employees are also covered by the group term life assurance and have access to outpatient and medical claims, ensuring financial stability during health-related issues. Additionally, policies around working hours, attendance, and leave of absence are clearly defined to promote a fair and balanced work environment, while safety measures during severe weather ensure employee well-being.

The Group's compensation and benefits policy is based on the view that fair remuneration packages contribute to the motivation of our staff and to the attractiveness of the Group as an employer. Factors that are considered for the remuneration packages include performance, local practice, market standards and individual needs. We also offer project bonuses to employees who remain dedicated to a project throughout its duration and successfully deliver it. This incentive encourages employee retention and rewards their commitment to the project's success. We support diversity but where appropriate, we stimulate common remuneration practices in the organisation.

Furthermore, the Group participates in the Hong Kong Institute of Surveyors ("**HKIS**") scheme and the Safety Charter scheme by Occupational Safety and Health Council ("**OSHC**") to ensure that our employees are well-trained and adhere to the highest standards of professional conduct and safety.

The Group synchronises individual and team performance with the establishment of targets. We foster individual and team achievement by implementing transparent and inspiring evaluation processes that include regular assessments. To ensure internal equity, we employ impartial methods for job ranking, and to maintain external equity, we systematically assess market alignment in pertinent labour markets.

Employee Well-being

The Group is committed to promoting employee well-being as a core component of our ESG initiatives. We actively encourage colleagues to engage in sports and physical activities, using our Employee Communications to share health tips and relevant sports information. Employees are invited to contribute by sharing their own fitness experiences and insights, or by suggesting interesting sports topics.

In line with this commitment, during the Reporting Period, colleagues are invited to share their hiking route recommendations via Employee Communications to gather ideas for peers who would like to be more active. The Group also organised an annual dinner. The event was filled with excitement and entertainment, featuring games and lucky draws, each attendee received a gift.

By promoting such activities, we aim to foster a culture of health and wellness, ensuring our employees have opportunities to unwind and connect with nature, enhancing their overall quality of life.

Environmental, Social and Governance Report (Continued)



Hiking route recommendations

Annual dinner



Occupation Health and Safety

The Group complies with all occupational health and safety laws and regulations, and its commitment to exceeding legal requirements is recognised by the ISO 45001 Occupational Health and Safety Management System Certification. To maintain a high standard regarding health and safety, the Director, senior management, line management, and all personnel actively pursue the Group's safety policy. Management is accountable to the Directors for the overall implementation of this policy.

As a participating organisation for Joyful@Healthy Workplace which is launched by the Department of Health, Labour Department and the OSHC, we prioritise health, safety, and environmental protection in all business practices, providing adequate resources, necessary information, training, scheme, and supervision to promote these initiatives. All personnel must adhere to safety regulations and implement safety management practices to eliminate unsafe conditions and acts. This is achieved through established safety plans and procedures, regular revisions to the Handbook, and the implementation of the Site Score System, the Permit to Work System and an Environment, Health, and Safety Management System for tasks related to occupational health and safety risks. The Group also aims to encourage more employees to participate in safety competitions and other activities as well as use more vivid ways to raise their safety awareness. Safety alerts are made with citations of real occupational accident cases together with safety precautionary measures and are distributed to frontline staff or stuck on the safety bulletin board to raise the safety awareness of our frontline staff.

Our Target Zero initiative promotes a zero-injury mentality. We continue to develop clear policies, communication pathways for near-misses and enhancements to prevent potential injuries. The Group also aims to achieve high safety standards in daily operations. Regular internal safety audits are conducted to monitor and improve the safety management system's performance at each construction site. For all high-risk work, we conduct pre-work training and strengthen risk assessments as well as our inspection during the work.

Our Targets

Accident frequency rate below 0.6 per 100,000 person-hours worked
Zero fatality rate

FY23-24 Performance

Frequency rate: 0.19 per 100,000 person-hours worked
Zero Fatality rate

Environmental, Social and Governance Report (Continued)

Quantifiable safety objectives are documented for each site, workshop, and office, with records maintained and displayed regarding these safety performance measures. Each person on-site is responsible for their own safety and the safety of others affected by their actions or omissions. They must not interfere with or misuse any safety and health provisions. Employee performance in health and safety is a key criterion for promotion, and any employees found to be deliberately and consistently breaching health and safety regulations may be subject to summary dismissal.

Additionally, with the initiative to raise awareness of site safety and best practices, the Group has introduced its safety mascot. The mascot features in posters and banners at our project sites are designed to draw extra attention from site workers and to add liveliness to the neighbourhood through the colourful and interactive icon.



During the Reporting Period, our occupational health and safety measures were recognised with the Proactive Safety Contractor Award, led by HKCA and we signed Mental Health Workplace Charter as a Mental Health Friendly Supreme Organisation. Health and safety training is provided to employees, including a comprehensive safety training by the Construction Industry Council (“CIC”) and OSHC.

The Group has no work-related fatalities occurred in past three years including the Reporting Period. During the Reporting Period, there were no cases for the Group of non-compliance in respect of the provision of a safe working environment and protection of employees from occupational hazards.

Employee Training and Development

The Group’s unwavering commitment to its staff is encapsulated in our core philosophy: Communicate, Considerate, Commit, and Complete. We understand that our success hinges on our people, and to maintain our position as an industry leader, we must continuously elevate the standards and performance of our team. Our training and development policy is founded on the belief that the knowledge, attitude, and skills of our employees are among our most valuable assets. Consequently, education and training are integral to our human resource strategy.

We invest substantial resources in the training and development of our staff to enhance their performance and prepare those with potential for greater responsibilities and future career progression. Our training programmes serve as platforms for the exchange of experiences, networking across various levels, disciplines, and cultural backgrounds, and opportunities for benchmarking against industry standards. These programmes are specific to each trade, including a variety of formats such as internal courses, project work, deputising for senior staff, and both local and international on-the-job training and development.

Additionally, the Group provides financial support for employees pursuing external training and education, underscoring our commitment to their continuous professional growth and development.

Environmental, Social and Governance Report (Continued)

During the Reporting Period, our primary training themes are centred on enhancing our capabilities in BIM and the NEC framework. The BIM training sessions ensure that our team is well-versed in the latest methodologies, fostering improved project visualisation and coordination. Additionally, ongoing NEC training sessions throughout the year equip our team with the knowledge to effectively manage contracts and mitigate risks.

For detailed KPI data on employees' training, please refer to KPI Performance Summary of this Report.

Quality Services and Construction

We believe delivering high-quality services create long-term value for our stakeholders and drives sustainable growth for our business operations. With the dedication to meeting customers' expectations in terms of cost, timeliness and quality, we closely monitor the performance of our suppliers and sub-contractors during the procurement of sustainable resources and the quality control process.

In recognition of the Group's efforts to provide a quality working environment for our employees, we have been awarded the following employee-related and safety awards.

Product Quality Assurance

It is the policy of the Group to ensure customer satisfaction and full compliance with statutory and other requirements concerning quality, environment, health, and safety in the Group's projects.

Before the implementation of a project, several critical factors must be considered to ensure its successful execution. These factors include material and labour, equipment or tools, environment and safety, standards, legal, and other requirements.

- Ensuring all materials meet the project's specifications and quality standards.
- Assessing the availability of skilled labour and allocating sufficient resources to meet project timelines.
- Verifying all necessary equipment and tools are available and in good working condition.
- Conducting an environmental impact assessment, identify potential risks and implement measures to mitigate them.
- Developing a comprehensive safety plan, including risk assessments, emergency procedures, and safety training for all workers.
- Ensuring that the project adheres to industry standards and legal/other requirements.

During the implementation and execution of a project, our project management team conducts regular quality checks and inspections to ensure that the work performed by our subcontractors conforms to the contractual specifications. We have been certified with ISO 9001 for our quality management system since 2002. Our customers may also conduct inspections from time to time. Additionally, we hold progress meetings with our customers throughout the projects, where our project managers report on progress, discuss major issues encountered, and obtain customers' feedback.

Environmental, Social and Governance Report (Continued)

The closing review meeting serves as an essential project management tool that brings together key stakeholders to formally acknowledge and document the successful completion of a project. Its primary role is to provide a platform for reviewing and assessing the project's outcomes, performance, and lessons learned. During the closing meeting, participants discuss various aspects of the project, including adherence to timelines, quality control measures, subcontractor performance, safety records, and any outstanding issues or challenges faced during the project's execution.

Furthermore, we value the involvement of our customers in the quality control process. After the project is completed, our customers inspect the quality of our work. Our project management team takes note of their feedback and suggestions for improvements, ensuring that we meet or exceed their expectations in future projects. During the Reporting Period, there were no cases of product recall.

Construction 2.0 Innovation

As the contractor of the first transitional housing project built using Modular Integrated Construction (“**MiC**”) technology, the Group actively researches and implements cutting-edge construction technologies, aiming to address the dynamic requirements of stakeholders across the industry.

To better prepare for upcoming opportunities and to embrace the transformation into “Construction 2.0,” the Group has been enhancing its capabilities in MiC design, expanding the application of BIM technology, utilising laser scanners to improve productivity, and adopting Artificial Intelligence (“**AI**”) for site safety. The Group has partnered with a technology venture to develop an AI Lifting Safety Monitoring System, which has been approved under the HKCA Construction Safety Fund. This system aims to enhance safety during lifting operations, particularly given the increasing use of MiC.

Meanwhile, there is no intellectual property owned by the Group, the Group was not involved in any disputes or lawsuits related to infringement of intellectual property during the Reporting Period.

During the Reporting Period, the Group joined HKCA's ESG Recognition Scheme. This scheme not only facilitates the digital transformation of construction sites but also helps us understand industry trends, enabling us to continuously improve our performance.

Environmental, Social and Governance Report (Continued)

Case study - “ESG Build Fun” app

As a significant part of the ESG Recognition Scheme, we encourage our employees to use the “ESG Build Fun” app to participate in ESG activities. Through this app, everyone can engage in ESG events and earn coins to redeem prizes, fostering a culture of sustainability within our organisation. For example, there is a “Water Check-in” activity which encourages workers to drink eight glasses of water a day. To receive coins, workers only need to drink water every day and scan the QR code on the water machine. The more activities they join, the more rewards they will get.



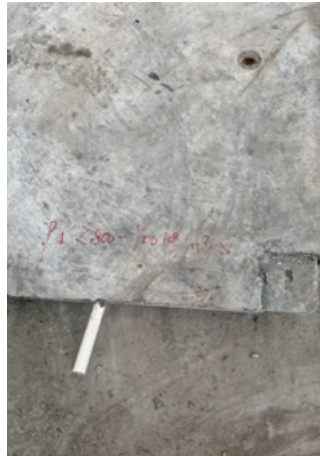
Case Study – Lightweight concrete

Foamed concrete is made of physical foam and cement paste or sand/cement mortar. Air foams are uniformly distributed in the foamed concrete, thus incurring the lightweight properties of the foamed concrete. It is highly fluid and easily placed with no compaction required during production. With the careful formulation and mixing, the dimension of the air foam can be well controlled for outstanding mechanical properties of the foamed concrete.

- Ease of placing
- Lightweight
- Good thermal insulation
- Tailorable density and strength up to structural use level

Environmental, Social and Governance Report (Continued)

Lightweight concrete test and factory inspection

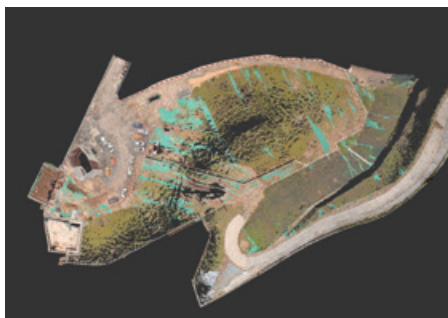


Case Study – NavVis 3D Laser Scanner

The Group is dedicated to promoting the application of smart technology on construction sites. We have introduced the NavVis 3D Laser Scanner, which is a mobile laser scanning system providing comprehensive and high-detail reality capture data. This cutting-edge technology allows us to accurately record the three-dimensional information of construction sites, significantly enhancing our operational efficiency and precision. We have also conducted instructional training for our employees in the Group to meet the future engineering needs.



Implementation and training of the Laser Scanner



Environmental, Social and Governance Report (Continued)

Case Study – Nam Cheong 220

During the Reporting Period, the Group received the Merit Award, Temporary Building Category at the Quality Building Award 2022 Award Presentation Ceremony.

Nam Cheong 220 is the first MiC transitional housing in Hong Kong, designed for deconstruction and circular use, providing affordable and quality living for 175 residents and empowering close communities one after another. A high overall reusability rate of 95% was achieved because of our demountable design, as Nam Cheong 220 became the first complete MiC original building to be reproduced in a new location. Its huge success has now paved the way for the extensive use of MiC in even permanent buildings in Hong Kong, promoting a greener, safer, and higher quality construction method.



Nam Cheong 220 Project

Case Study – Shun Ting Terraced Home

During the Reporting Period, the Cheung Shun Street Project has been officially completed and handed over. Shun Ting Terraced Home, which meant smooth and pleasant living, is our second transitional housing project. By utilising the benefits of MiC of improved construction efficiency, safety, and environmental sustainability, the Group completed the project with quality homes built in just around 12 months. The project offers 132 units with convenient access to markets, eateries, parks, and other living amenities, satisfying the daily needs of residents.



Shun Ting Terraced Home

Environmental, Social and Governance Report (Continued)

Supply Chain Management

Supply Chain Practices

The Group is dedicated to building lasting and constructive relationships with partners in its supply chain. Our Procurement Management Manual, alongside the Handbook and other internal guidelines, underscores our commitment to a fair, ethical, eco-conscious, transparent, and competitive procurement process. All employees are required to observe the highest standards of business integrity and comply with relevant laws and regulations.

Supplier and Subcontractor Engagement

Supplier

The Group's suppliers primarily provide (i) construction materials, (ii) machinery rental services, and (iii) other construction site services. The main construction materials we purchase include concrete and steel reinforcement bars. We conduct evaluations for new suppliers, and both potential and approved suppliers are shortlisted and reviewed periodically based on criteria such as:

- Quality of materials, machinery, or services provided
- Punctuality in delivery
- Reputation
- Preference for environmentally friendly materials/products
- Safety management

Subcontractor

We subcontract our on-site works to nominated subcontractors or our domestic subcontractors and oversee site supervision, subcontractor management, and overall project management. For building construction works, we engage subcontractors either on a contract basis or by specific trades of work within the projects. We review and admit subcontractors to internally approved list periodically based on factors to ensure the service quality and performance:

- Recent performance of the subcontractor
- Resources and skills of the subcontractor
- Standards and certifications of quality assurance systems implemented by the subcontractor
- Possession of requisite licenses, permits, and registrations

It is our general practice to select and engage subcontractors from an internally approved list, considering specific project requirements and price quotations.

Environmental, Social and Governance Report (Continued)

Supplier and Subcontractor Control and Monitoring

We continuously monitor and review the performance of suppliers and subcontractors on our approved list through site inspections and risk assessments. We conduct performance appraisals for our approved suppliers and subcontractors. If the appraisal results are unsatisfactory, areas for improvement will be communicated to the suppliers and subcontractors, and their performance will be re-evaluated thereafter. If the performance continues to be unsatisfactory, they may be removed from the approved list.

Specifically, safety is of utmost importance in our business, the project manager will evaluate the performance of supplier or subcontractor upon project completion in the Sub-contractor Safety Performance Report which covers the following:

- Management's Safety Attitude
- Management's Safety Training
- Provision of Safety Training Instruction & Supervision
- Provision and Maintenance of Safety Plant
- Willing to co-operate
- Use of PPE
- Accident Rate
- Safety Performance

Responsible Procurement

We are committed to purchasing materials, goods, and services that comply with relevant environmental legislation. Environmental considerations are factored into reducing the environmental impact of purchased goods and services, provided they are technically acceptable and economically viable. This includes the use of Forest Stewardship Council (FSC®) certified wood, purchase of steel and concrete within regional distance and the use of brick with recycled content, and light weight concrete. Additionally, the environmental performance of suppliers and subcontractors is considered during the selection process to enhance green procurement. Moreover, all suppliers and subcontractors must adhere to BEAM Plus requirements for applied projects, the Group's consideration also includes sourcing equipment with energy labels or Energy Star ratings for the site's mechanical ventilation and air conditioning ("MVAC") systems, computers, and ensuring the use of low-flow water fixtures to reduce water consumption.

Anti-Corruption

The Group has established a comprehensive Code of Conduct (the "Code"), providing an ethical and behavioural framework for staff, suppliers, subcontractors, and stakeholders both in Hong Kong and overseas. Compliance with these guidelines is mandatory for all parties when conducting business with the Group. Clear communication with our employees regarding adherence to the Code is essential. Under the Integrity Management Policy, the Group prohibits any forms of bribery and corruption in accordance with the Prevention of Bribery Ordinance (Cap. 201), the Competition Ordinance (Cap. 619) and other relevant laws in Hong Kong.

Environmental, Social and Governance Report (Continued)

Policies and Preventive Measures

Our values and commitments are guided by the Handbook and supplemented by various policies and procedures, which are regularly reviewed and updated to ensure ethical business practices and compliance with corporate and regulatory requirements.

- The Handbook outlines principles for responsible behaviour in daily operations, covering business ethics, conflicts of interest, bribery, environment, health and safety, and workplace respect.
- The Conflict of Interest Procedure is designed to prevent, detect, or deter inappropriate activities and regulate business activities and professional behaviour, safeguarding the interests of the Group and its customers.
- The Anti-Fraud, Whistle-blowing, and Grievance Procedure encourages employees to report concerns or suspicions of misconduct, fraud, or irregularity.

A Whistle-blowing System is in place for stakeholders to report violations of the Code. Any integrity-related complaints from staff, subcontractors, customers, and business partners are handled confidentially. A dedicated telephone hotline (852-23718111) and email address (info@thelloy.com) was set up for this purpose. All reported cases are investigated promptly and confidentially, with confirmed cases reported to the Group's Audit Committee. Audit Commit reviews the summary of complaints and follow-up actions, including incidents descriptions and remedial actions.

Prevention of Bid-rigging and Offering Bribes

Given the high-value contracts of construction industry, there is a potential risk of bid-rigging and bribery. To mitigate these risks, the Group has implemented robust policies and controls. The Project Tendering and Management Policies and Procedures govern project tendering, preparation, budgeting, completion, delivery, and reporting. Additionally, we adopted checklists to detect signs of bid-rigging during the pre-qualification process. The checklists are designed to perform a comparative analysis of all suppliers and subcontractors, examining the documents submitted, subcontracting fees, material costs, and other overheads in tender proposals to identify any abnormalities in the bidding process.

During the Reporting Period, the Group arranged anti-corruption training for its directors and employees to enhance awareness, including webinar integrity management training on site supervision from HKCA and integrity training courses organised by Independent Commission Against Corruption ("ICAC"). Eight representatives from various levels participated in the one-hour ICAC training course. There were no legal cases regarding corrupt practices brought against the Group or its employees, nor were there any instances of non-compliance related to bribery and corruption.

Prevention of Fraud, Extortion, and Money Laundering

To prevent fraud, extortion, and money laundering, the Group's Project Tendering and Management Policies and Procedures advise staff to conduct Customer Due Diligence ("CDD"), maintain proper transaction records, and implement a robust internal control system. Suspicious transactions are reported to the Joint Financial Intelligence Unit ("JFIU"), with CDD and record-keeping being core counter-measures against money laundering and terrorist financing.

During the Reporting Period, there were no instances of non-compliance related to fraud, extortion, or anti-money laundering.

Environmental, Social and Governance Report (Continued)

Privacy Protection and Data Security

Safeguarding personal data and privacy of its staff, customers, suppliers, subcontractors is a top priority for the Group, so we adhere to a Privacy Management Programme. The Group ensures that all personal data are handled in accordance with the provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong). The Group upholds the following principles in data privacy management.

Data Collection

- Collect adequate, but not excessive, personal data by lawful and fair means solely for lawful purposes related to the department's functions or activities.
- Take all reasonably practicable steps to ensure that the personal data collected or retained are accurate, considering the purposes for which they are to be used.
- Use the personal data collected only for the purposes or directly related purposes for which the data were collected unless the individual concerned has given express consent for a change of use or such use is permitted by law.

Data Use

- Take all reasonably practicable steps to protect personal data against unauthorised or accidental access, processing, erasure, or other use.
- Ensure that a person can be informed of the kinds of personal data that the department holds and the purposes for which the data are to be used.
- Permit persons to access and correct personal data of which they are the data subjects and process any such access or correction requests in a manner permitted or required by law.

Data Destruction

- Ensure that personal data are not kept longer than necessary for the purposes for which they are to be used.

Customer Services

The Group is committed to exceptional customer service management. We continuously explore customer needs, respond swiftly to complaints, and actively establish robust complaint handling procedures to enhance service quality. Our goal is to provide customers with superior services.

During the Reporting Period, there were no complaints received regarding our projects. Should any complaints arise, our team is prepared to respond promptly and take necessary follow-up actions.

Intellectual Property, Marketing and Labelling

Our business does not involve research and development or labelling activities. Additionally, we do not heavily rely on marketing and advertising. The Group has not identified any significant impacts related to advertising and labelling on our operations. However, we will continue to closely monitor the business environment to identify any potential significant risks in this area.

Environmental, Social and Governance Report (Continued)

Community Investment

As a responsible corporate citizen, we acknowledge the importance of creating long-term values for our community and are dedicated to engaging the community through organising and participating in various charitable activities. We actively encourage all our employees to contribute back to the community. During the Report Period, as a recognition of our continuous work on community services, the Group was awarded the 5 Years Plus Caring Company Award by the Hong Kong Council of Social Service. The Group has donated HKD 88,600 to promote culture and sports and HKD 10,000 to support educational initiatives in total.

During the Reporting Period, our employees participated in the LifewireRun 2023 in Tsing Yi and won 2nd runner-up in the Corporate 3KM team race. The Group actively supports this charity event, which aims to raise funds to help children with rare diseases. We also extend a great shoutout to all the like-minded individuals, companies, and organisations who braved the cold and created wonderful memories together for this meaningful cause.



LifewireRun 2023



The Group supported the Lo Pan Rice Campaign during the Lo Pan Service Month in 2023. Apart from spreading care and love to the community, the series of public activities during the Lo Pan Festival can also promote the artisan spirit of Master Lo Pan. By encouraging young talents to join our industry and contribute with their creativity and craftsmanship, we aim to foster a new generation of skilled professionals who are inspired by the values and traditions of Master Lo Pan.



Lo Pan Service Month



Environmental, Social and Governance Report (Continued)

To celebrate a festival of reunion and harmony, we shared with the community and spread festive joy and love. During the Mid-autumn Festival, our volunteering team joined the Yang Memorial Methodist Social Service to visit the elderly and distribute gift packs to them. These gift packs included mooncakes, packaged food, and personal hygiene items. We sent our care and blessings to the local community.



Yang Memorial Methodist Social Service

Environmentally Conscious Operations

Minimising our environmental footprint while ensuring the sustainable use of resources is a top priority for the Group. We have implemented various initiatives to ensure that our operations are environmentally responsible across multiple areas, including greenhouse gas (“GHG”) emissions, energy use, pollution control, as well as water, waste and noise management.

The Group complies with all applicable environmental laws and regulations, including but not limited to:

- Air Pollution Control Ordinance (Cap.311)
- Waste Disposal Ordinance (Cap.354)
- Waste Disposal (Chemical Waste) (General) Regulation (Cap.354C)
- Water Pollution Control Ordinance (Cap.358)
- Noise Control Ordinance (Cap.400)

The Group was not aware of any non-compliance and violation of environmental law and regulations regarding air emissions, water, waste and noise during the Reporting Period.

To ensure effective environmental management, the Group has established a comprehensive Environmental Management System (“EMS”) that has been in compliance with the requirements of ISO 14001 since 2009. The execution and implementation of EMS are also integrated with Energy Management System (ISO50001). Each employee and subcontractor are responsible members of our team and are expected to conduct their activities in accordance with the EMS requirements.

Environmental, Social and Governance Report (Continued)

To effectively manage and enhance the Group's environmental performance, a dedicated Environmental Officer has been assigned to each project. These officers play a crucial role in implementing the Group's environmental management policy, which includes developing targeted management measures and conducting regular inspections to proactively identify potential hazards. Furthermore, the Environmental Officers are responsible for designing and delivering training programs to both staff and construction workers, ensuring that all personnel are well-equipped to comply with the Group's environmental policies. They also provide expert advice to other officers and maintain transparent communication with customers by reporting environmental performance to customers on a monthly basis.

In recognition of our ongoing efforts and commitment to environmentally sustainable practices, we have been awarded the Hong Kong Green Organisation Certification by the Environmental Campaign Committee, the Green Building Award 2023 by the Hong Kong Green Building Council ("**HKGBC**") and other eco awards this year. We are committed to reducing the environmental impact of our building projects. In the coming years, we plan to obtain more international green building certifications, such as BEAM Plus and the WELL building standard, to ensure that our building construction projects are in line with international sustainable practices.

Air and Greenhouse Gas Emissions

As a building construction services provider, the Group recognises that its operations at construction sites generate several types of emissions and pollution, including dust, GHG emissions and effluent. Electricity consumption from our construction sites and offices represents a significant contributor to our overall energy consumption and GHG emissions. We are committed to minimising the environmental impact of our business activities and have implemented several measures to achieve this goal.

GHG Management

During the Reporting Period, the Group's air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

The direct GHG emissions ("**Scope 1 emissions**") of the Group were the consumption of fuels by vehicles or in the construction sites. The source of the Group's energy indirect GHG emissions ("**Scope 2 emissions**") during the Reporting Period was mainly due to purchased electricity at our head office and construction sites. The Group is dedicated to reducing its GHG emissions, particularly those associated with diesel-powered generators commonly used at construction sites.

Environmental, Social and Governance Report (Continued)

Chlorofluorocarbon (“CFC”) free refrigerants have been used for all MVAC systems. For generators, the Group has transitioned to using D5 diesel, which has a lower sulphur content, which emits fewer pollutants compared to traditional diesel fuels. For vehicles, we encourage turning off the engine while idling, arrange regular vehicle maintenance checks to ensure that engine is in optimal condition. We also promote the usage of unleaded gasoline and low sulphur gasoline, and take the shortest route to destination. We ensure corporate cars run only when necessary, thereby minimizing fuel consumption and emissions. Meanwhile, the Group is committed to advancing electrification of its construction sites, such as increasing use of electric equipment to reduce fossil fuel use wherever feasible. The Group has implemented solar powered flashlight, lighting and mosquito killer, ensuring that clean energy sources are utilised.



Solar powered lighting and mosquito killer



Solar powered flashlight

For detailed KPI data on our emissions, please refer to KPI Performance Summary of this Report. With the above-mentioned measures, the expected overall GHG emission could be lowered by 3% annually.

Environmental, Social and Governance Report (Continued)

Dust Management

Dust is a significant air pollutant in construction activities, and the Group has implemented various measures to control dust emissions effectively. These measures can be categorised into three main strategies: reduction at sources, reduction with barriers, and regular monitoring.

Reduction at sources

- To minimise dust emissions, the amounts of soil exposed and the dust generation potential have been kept as low as possible
- Any stockpiles of dusty materials have been sprayed with water regularly so as to maintain the entire surface wet
- The heights from which dusty materials are dropped have been minimised to limit fugitive dust generation from loading or unloading
- All constructional plants powered by diesel fuel have used ultralow sulphur diesel
- All non-road mobile machineries have been equipped with Non-Road Mobile Machinery (“**NRMM**”) Label to ensure the emissions are within limits
- Vehicle speeds on site have been limited to within 5 km/h to minimise dust re-suspension and dispersion
- Wheel washing facilities have been provided at all vehicle exits to prevent dusty material from being carried off-site by vehicles and deposited on public roads

Reduction with barriers

- Stockpiles of dusty materials have been confined within the designated pedestrian barriers, fencing, or traffic cones to minimise spread.
- All stockpiles of dusty materials have been completely covered with impervious sheeting or stored in an area sheltered on the top and three sides to prevent dust emissions.
- Vehicles used for transporting potentially dust-generating materials have been equipped with properly fitted side and tail boards to contain the materials.
- Materials transported by vehicles have been adequately covered, with the covers securely fastened and extending over the edges of the side and tail boards to prevent spillage and dust generation during transportation.

Regular monitoring

- Regular impact measurements have been taken for the concentration of the Total Suspended Particulates (“**TSP**”) at the nearest Air Sensitive Receivers

Environmental, Social and Governance Report (Continued)

During the Reporting Period, our site measurements on TSP for applicable projects complied with the standards of the BEAM Plus Rating System for applied projects, and no complaints were received for all construction projects.



Water spraying operation to prevent dusting

Waste Management

As the main contractor, the Group is required to obtain the requisite permits and approvals related to waste disposal in accordance with the applicable laws and regulations prior to the commencement of a project.

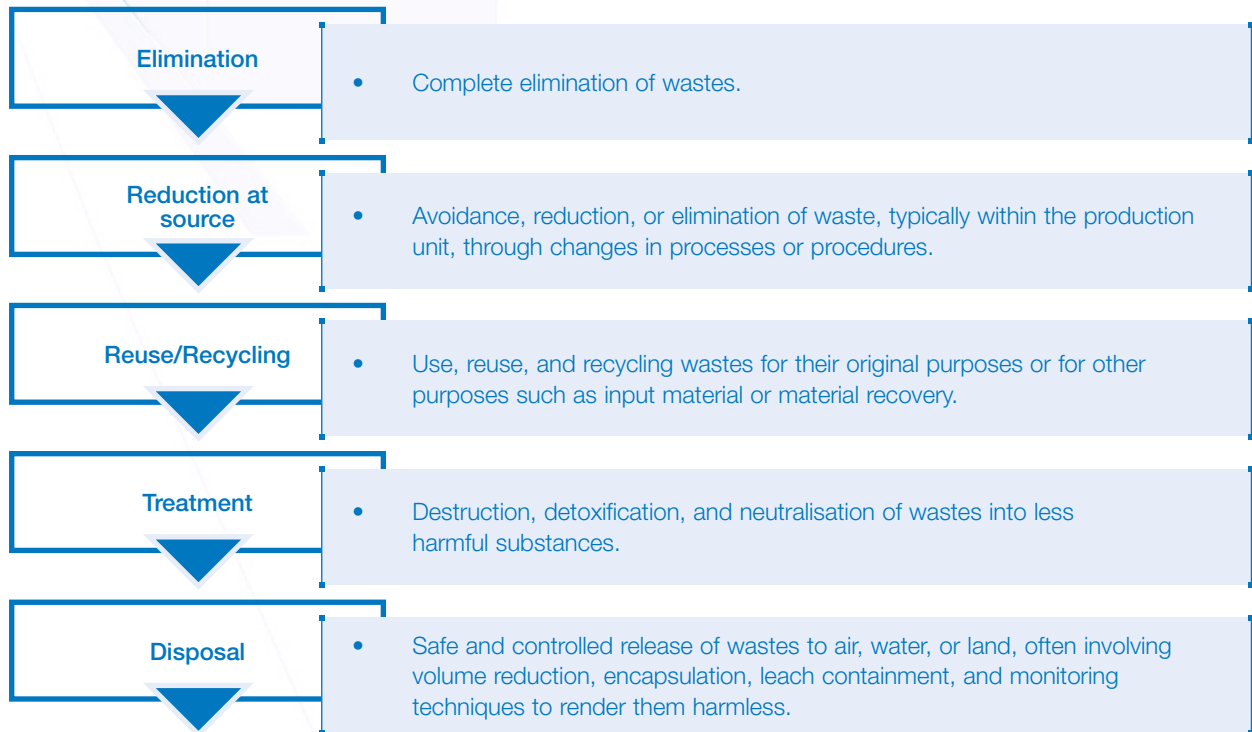
The Group advocates the importance of environmental management, and strictly controls the generation of waste, continuously optimises management and monitoring. We also promote and ensure that the generated waste will be collected, source-separated, and recycled as much as possible before proper disposal.

To reflect the current needs of waste management issues, we have implemented a Waste Management Policy and it is reviewed annually or when necessary by senior management. All staff, subcontractors as well as the construction workers are being briefed on the importance of this policy. Our applicable projects have achieved a 30% reduction/recycling rate of the total waste generated.

Environmental, Social and Governance Report (Continued)

Non-Hazardous Waste Management

For non-hazardous waste, each employees of the Group as well as subcontractors should take reasonable steps to avoid the generation by proper planning of works. The following options of options should be considered on the management:



The Group seeks continuous improvement in waste management performance by setting appropriate objectives and targets. To minimise waste generated from its operational activities and promote effective waste management practices, the Group has allocated sufficient resources and facilities.

On-site sorting facilities will be implemented for non-hazardous wastes. Sorted materials that can be reused or recycled will be stored in a temporary storage area for delivery to designated recycling facilities. Unsuitable materials will be disposed of at the required public fill or landfill. With the above-mentioned measures, the expected non-hazardous wastes could be lowered by 3% annually.

During the Reporting Period, we have achieved the waste avoidance and recycling targets for our applicable projects which are in compliance with BEAM Plus Rating System and continually being awarded the Wastewi\$e Certificate under Hong Kong Green Organisation Certification.

Environmental, Social and Governance Report (Continued)



Our waste segregation methods in office and construction site



Our Wastewi\$e Certificate

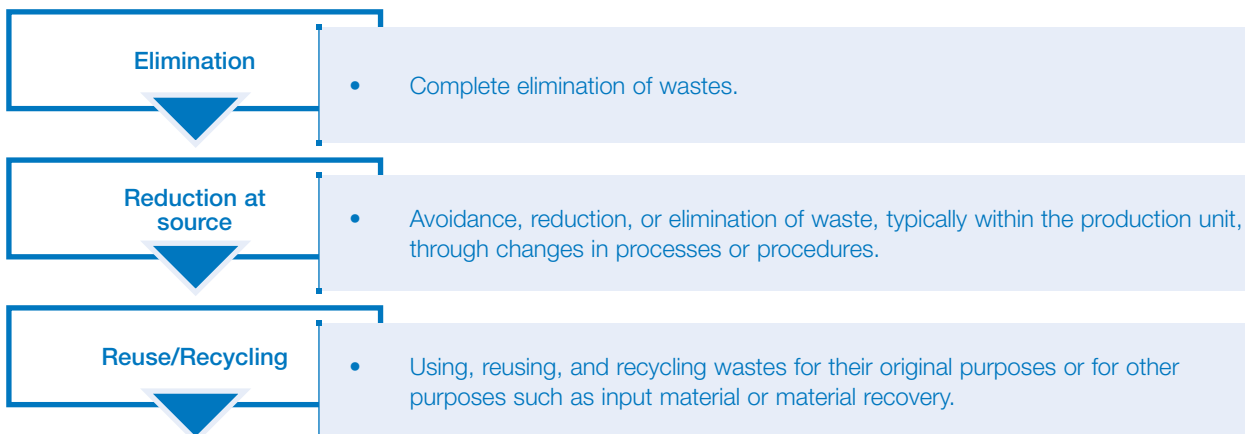
For detailed KPI data on waste management please refer to KPI Performance Summary of this Report.

Hazardous Waste Management

During the Reporting Period, the Group did not generate any hazardous waste. However, the Group has also formulated guidelines for the management and disposal of hazardous waste. A chemical waste producer was registered for every project and all chemical wastes generated by construction activities will be properly labelled, packaged, and temporarily stored in a designated chemical waste storage area within the site. All chemical waste disposals will be collected by licensed waste collectors and passed to licensed chemical waste disposal facilities, ensuring proper and safe handling in compliance with regulatory requirements.

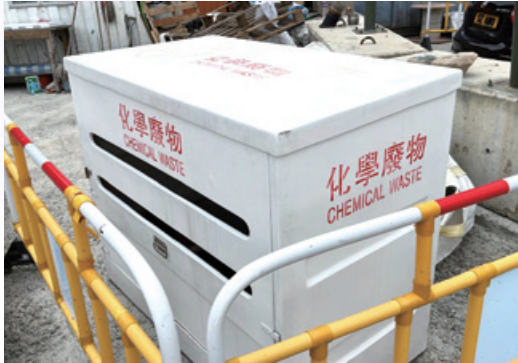
Any asbestos wastes will be handled, stored, and disposed of as chemical waste in accordance with the relative regulation. Specialists have been engaged to take samples, which will be tested for asbestos-containing materials. If asbestos-containing materials are discovered, a specialist contractor will be engaged to remove them. The asbestos materials will then be disposed of at a chemical waste treatment centre or other licensed facilities.

The following options of options should be considered on the management:



Environmental, Social and Governance Report (Continued)

During the Reporting Period, there were no cases of non-compliance in terms of waste generation and treatment. We will continue our best practices to maintain the target of zero improper discharge of hazardous waste.



Chemical waste collection box in our construction site

Use of Resources

The Group endeavours to minimise its resource utilisation, particularly energy and water, in order to decrease expenses and foster the long-term environmental and economic viability of its operations. We are dedicated to the following principles:

- **Reduce Energy Consumption:** Establish objectives and targets to reduce energy consumption across all operations.
- **Continuous Improvement:** Ensure continual improvement in our energy performance.
- **Resource Allocation:** Deploy necessary information and resources to achieve our energy and water efficiency objectives and targets.
- **Design Considerations:** Consider resource performance improvements in the design and modification of our facilities, equipment, systems, and processes.
- **Energy-efficient Procurement:** Procure and utilise energy-efficient products and services.
- **Packaging Material Reuse:** Return packaging materials, including foam boards and cardboards, to material suppliers for reuse.

During the Reporting Period, the Group has no packaging material used for finished products.

For detailed KPI data on resources consumption, please refer to KPI Performance Summary of this Report.

Water

The Group primarily uses water for daily consumption at workplaces and construction sites. While water use does not have a significant impact on our business operations and we have no issue in sourcing water that is fit for our purpose, we consider water management to be a material issue and continuously strive to improve water efficiency.

Environmental, Social and Governance Report (Continued)

The Group has adopted several water conservation initiatives at both construction sites and offices to improve water efficiency. At construction sites, the concept of water recycling has been implemented; for example, wastewater is treated using chemical wastewater treatment equipment and then reused for general washing purposes. Additionally, debris is dampened and delivered via refuse chutes to suppress dust. Significant efforts have also been made to educate workers on water-conservative work practices.

Furthermore, devices which promote water efficiency such as dual flush water closets, induction urinals in toilets, Grade 1 Water Efficiency Labelled fittings, auto-sensor water taps, and water leakage sensors have been installed at both construction sites and offices where appropriate. Water consumption is recorded on a monthly basis for analysis to identify potential improvements in water efficiency.

Attributable to these initiatives, the Group's overall water consumption is expected to be lowered by 3% annually.

We work towards reducing wastewater discharge to minimise pollution from surface runoff. Prior to discharge of wastewater, treatment facilities such as wastewater treatment systems, sedimentation tanks, neutralisation tanks, grease traps, septic tanks and sand traps are set up in construction sites to manage wastewater so as to comply with the relevant discharge standard as stipulated in the Environmental Protection Department ("EPD") wastewater discharge license. Maintenance and clean-up of all wastewater treatment facilities have been arranged to ensure their proper and efficient operations.

Additionally, samples of wastewater discharged at designated discharge points have been collected for testing by Hong Kong Laboratory Accreditation Scheme ("HOKLAS") to ensure the contaminants level does not exceed the limit as per the EPD wastewater discharge license. With these controls in place, the Group received no complaints or convictions related to water issues, and there were no cases of non-compliance during the Reporting Period.

Energy Consumption

The Group has implemented a range of measures to reduce energy consumption at both its construction sites and office premises.

At construction sites, the Group has deployed Grade 1 Energy Labelled air-conditioners and Energy Star Labelled computer in site offices to minimise energy usage without compromising performance. To improve lighting efficiency, LED spotlights and T5 fluorescent tube lighting have been strategically placed in key areas such as site entrances, walkways, and work zones, providing adequate illumination while consuming significantly less power compared to traditional lighting solutions. Solar light powered flashlights have been provided for safety use during early morning or late evening. Timers have been implemented at site offices to control electricity use, preventing idle consumption during non-working hours. In addition, many of the Group's construction projects are involved in either the BEAM Plus or LEED green building certification programme, which promotes the incorporation of environmentally friendly designs and energy-efficient features.

In the office, similar measures have been implemented, such as the use of LED spotlight and T5 fluorescent tube lighting, Grade 1 Energy Labelled electrical appliances, and Energy Star Labelled computer sets. Furthermore, several office practices have been developed to reduce electricity consumption-Independent switches to control different areas of lighting and air-conditioning have been set up to allow partial operations. Staff are encouraged to switch off lights and air-conditioners during lunch hour or partially during non-peak hours, and to set photocopiers into sleeping mode when idle.

Environmental, Social and Governance Report (Continued)

The Group has implemented a comprehensive Internet of Things (“IoT”) system in its office to monitor and optimise energy consumption. The IoT system consists of a network of sensors and smart devices that collect real-time data on motion and luminance across various areas of the office. By analysing this data, the system can actively control and optimise energy usage across different areas to improve energy efficiency.

With the above-mentioned measures, the expected overall electricity consumption could be lowered by 3% annually.



Our energy saving tips

The Environment and Natural Resources

To promote sustainability within our construction projects, we are committed to the conservation of natural resources and the protection of the environment. We recognise the significant impact that construction activities can have on the ecosystem and are dedicated to minimising our environmental footprint while delivering high-quality projects.

Noise Management

As most of our projects are carried out in urban areas, mitigating noise impact is a crucial aspect of our environmental management. Recognising the potential disturbance to nearby communities, we have implemented several noise mitigation measures in our projects.

In accordance with the Noise Control Ordinance (Cap.400), noisy construction work is only permitted during the generally allowed hours of 07:00 to 19:00. No construction work is conducted on public holidays or Sundays unless a Construction Noise Permit is issued by the EPD.

To further mitigate noise impact, we install movable noise barriers or acoustic enclosures around the perimeter of our construction sites. These barriers are strategically placed to shield direct noise from reaching nearby sensitive receptors, such as residential buildings, schools, and hospitals. The Group prioritises the use of quieter machinery and equipment for relevant construction processes. For example, we opt for hand-held electric breakers instead of pneumatic breakers to reduce noise emissions.

Regular noise monitoring is conducted at designated locations to assess and monitor noise levels generated by our construction activities. The monitoring data is analysed to ensure compliance with allowable noise limits under various circumstances. We have established a robust complaint handling mechanism and maintain close communication with neighbouring communities to promptly address any specific needs or concerns related to noise disturbance.

Environmental, Social and Governance Report (Continued)

To further minimise noise impact, we carefully schedule construction activities, particularly those generating significant noise, to avoid sensitive hours and periods. For instance, if there are sensitive areas, such as school near by our project site, we will ensure that noisy construction work is carried out during non-school hours.

During the Reporting Period, no complaints regarding noise pollution were received.

Tree Preservation

As part of our environmental management process, a bi-monthly tree survey on construction site is conducted to monitor the condition of the trees and ensure ongoing protection and maintenance efforts are effective.

Registered tree arborists have been engaged to conduct a detailed survey, recording data on species, size, health, structure, and amenity value and then prepare a survey report. Specific steps like establishing tree protection zones, modifying the site hoarding to accommodate trees, and ongoing monitoring are outlined in the report. By thoroughly documenting the trees' condition and prescribing clear protective actions, the survey report provides transparency to stakeholders on how the natural environment is being impacted and managed around the construction site.

Climate Change

The Group acknowledges the impact of climate change and the importance to enhance our awareness and readiness to climate change in response, as it presents various risks and opportunities across all our business operations. During the Reporting Period, we have enhanced climate-related risk and opportunities with reference to the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations.

Governance

At the Group, we recognise the urgent need to address the challenges posed by climate change and are committed to integrating climate-related responsibilities into our existing ESG governance systems. To ensure effective governance and management of climate-related issues, we have adopted a governance structure that aligns with our ESG governance framework.

The Board, which is responsible for overseeing our overall ESG strategy and performance, also has direct oversight of climate-related matters. The ESG Working Group is tasked with collecting and collating climate-related materials and information. This group regularly reports to the Audit Committee and the Compliance Section, providing them with accurate and up-to-date information in the field of climate change.

Strategy

The Group attaches great importance to the management of climate-related risks, as its business nature is particularly vulnerable to such risks. We have incorporated the management of these risks into our daily operations, formulating work safety guidelines and emergency management policies under adverse weather conditions to ensure adequate guidance and support for our employees and workers, protecting them from occupational hazards under extreme weather conditions and providing preventive measures to mitigate property losses suffered by the Group due to inclement weather.

Environmental, Social and Governance Report (Continued)

We have identified climate risks that are relevant to our business operations, and listed the actions taken to manage them, as shown in the table below:

Type of Risk	Sub-category	Description of Risk	Impact of Risk	Mitigation and Adaptation Strategies
Physical Risks	Acute Risks	<ul style="list-style-type: none"> Extreme weather events such as snowstorms, typhoons and rainstorms, which may affect the regular operation of the Group 	<ul style="list-style-type: none"> Infrastructure damages due to strong wind, typhoons, flooding and other weather events Decreased revenue as a result of project delays Increased capital expenditures spent on mitigation measures Increased operational costs due to health and safety incidents 	<ul style="list-style-type: none"> Conduct precautionary training and emergency drills for employees Implement flexible work arrangements when necessary Carry out climate risk assessment and research on climate-resilient designs Equip facilities with water pumps where possible Purchase property and casualty insurance
	Chronic Risks	<ul style="list-style-type: none"> Long-term changes in climate factors such as temperature change, sea level rise, and water shortages 	<ul style="list-style-type: none"> Higher manpower costs because of increased health issues 	<ul style="list-style-type: none"> Launch health and safety campaigns to promote the prevention of heat strokes Review workers' working hours, improve working conditions
Transition Risks	Policy and Legal	<ul style="list-style-type: none"> Increasingly stringent domestic and international climate-related laws and regulations 	<ul style="list-style-type: none"> Increased costs of compliance and operation Legal proceedings and penalties if the Group fails to meet the requirements 	<ul style="list-style-type: none"> Commit to sustainability initiatives and comply with all applicable laws and regulations
	Technology	<ul style="list-style-type: none"> The advancement of technologies in the construction sector, our existing technologies become obsolete, or new technologies disrupt our business models. 	<ul style="list-style-type: none"> Increased capital expenditures for the procurement of new technologies Increase training of professional talents 	<ul style="list-style-type: none"> Invest in research and development Promote the use of energy-efficient systems Keep abreast of the latest intelligent building technology available in the market
	Market	<ul style="list-style-type: none"> Failure to anticipate and respond to changing consumer trends and preferences Higher stakeholder demands on applying green practices 	<ul style="list-style-type: none"> Increased operating costs 	<ul style="list-style-type: none"> Communicate timely with stakeholders on sustainability measures Digitise operations and implement energy-saving initiatives Enhance communication capabilities with customers and stakeholders Continue to implement certified ISO management systems
	Reputation	<ul style="list-style-type: none"> Perceived inadequacies in addressing climate-related issues Fails to fulfil social responsibilities 	<ul style="list-style-type: none"> Losing customer trust or stakeholder support 	<ul style="list-style-type: none"> Enhance transparency in reporting and communications Build a strong brand around sustainability and ethical practices

Environmental, Social and Governance Report (Continued)

Risk Management

Climate change is one of the greatest global challenges facing society today. We must take action now for our climate and communities. Physical climate risks may compromise the integrity of the Group's assets or directly disrupt our service delivery. Heavy rains, extreme heat, and floods can cause severe damage to our products, leading to financial losses. The Group has developed a range of measures to enhance its business resilience, including contingency plans for extreme weather or emergencies covering our project locations. Regarding daily operations, we have set up inspection and mitigation procedures for the construction site. We also conducted training for employees and workers in relation to precaution measures and actions during extreme weather. During the summertime, we have introduced cooling facilities at our construction sites and provided adequate rest time to workers in accordance with Guidance Notes on Prevention of Heat Stroke at Work issued by the Labour Department.

Transition risks, arising from policy changes, technological developments, digitalisation, related risks influenced by supply and demand, and reputation due to public perception, may increase operating costs and legal risks. The Group has identified relevant risks and will continue monitoring market updates and policies. The Group also plans to invest based on market demand and leverage this as a long-term development opportunity.

Although such events are beyond human control, the Group believes all stakeholders should work together to address climate change. Over the years, we have been seizing various opportunities to expand our business, accelerate transformation, and make the Group smarter, more environmentally friendly, and safer for employees and users. Initiatives such as automation and utilising digital platforms for online conferences to reduce the carbon footprint during the pandemic have been implemented. These measures have made our facilities more sustainable and efficient.

Metrics and Target

We aim to reduce GHG emissions by around 3% by 2027 and ensure the Group's GHG emissions will comply with local requirements on or before 2030. Our target is to achieve carbon neutrality by 2050 in Hong Kong. We are committed to continuously improving our energy efficiency, applying professional knowledge to improve on-site efficiency, and maintaining efficient management support to safeguard the Group's reputation.

Environmental, Social and Governance Report (Continued)

KPI Performance Summary

Aspects	KPIs	Unit	2023/24	2022/23	
A1.1 Emissions ²	Nitrogen oxides (“NOx”)	kg	6.26	–	
	Sulphur oxides (“SOx”)	kg	0.19	–	
	Particulate matter (“PM”)	kg	0.46	–	
A1.2 Greenhouse gas	Scope 1 – Direct GHG emission				
	Combustion of fuels	Tonnes of CO ₂ equivalent	47	124	
	Total direct CO ₂ emissions	Tonnes of CO ₂ equivalent	47	124	
	Scope 2 – Energy Indirect GHG emissions²				
	Purchased electricity	Tonnes of CO ₂ equivalent	82	100	
	Total energy indirect CO ₂ emissions	Tonnes of CO ₂ equivalent	82	100	
	Total GHG emissions	Tonnes of CO₂ equivalent	129	224	
	Intensity³ of total direct CO₂ emissions	Tonnes of CO₂e per million HK\$ revenue	0.50	0.86	
	A1.3 Hazardous waste	Total hazardous waste produced	Tonnes	0	0

² Air pollution and energy indirect emissions are calculated with reference to the “How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs” issued by the HKEX. The calculation of air pollution covers mobile vehicle sources.

³ Intensities is calculated by dividing the volume emitted by the tonnes of CO₂e per million HK\$ revenue during the Reporting Period.

Environmental, Social and Governance Report (Continued)

Aspects	KPIs	Unit	2023/24	2022/23
A1.4 Non-hazardous waste ⁴	Total non-hazardous waste produced	Tonnes	18,163	2,840
	Intensities of non-hazardous waste produced	Tonnes of CO₂e per million HK\$ revenue	70	11
	Inert waste⁵	Tonnes	17,533	2,085
	Construction sites ⁶	Tonnes	17,533	2,085
	Head Office	Tonnes	0	0
	Non-inert waste	Tonnes	630	682
	Construction sites	Tonnes	630	682
	Head Office	Tonnes	0	0
	Sorting facilities	Tonnes	0	73
	Construction sites	Tonnes	0	73
Head Office	Tonnes	0	0	
A2.1 Energy	Electricity⁷	kWh	210,005	248,098
	Intensities of electricity consumption	kWh per million HK\$ revenue	814	953
	Construction sites	kWh	154,143	187,667
	Head Office	kWh	55,862	60,431
	Diesel⁸	Liter	7,611	34,323
	Intensities of diesel consumption	Litre per million HK\$ revenue	30	132
	Construction sites	Litre	7,611	34,323
	Head Office	Litre	0	0
	Petrol⁹	Litre	10,165	14,674
	Intensities of petrol consumption	Litre per million HK\$ revenue	39	56
Construction sites	Litre	2,431	3,578	
Head Office	Litre	7,734	11,060	

⁴ Intensities of non-hazardous waste produced is calculated by dividing tonnes of non-hazardous produced per million HK\$ revenue during the Reporting Period.

⁵ The increase in inert waste is mainly due to a project involving a great portion of civil and drainage system works. Therefore, a significant amount of soils need to be removed.

⁶ A construction site is a construction project undertaken during the Reporting Period or completed during the Reporting Period, there are 3 construction sites during the Reporting Period. Due to the cyclicity of the construction industry, construction sites may vary from different reporting year.

⁷ Intensities of electricity consumption is calculated by dividing kWh of electricity consumed per million HK\$ revenue during the Reporting Period.

⁸ Intensities of diesel is calculated by dividing litre of diesel consumed per million HK\$ revenue during the Reporting Period.

⁹ Intensities of petrol is calculated by dividing litre of petrol consumed per million HK\$ revenue during the Reporting Period.

Environmental, Social and Governance Report (Continued)

Aspects	KPIs	Unit	2023/24	2022/23	
A2.2	Water	Tonnes	5,036	3,688	
	Intensities of water consumption ⁹	Tonnes per million HK\$ revenue	20	14	
	Construction sites	metric tonnes	5,036	3,643	
	Head Office	metric tonnes	0	45	
B1.1	Employee				
	By gender				
	Male	Person	92	69	
	Female	Person	41	30	
	By age group				
	Below 30	Person	22	11	
	30-50	Person	52	42	
	Over 50	Person	59	46	
	By employee type				
	Permanent	Person	98	82	
Contract	Person	35	17		
By geographical region					
Hong Kong	Person	133	99		
B1.2	Employee turnover rate ¹⁰	%	26.9%	25.6%	
	By gender				
	Male	%	27.6%	24.2%	
	Female	%	25.5%	28.6%	
	By age group				
	Below 30	%	24.1%	26.7%	
	30-50	%	24.6%	32.3%	
	Over 50	%	29.8%	17.9%	
By geographical region					
Hong Kong	%	26.9%	25.6%		
B2.1	Number and rate of work-related fatalities occurred	Number of reportable accidents	Number	1	1
		Number of work-related fatalities	Person	0	0
		Rate of work-related fatalities	Number of work-related fatalities/1,000 Employee and Workers	0	0
B2.2	Lost days due to work injury	Number of lost-days as a result of work injuries	Days	104	72
		Number of work-related injuries	Number	1	1

⁹ Intensities of water consumption is calculated by dividing tonnes of water consumed per million HK\$ revenue during the Reporting Period.

¹⁰ During the Reporting Period, the Group made revisions to the employee turnover rate. The Employee turnover rate = total number of turnover employees / (total number of staff at the beginning of the Reporting Period + total new employees during the Reporting Period)

Environmental, Social and Governance Report (Continued)

Aspects	KPIs	Unit	2023/24	2022/23	
B3.1	Percentage of employees trained	Total percentage of employees trained ¹¹	%	22%	21%
		By gender			
		Male	%	90%	90%
		Female	%	10%	10%
		By employee role			
		Management or above	%	14%	5%
		Supervisor or above	%	48%	43%
	Operator/Support Level	%	38%	52%	
B3.2	Average training hours	Average training hours per employee	Hours	5.5	4.5
		By gender			
		Male	Hours	5.9	5.5
		Female	Hours	4.5	2.3
		By employee role			
		Management or above	Hours	10.0	1.7
		Supervisor or above	Hours	14.8	6.4
	Operator/Support Level	Hours	1.9	4.6	
B5.1	Number of suppliers	By geographical region			
		Hong Kong	Number	383	530
		Mainland China	Number	0	2
	Number of subcontractors	By geographical region			
Hong Kong		Number	1,380	2,058	
	Mainland China	Number	0	0	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0	0
B6.2	Number of products related complaints received	Number of products and service-related complaints received	Number	0	0
B7.1	Legal cases regarding corrupt practices	Number of concluded legal cases regarding corrupt practices brought	Number	0	0
B8.1 &8.2	Community Investment	Total donations	HKD	98,600	118,000
		Total volunteering hours	Hours	110	144
		Total number of staff volunteers	People	40	40

¹¹ During the Reporting Period, the training percentage and training hours are updated and calculated with reference to the “How to prepare an ESG Report? – Appendix III: Reporting Guidance on Social KPIs” issued by the HKEX. There are therefore some differences from previous year’s data.

Environmental, Social and Governance Report (Continued)

HKEX ESG Reporting Guide Content Index

Subject Areas,
Aspects, General
Disclosures and KPIs

Description

Corresponding Section

A. Environmental

Aspect A1: Emissions

Subject Areas, Aspects, General Disclosures and KPIs	Description	Corresponding Section
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. 	Environmentally Conscious Operations
KPI A1.1	The types of emissions and respective emissions data.	Air and Greenhouse Gas Emissions KPI Performance Summary
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	KPI Performance Summary
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPI Performance Summary
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	KPI Performance Summary
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Air and Greenhouse Gas Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management

Environmental, Social and Governance Report (Continued)

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

Environmental, Social and Governance Report (Continued)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Corresponding Section
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. 	Employee and Talent Management People-oriented, safety first
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	KPI Performance Summary
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	KPI Performance Summary
Aspect B2: Health and Safety		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. 	Occupation Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupation Health and Safety KPI Performance Summary
KPI B2.2	Lost days due to work injury.	KPI Performance Summary
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupation Health and Safety

Environmental, Social and Governance Report (Continued)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Corresponding Section
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	KPI Performance Summary
KPI B3.2	The average training hours completed per employee by gender and employee category.	KPI Performance Summary
Aspect B4: Labour Standards		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. 	Employee Training and Development
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee Training and Development
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employee Training and Development
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	KPI Performance Summary
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management

Environmental, Social and Governance Report (Continued)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Corresponding Section
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress 	Product Quality Assurance
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	KPI Performance Summary
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	KPI Performance Summary
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Quality Assurance
KPI B6.4	Description of quality assurance process and recall procedures.	Product Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Quality Assurance

Environmental, Social and Governance Report (Continued)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Corresponding Section
Aspect B7: Anti-corruption		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. 	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	KPI Performance Summary
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	KPI Performance Summary

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements of the Group for the Year.

Principal Activities

The principal activity of the Company is investment holding. The Company's subsidiaries principally provide (i) building construction services; (ii) RMAA works services and (iii) Design and Build services in Hong Kong as main contractor.

An analysis of the Group's segment information for the Year by business is set out in note 5 to the consolidated financial statements.

Results and Dividends

Details of the audited consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 94 of this annual report.

The Board does not recommend the payment of a final dividend for the Year (2023: Nil).

No arrangement under which a shareholder has waived or agreed to waive any dividends was made by the Company for the Year.

Business Review

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 3 to 4 and pages 5 to 9 respectively. Details of the Company's share option scheme are provided on page 9 of the "Management Discussion and Analysis" and pages 82 to 83 in this Report of the Directors. An analysis of the Group's financial risk management is provided in note 32(b) to the consolidated financial statements. An indication of likely future development in the Company's business is set out on page 4 of the "Chairman's Statement" and on pages 5 to 6 of the "Management Discussion and Analysis".

Environmental Policies and Performance

The Group is committed to minimise any negative impact on the environment which may be resulted from business activities. The Group has established an environmental management system and was certified by SGS to be in compliance with the requirements of ISO 14001:2015 since 2009.

The Group adopts the following environmental protection measures in order to ensure proper management of environmental protection and compliance with statutory requirement in our daily operation:

- setting environmental goals and objectives and periodically reviewing such goals and objectives;
- giving priority to minimising environmental impacts and setting environmental friendly construction processes when devising the construction plans;
- monitoring all site operations which have significant environmental impact and ensure compliance with environmental legislations, regulations and requirements to which the Group subscribes;
- encouraging the reduction in disposal and emission of construction wastes, dusts, noise and water pollution at sites;

Report of the Directors (Continued)

- taking into account previous environmental performance of the sub-contractors and suppliers when selecting the appropriate sub-contractors and suppliers to be engaged;
- providing education and training to the workers, sub-contractors and suppliers to ensure that they conduct their operations in an environmentally friendly and responsible manner; and
- encouraging feedbacks and suggestions from the customer, workers, sub-contractors, suppliers and public for improvements in the environmental management system.

During the Year, the Group was not subject to any material environmental claims, lawsuits, penalty, administrative or disciplinary actions, further information on the Group's environmental policies and performance are detailed in the "Environmental, Social and Governance Report" on pages 29 to 74 to this annual report.

Compliance with Law and Regulation

The Group recognises the importance of compliance with regulatory requirements to keep the licences and various construction related qualifications granted by respective government departments and quasi-Government organisations and that the risk of non-compliance with such requirements could lead to (i) removal from all categories in which the contractor is listed or a particular category under the current contractors registration scheme; (ii) suspension from tendering in all categories of the contractor lists; and (iii) termination of the business. The Group has been allocating staff and resources to ensure ongoing compliance with relevant rules and regulations and to maintain cordial working relationships with relevant authorities through effective communications.

A review was undertaken against the procurement processes, procedures and practices for compliance with the new Competition Ordinance (Chapter 619 of the laws of Hong Kong) that came into force in December 2015. No significant amendments were required as the pre-existing approach was already consistent with the ethos and requirements of the Ordinance.

To ensure compliance with the Competition Ordinance, the Group has conducted trainings for the staff. The Group has also step up measures to increase safety awareness amongst the management and staff to prevent accidents in contravention of safety regulations.

The Group also complies with the requirements under the Companies Law (2013 Revision) of the Cayman Islands Company Limited by shares, the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") for the disclosure of information and corporate governance.

Key Relationships with Employees and Subcontractors

The Group's success is contributed by, amongst other matters, the support from key stakeholders which comprise employees, shareholders and subcontractors.

Employees are regarded as the most important and valuable assets of the Group. The objectives of the Group's human resources management is to reward and recognise staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by providing appropriate training and opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for improving the Group's financial performance and rewarding shareholders by stable dividend payouts in the foreseeable future when sustainable earnings growth can be achieved, taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group.

Report of the Directors (Continued)

Subcontracting is a common practice in the building construction services and RMAA work services industry in Hong Kong as it minimises the number of employees employed directly by main contractors, increases labour mobility and brings about cost efficiency. As such, maintaining good relations with subcontractors is crucial. The Group has established long-term business relationships with our subcontractors who are closely monitored and supervised by the Group.

The five largest subcontractors (in terms of cost of services) during the Year have maintained business relationships with the Group for a period ranging from 2 to 15 years. Through the past dealings with the subcontractors, the Group has acquired sufficient appreciation of their expertise and strengths for maintaining our internal list of approved subcontractors that are able to meet our safety and quality standards.

Customers

During the Year, the business opportunities generally arose from reviewing the tender invitations from various Government bodies published on the Gazette or receiving invitation for tender from customers in the private sector.

The major customers include the Government, quasi-Government organisations, universities, schools, institutions and incorporated owners of private buildings. During the Year, revenue derived from the Group's top five largest customers amounted to approximately HK\$243.3 million (2023: HK\$241.1 million), representing approximately 94.3% of the total revenue (2023: 93.0%).

Principal Risks and Uncertainties Facing the Company

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

Most of the revenue is derived from contracts awarded through competitive tendering. There is no guarantee that the existing contracts may continue upon expiry or new contracts may be awarded to the Group to maintain or expand the business.

There are a large number of qualified building construction service providers and RMAA service providers in Hong Kong. Building construction service providers and RMAA service providers must be licensed to be registered general building contractors under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong) and must have obtained other requisite licences, depending on the skills and technical capabilities required for relevant projects. New participants may be admitted to compete with us provided that they attain the required technical and management capabilities and skills and are granted the required licences. Due to the large number of competitors, the Group may face significant downward pricing pressure which would reduce our profit margins.

Thus, if the Group fails to compete effectively or maintain our competitiveness in the market, the business, financial condition and results of operations will be adversely affected.

The Group continues to take advantage of its various licenses and qualifications and extensive experience in construction industry to solidify and expand the market share in the public construction industry and RMAA service in Hong Kong.

Report of the Directors (Continued)

The Group's cash flows may fluctuate due to the payment practice applied to the projects

As at 31 March 2024 and 2023, the cash and cash equivalents were approximately HK\$32.1 million and HK\$66.0 million respectively. As a main contractor, the Group normally incurs net cash outflows at the early stage of carrying out the works when the Group are required to pay the setting up expenditures in advance of payments from the customers. The customers will pay progress payments after the works commence and such works and payments are certified by the architects of the customers. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress.

The Group undertakes a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If the Group takes up too many significant projects, which require substantial initial setting up costs without cash inflow from other projects at a particular point of time, our corresponding cash flow position may be adversely affected.

The Group will continue to closely monitor the capital and cash flow positions, particularly the sub-contracting fees which have augmented in recent years. In the process of identifying and capturing emerging opportunities, the Group will continue to deploy the resources on a selective and prudent basis to focus on projects which are more profitable in nature. The Group will continue to focus on the internal control system to ensure adequate cash flow for the ongoing capital requirements, and to achieve maximum cost savings.

A significant percentage of the revenue and trade receivable is derived from the major customers

The revenue derived from the five largest customers amounted to approximately 94.3% of the total revenue in the Year (2023: 93.0%). The Group will broaden the customer base by an expansion in RMAA service and building construction service capacity to cover design and build projects.

The Group may take a long time to collect the trade receivables

The Group normally receive progress payment from the customers on a monthly basis, with reference to the value of the works completed in the preceding month. Generally, the value of the works completed is assessed by the architects of the customers who will issue an interim certificate certifying the work progress in the preceding month.

In line with industry practice, there is generally a contract term for the customer to secure the Group's due performance by holding up retention money from the progress payment. As for contracts with the Government and quasi-Government organisations, the certified value retained at each stage is generally 1% of the progress payment, subject to a limit of retention fund of not more than 1% of the total contract sum. As for contracts with private sector customers, the certified value retained at each stage is generally 5–10%, subject to a limit of retention fund of not more than 5% of the total contract sum. In general, the retention money will be released to the Group after expiry of the defect liability period subject to the confirmation from the architect of the customers regarding satisfaction with our works.

There can be no assurance that the progress payment is paid to the Group on time and in full, or the retention money or any future retention money will be remitted by the customers to the Group on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as during the Year. Any failure by the customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

In order to minimise the credit risk, the Group carries out credit investigation on such customer which includes conducting of credit search, assessing and reviewing its financial information and obtaining advice from business partners in relation to the potential customer. The level of credit granted must not exceed a predetermined level set by the Directors and the approval for providing credit facilities to the customer must be documented in writing. The Group also performs ongoing credit evaluations of the customers. In addition, our accounts department follows a set of monitoring procedures to ensure that follow-up steps are taken for collection of receivables.

Report of the Directors (Continued)

Subsidiaries

Details (including the principal activities) of the Company's principal subsidiaries as at 31 March 2024 are set out in note 35 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 97 of this annual report and note 34 to the consolidated financial statements, respectively.

Distributable Reserves

As at 31 March 2024, reserves available for distribution to the owners of the Company as calculated in accordance with statutory provisions applicable in the Cayman Islands amounted to approximately HK\$37,405,000 (2023: HK\$38,759,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

Charitable Donations

Charitable and other donations made by the Group during the Year amounted to HK\$98,600 (2023: HK\$118,000).

Pre-emptive Rights

No pre-emptive rights exist under the Articles or under the laws in Cayman Islands, being the jurisdiction in which the Company was incorporated.

Tax Relief and Exemption

The Company is not aware of any tax relief or exemption available to shareholders of the Company by reason of their holding of the Company's securities.

Group Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 156 of this annual report.

Share Capital and Equity-linked Agreement

Details of the movements in share capital of the Company during the Year are set out in note 25 to the consolidated financial statements.

Save as disclosed under the section headed "Share Option Scheme", no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

Report of the Directors (Continued)

Directors

During the Year and thereafter up to the date of this report, the Directors are named as follows:

Executive Directors:

Mr. Lam Kin Wing Eddie (*Chairman*)
Mr. Shut Yu Hang
Mr. Lam Arthur Chi Ping

INEDs:

Mr. Tang Chi Wang
Mr. Wong Kwong On
Mr. Tse Ting Kwan
Ms. Yeung Cheuk Chi Vivian (appointed on 20 June 2024)

Pursuant to article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Ms. Yeung Cheuk Chi Vivian, who was appointed as an independent non-executive Director by the Board with effect from 20 June 2024, shall hold office until the next following general meeting of the Company. She, being eligible, will offer herself for re-election at the 2024 AGM.

Pursuant to Article 16.18 of the Articles, at every AGM one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years and any Director required to stand for re-election pursuant to article 16.2 of the Articles shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. Accordingly, Mr. Lam Kin Wing Eddie and Mr. Tang Chi Wang will retire from office at the 2024 AGM and both of them, being eligible, will offer themselves for re-election at the 2024 AGM.

Confirmation of Independence of INEDs

The Company has received an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the INEDs, namely Mr. Tang Chi Wang, Mr. Wong Kwong On, Mr. Tse Ting Kwan and Ms. Yeung Cheuk Chi Vivian. The Company considers all the INEDs to be independent.

Biographies of Directors

The biographical details of the Directors are set out on pages 10 to 13 of this annual report.

Directors' Service Contracts

The Company has entered into service contracts with all executive Directors for a term of 3 years. The contracts shall be continuing thereafter unless and until terminated by either party thereto giving to the other not less than six months written notice.

In addition, the Company has entered into letters of appointment with INEDs for a term of 3 years, which shall be continuing unless and until terminated by either party.

None of the Directors who are proposed for re-election at the 2024 AGM has entered into a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors (Continued)

Directors' Interests in Transactions, Arrangements or Contracts of Significance, and Contracts of Significance with Controlling Shareholders

Save for the transactions entered into between the Group and Popstate Limited (a company wholly-owned by Mr. Lam Kin Wing Eddie) and Trunk Room Limited (a company wholly-owned by Mr. Lam Arthur Chi Ping), details of which have been disclosed in note 28 to the financial statements, no transactions, arrangements or contracts of significance to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries for the Year. There was also no contract of significance between the Company or one of the subsidiaries and the controlling shareholders or any of its subsidiaries.

Management Contract

Save for employment contracts and/or service contracts with Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the Year.

Directors' Emoluments

Details of the remuneration of the Directors on named basis during the Year are set out in note 6(a) to the consolidated financial statements.

Remuneration Policy

The remuneration policy of the Company is reviewed regularly, making reference primarily to the market conditions and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and senior management are reviewed by the Remuneration Committee and the Board, which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on pages 22 to 23 of this annual report.

The Company provides a comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars and programs organised by professional bodies and educational institutes.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which the Company will give priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

- the Articles of the Company;
- the applicable restrictions and requirements under the laws of the Cayman Islands;
- any banking or other funding covenants by which the Company is bound from time to time;
- the investment and operating requirements of the Company; and
- any other factors that have material impact on the Company.

Report of the Directors (Continued)

Equity-Linked Agreements

Save as and except for the Share Option Scheme as disclosed below, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company issuing shares, was entered into by the Company during the Year or subsisted at the end of the reporting year.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme.

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants or advisers of the Group and to promote the success of the Group.

(2) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant an employee (full-time or part-time), a Director, consultant and adviser of the Group, or any substantial shareholder of the Group, options to subscribe at a price calculated in accordance with paragraph (3) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the INEDs) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(3) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(4) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00 with no deadline specified.

Report of the Directors (Continued)

(5) Maximum number of Shares

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) must not in aggregate exceed 10% of the total number of Shares in issue as at the listing of the shares of Company on GEM of the Stock Exchange on 9 October 2015. The number of Shares available for issue under the Share Option Scheme at the beginning and the end of the Year is 80,000,000 Shares, representing 10% of the issued Shares as at the date of this report. The number of options available for grant under the share option scheme mandate at the beginning and the end of 31 March 2024 was 80,000,000. The Company may refresh this limit at any time, subject to the shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for such purpose, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Group) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted. The above is subject to the condition that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not exceed 30% of the Share Capital of the Company in issue from time to time.

(6) Maximum entitlement of each Eligible Person

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. No service provider sublimit was set under the Share Option Scheme. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders of the Company and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(7) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. Unless otherwise determined by the Board and stated in the offer, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(8) Vesting Period

The Board may in its absolute discretion impose any condition(s) as it deems appropriate with respect to the grant of the option to the participant, including the vesting period (if any).

(9) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, being 22 September 2015.

As at 31 March 2024, the remaining life of the Share Option Scheme is approximately 1 year 6 months.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

Report of the Directors (Continued)

Permitted Indemnity Provision

Appropriate insurance policies that cover directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses, which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2024, the interests and short positions of the Directors and the chief executives of the Company in the Shares of the Company, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) 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 (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code"), as required under Rule 13 of Appendix D2 to the Listing Rules, were as follows:

Name of shareholder	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital (Note 2)
Mr. Lam	Interest in controlled corporation (Note 1)	580,000,000(L)	72.5%

(L) denotes long position.

Notes:

(1) Cheers Mate Holding Limited ("Cheers Mate") is the registered and beneficial owner of these Shares. Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate. By virtue of the SFO, Mr. Lam is deemed to be interested in 580,000,000 Shares held by Cheers Mate.

(2) As at 31 March 2024, the number of issued Shares was 800,000,000.

Save as disclosed above, as at 31 March 2024, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, as required under Rule 13 of Appendix D2 to the Listing Rules.

Report of the Directors (Continued)

Directors' Right to Acquire Shares

Save as disclosed under the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the Year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the Chief Executive of the Company or any of their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors are aware, as at 31 March 2024, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholders	Nature of interests	Number of Shares held	Percentage of shareholding in the Company's issued share capital (Note 3)
Cheers Mate (Note 1)	Beneficial owner	580,000,000(L)	72.5%
Ms. Cheng Pui Wah Theresa (Note 2)	Interest of spouse	580,000,000(L)	72.5%

(L) denotes long position.

Notes:

- (1) Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate. By virtue of the SFO, Mr. Lam is deemed to be interested in the 580,000,000 Shares held by Cheers Mate.
- (2) Ms. Cheng Pui Wah Theresa is the spouse of Mr. Lam. By virtue of the SFO, Ms. Cheng Pui Wah Theresa is deemed to be interested in the same number of Shares in which Mr. Lam is deemed to be interested under the SFO.
- (3) As at 31 March 2024, the number of issued Shares was 800,000,000.

There is a duplication of interest of 580,000,000 shares between Mr. Lam, Cheers Mate and Ms. Cheng Pui Wah Theresa.

Save as disclosed above, as at 31 March 2024, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Report of the Directors (Continued)

Shareholders' Interests in Securities of Significance

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 March 2024, no other person is individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

Major Customers and Sub-contractors

The percentage of sales for the Year generated from the Group's major customers is as follows:

- | | |
|--------------------------|-------|
| – The largest customer | 41.3% |
| – Five largest customers | 94.3% |

The percentage of sub-contracting fees for the Year attributable to the Group's major sub-contractors is as follows:

- | | |
|--------------------------------|-------|
| – The largest sub-contractor | 8.7% |
| – Five largest sub-contractors | 25.4% |

None of the Directors, their close associates (as defined in the Listing Rules) or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers and sub-contractors for the Year.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the Year.

Code of Conduct Regarding Director's Securities Transactions

The Company has adopted the Model Code as code of conduct governing Directors' securities transaction. In response to the specific enquiry made by the Company of the Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

Report of the Directors (Continued)

Directors' Interests in Competing Business

During the Year, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or their respective close associates (as defined in the Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under the Listing Rules.

Audit Committee

The Company has set up an audit committee (the “**Audit Committee**”) on 22 September 2015 with terms of reference as revised by the Board with effect from 24 January 2019. The primary duties of the Audit Committee are to, inter alia, review relationship with the Company’s external auditors, review the Company’s financial information, oversee the Company’s financial reporting system and internal control procedures and oversee the Company’s connected transactions. The Audit Committee comprises three INEDs, namely Mr. Tse Ting Kwan, who is the chairman of the Audit Committee, Mr. Tang Chi Wang and Mr. Wong Kwong On. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and adequate disclosures have been made.

Related Party Transactions

Details of the significant related party transactions of the Group are set out in note 28 to the consolidated financial statements and include transactions that are either connected transactions or continuing connected transactions, which are all fully exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the percentage of public float as prescribed in the Listing Rules for the Year and up to the date of this annual report.

Compliance with Corporate Governance Code

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 28 of this annual report.

Report of the Directors (Continued)

Changes in the information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors during the Year and up to the date of this annual report is as follows:

Mr. Lam Arthur Chi Ping, being an executive Director, obtained a Master's degree in Construction Project Management from the University of Hong Kong in December 2023.

For information in relation to the emoluments of the Directors for the Year, please refer to note 6(a) to the consolidated financial statements in this annual report. During the Year, the changes in emoluments of the Directors are set out below:

- (1) Mr. Shut Yu Hang's monthly salary as an executive Director increases from HK\$150,000 to HK\$160,000 with effect from 1 January 2024.
- (2) Mr. Lam Arthur Chi Ping's monthly salary as an executive Director increases from HK\$110,000 to HK\$117,500 with effect from 1 January 2024.

2024 Annual General Meeting

The 2024 AGM will be held on Friday, 23 August 2024 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Subsequent Event

The Group had no material event subsequent to the end of the Year and up to the date of this report.

Independent Auditor

The consolidated financial statements for the Year have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment. The Board has taken the Audit Committee's recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the 2024 AGM.

There has been no change in the auditor of the Company for the past three years.

On behalf of the Board

Lam Kin Wing Eddie

Chairman and executive Director

Hong Kong, 28 June 2024

Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF THELLOY DEVELOPMENT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Thelloy Development Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 94 to 155, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key audit matter

Revenue and costs from construction contracts

We identified the recognition of revenue and costs from construction contracts, as a key audit matter due to the use of estimates by management in determining the stage of completion, contract revenue and budget costs of incomplete construction contracts.

During the year ended 31 March 2024, the Group generated revenue of HK\$257,992,000 (2023: HK\$259,138,000) and incurred direct costs of HK\$227,763,000 (2023: HK\$212,827,000) from construction contracts.

The Group recognised contract revenue and relevant direct costs according to the management's estimation of the progress and outcome of the project. As discussed in note 4 to the consolidated financial statements, the directors of the Company estimated direct costs according to the amount of direct labour costs, subcontracting charges and costs of materials incurred from time to time based on quotations provided by the major subcontractors, suppliers or vendors involved and the experience of the directors of the Company. Changes in estimates or the actual outcome will affect recognition of revenue and/or direct costs.

How our audit addressed the key audit matter

Our procedures in relation to recognition of revenue and costs from construction contracts included:

- Understanding and evaluating management's process in estimation of the contract revenue, budget cost and determination of completion status of the construction contracts;
- Agreeing the total contract value to the contracts and variation orders (if any), architect's instructions or other form of agreements or other correspondences, on a sample basis;
- Evaluating the reasonableness of the estimated total contract costs by assessing the status of completion of the respective construction contracts, with reference to either the proportion of remaining costs against actual costs incurred or the percentage of work certified by external surveyors' certifications, on a sample basis;
- Testing the contract costs recognised to date by checking to supporting documents including the certificates issued to the subcontractors/suppliers/vendors and their correspondences or other documents issued before and subsequent to year end date to evaluate the progress of the respective projects, on a sample basis.

Independent Auditor's Report (Continued)

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Independent Auditor's Report (Continued)

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

As part of an audit in accordance with HKSAAs, 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 overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's Report (Continued)

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wan Wai Nga.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Revenue	5	257,992	259,138
Direct costs		(227,763)	(212,827)
Gross profit		30,229	46,311
Other income and other losses	7	1,532	3,455
Impairment losses reversed under expected credit loss model, net	8	142	637
Administrative expenses		(34,977)	(32,939)
Share of profits (losses) of joint ventures		16,375	(123)
Finance costs	9	(4,510)	(2,601)
Profit before tax	10	8,791	14,740
Income tax expense	11	(512)	(2,080)
Profit and total comprehensive income for the year		8,279	12,660
Earnings per share	13		
Basic (HK cents)		1.03	1.58

Consolidated Statement of Financial Position

At 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	14	94,571	88,032
Right-of-use assets	15	2,890	5,373
Interests in joint ventures	16	119,793	85,552
Rental deposits	17	548	522
		217,802	179,479
Current assets			
Trade and other receivables	17	33,200	61,381
Contract assets	18	57,183	28,624
Amounts due from joint ventures	16	9,012	3,776
Tax recoverable		1,564	–
Pledged bank deposits	19	2,025	1,979
Cash and cash equivalents	19	32,066	66,028
		135,050	161,788
Current liabilities			
Trade and other payables	20	104,105	99,207
Contract liabilities	18	3,054	13,776
Lease liabilities	21	2,185	2,847
Tax payable		–	1,494
Deferred income	22	421	–
Bank borrowings	23	71,000	60,000
		180,765	177,324
Net current liabilities		(45,715)	(15,536)
Total assets less current liabilities		172,087	163,943
Non-current liabilities			
Lease liabilities	21	635	2,544
Deferred tax liabilities	24	512	–
Deferred income	22	1,262	–
		2,409	2,544
Net assets		169,678	161,399

Consolidated Statement of Financial Position (Continued)

At 31 March 2024

	<i>NOTES</i>	2024 HK\$'000	2023 HK\$'000
Capital and reserves			
Share capital	25	8,000	8,000
Reserves		161,678	153,399
Equity attributable to owners of the Company		169,678	161,399

The consolidated financial statements on pages 94 to 155 were approved and authorised for issue by the Board of Directors on 28 June 2024 and are signed on its behalf by:

Lam Kin Wing Eddie
DIRECTOR

Lam Arthur Chi Ping
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 <i>(note)</i>	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2022	8,000	42,490	18,800	79,449	148,739
Profit and total comprehensive income for the year	–	–	–	12,660	12,660
At 31 March 2023	8,000	42,490	18,800	92,109	161,399
Profit and total comprehensive income for the year	–	–	–	8,279	8,279
At 31 March 2024	8,000	42,490	18,800	100,388	169,678

Note: Other reserve represents the difference between the nominal value of the share capital of Techoy Construction Company Limited ("Techoy Construction") and that of the Company pursuant to group reorganisation in prior years.

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	8,791	14,740
Adjustments for:		
Depreciation of property, plant and equipment	4,857	4,258
Depreciation of right-of-use assets	2,784	3,599
Loss on disposal of property, plant and equipment	–	116
Impairment losses reversed under expected credit loss model, net	(142)	(637)
Share of (profit) loss of a joint venture	(16,375)	123
Finance costs	4,510	2,601
Government grants	(421)	–
Bank and loan interest income	(107)	(1,076)
Operating cash flows before movements in working capital	3,897	23,724
Change in contract assets/liabilities, net	(39,137)	(21,249)
Decrease (increase) in trade and other receivables	28,184	(52,083)
Increase in trade and other payables	4,840	25,715
Cash used in operations	(2,216)	(23,893)
Tax (paid) refunded	(3,058)	2,949
NET CASH USED IN OPERATING ACTIVITIES	(5,274)	(20,944)
INVESTING ACTIVITIES		
Bank and loan interest received	107	1,076
Purchase of property, plant and equipment	(11,396)	(5,335)
Payments for rental deposits	(36)	–
Refund of rental deposits	5	440
Increase in amount due from a joint venture	(5,244)	–
Investment in a joint venture	(17,866)	(3,779)
Repayment from a joint venture	8	132
Placement of pledged bank deposits	(2,025)	(940)
Withdrawal of pledged bank deposits	1,979	–
Increase in deferred income	2,104	–
NET CASH USED IN INVESTING ACTIVITIES	(32,364)	(8,406)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
FINANCING ACTIVITIES		
New bank borrowings raised	97,000	80,000
Repayment of bank borrowings	(86,000)	(35,000)
Repayment of lease liabilities	(2,872)	(3,773)
Interests paid	(4,452)	(2,406)
NET CASH FROM FINANCING ACTIVITIES	3,676	38,821
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(33,962)	9,471
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	66,028	56,557
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	32,066	66,028

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1. General

Thelloy Development Group Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 28 May 2015 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 October 2015. Its immediate and ultimate holding company is Cheers Mate Holding Limited, a company incorporated in the British Virgin Islands (the “BVI”). The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104. The principal place of business of the Company is 19/F, The Globe, 79 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in property construction services in Hong Kong.

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies (Continued)

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

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

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

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

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

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

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

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

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies (Continued)

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

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

As disclosed in note 35, all subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong.

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

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies (Continued)

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

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

This change in accounting policy in the current year had no material impact on the consolidated financial statements and the opening balance of equity as at 1 April 2022 and the cash flows amounts for the year ended 31 March 2022.

Amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

2. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Changes in Other Accounting Policies (Continued)

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 *Non-current Liabilities with Covenants (the “2022 Amendments”)**

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 March 2024, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group’s liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information

3.1 Basis of preparation of consolidated financial statements

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

As at 31 March 2024, the Group has net current liabilities of HK\$45,715,000. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements.

Taking into account the ongoing availability of finance to the Group, including the unutilised credit facility granted from banks to the Group of HK\$282,899,000 as at 31 March 2024, which can be utilised if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Investment in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group’s right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group’s efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group’s performance in transferring control of services.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Leases

Definition of a lease

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

The Group as a lessee

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability.

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value.

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

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

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

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value.

Taxation

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

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

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

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

Cash and cash equivalents

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

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

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

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Government grants

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

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

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

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measure on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Short-term employee benefits

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All financial assets are subsequently measured at amortised cost.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

The Group always recognises lifetime ECL for trade receivables and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m 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 increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Measurement and recognition of ECL

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(iv) Measurement and recognition of ECL (Continued)

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

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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

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

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. The directors of the Company estimated direct costs according to the amount of direct labour costs, subcontracting charges and cost of materials incurred from time to time based on quotations provided by the major subcontractors, suppliers or vendors involved and the experience of the directors of the Company. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit or loss recognised in each period.

Recognised amounts of construction contract revenue and related receivables and contract assets reflect the management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Notwithstanding that the management frequently reviews and revises the estimates of both the estimated revenue and direct costs as the contracts progress, changes in estimates or the actual outcome will affect recognition of revenue and/or direct costs.

Impairment assessment of trade receivables and contract assets

ECL on trade receivables and contract assets are assessed individually. The assessment is based on the internal credit ratings, the credit investigation, including assess to financial information, advice from business partners and credit search. Estimated loss rates are based on historical observed default rates over the expected life of the customers and are adjusted for forward-looking information. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Details of impairment assessment are set out in note 32.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. Revenue and Segment Information

Revenue

Disaggregation of revenue

	2024 HK\$'000	2023 HK\$'000
Recognised over time under HKFRS 15:		
Building construction	188,855	96,170
Repair, maintenance, alteration and addition ("RMAA") works	43,945	101,580
Design and build	25,192	61,388
Revenue from contracts with customers	257,992	259,138
Type of customers		
Government departments	164,640	84,970
Private customers	93,352	174,168
	257,992	259,138

Performance obligations for contracts with customers

The Group provides building construction, RMAA works and design and build services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method. The stage of completion is determined as the proportion of the costs incurred for the works (i.e. overhead costs, subcontracting costs, materials costs and direct staff costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services to the extent that the amount can be measured reliably and its recovery is considered probable.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones based on surveyors' assessment are reached. A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones based on surveyors' assessment. The contract assets are transferred to trade receivables when the rights become unconditional. If the progress payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

5. Revenue and Segment Information (Continued)

Revenue (Continued)

Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) and the expected timing of recognising revenue are as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	470,190	311,363
More than one year but not more than two years	497,372	437,495
More than two years	192,682	464,411
	1,160,244	1,213,269

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, only entity-wide disclosures, major customers and geographical information are presented.

Geographical information

The Group's revenue are all derived from Hong Kong based on the location of services delivered. The Group's non-current assets (exclude interests in joint ventures and rental deposits) amounting to HK\$97,461,000 (2023: HK\$93,405,000) as at 31 March 2024 are all physically located in Hong Kong.

Information about major customers

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

	2024 HK\$'000	2023 HK\$'000
Customer A	106,902	64,834
Customer B	63,388	79,991
Customer C	35,709	N/A [#]
Customer D	N/A [#]	51,674
Customer E	N/A [#]	28,773

[#] The customer did not contribute over 10% of total sales of the Group during the relevant year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

6. Directors', Chief Executive's and Employees' Remuneration

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to directors of the Company are as follows:

	Lam Kin Wing Eddie HK\$'000 <i>(notes b & c)</i>	Shut Yu Hang HK\$'000 <i>(note c)</i>	Lam Arthur Chi Ping HK\$'000 <i>(note c)</i>	Tang Chi Wang HK\$'000 <i>(note d)</i>	Tse Ting Kwan HK\$'000 <i>(note d)</i>	Wong Kwong On HK\$'000 <i>(note d)</i>	Total HK\$'000
Year ended 31 March 2024							
Fee	-	-	-	222	222	222	666
Other emoluments:							
Salaries and other benefits	1,920	1,830	1,343	-	-	-	5,093
Performance and discretionary bonus <i>(note a)</i>	320	300	220	-	-	-	840
Contributions to retirement benefit schemes	15	18	18	-	-	-	51
Total emoluments	2,255	2,148	1,581	222	222	222	6,650

	Lam Kin Wing Eddie HK\$'000 <i>(notes b & c)</i>	Shut Yu Hang HK\$'000 <i>(note c)</i>	Lam Arthur Chi Ping HK\$'000 <i>(note c)</i>	Tang Chi Wang HK\$'000 <i>(note d)</i>	Tse Ting Kwan HK\$'000 <i>(note d)</i>	Wong Kwong On HK\$'000 <i>(note d)</i>	Total HK\$'000
Year ended 31 March 2023							
Fee	-	-	-	216	216	216	648
Other emoluments:							
Salaries and other benefits	2,082	1,852	1,332	-	-	-	5,266
Performance and discretionary bonus <i>(note a)</i>	320	280	200	-	-	-	800
Contributions to retirement benefit schemes	18	18	18	-	-	-	54
Total emoluments	2,420	2,150	1,550	216	216	216	6,768

Notes:

- The performance and discretionary bonus are determined by the board of directors from time to time with reference to the directors' duties and responsibilities and the Group's performance and profitability.
- Mr. Lam Kin Wing Eddie acts as chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive.
- The emoluments of the executive directors, including Mr. Lam Kin Wing Eddie, Mr. Shut Yu Hang and Mr. Lam Arthur Chi Ping are mainly for their services in connection with the management of the affairs of the Company and the Group.
- The emoluments of the independent non-executive directors, including Mr. Tang Chi Wang, Mr. Tse Ting Kwan and Mr. Wong Kwong On, are for their services as the directors of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

6. Directors', Chief Executive's and Employees' Remuneration (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group during the year included 3 (2023: 3) directors of the Company, details of whose remuneration are set out above. Details of the remuneration of the remaining 2 (2023: 2) highest paid individual for the year are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries and other benefits	2,793	2,719
Performance and discretionary bonus	452	–
Contributions to retirement benefit schemes	28	34
	3,273	2,753

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following bands is as follows:

	2024 Number of employees	2023 Number of employees
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
	2	2

No emolument was paid by the Group to the directors, the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

7. Other Income and Other Losses

	2024 HK\$'000	2023 HK\$'000
Other income:		
– Bank interest income	107	35
– Loan interest income	–	1,041
– Rental income	994	693
– Government grants (<i>note</i>)	431	1,802
	1,532	3,571
Other losses:		
– Loss on disposal of property, plant and equipment	–	(116)
	1,532	3,455

Note: For the year ended 31 March 2024, government grants include subsidies from Construction Innovation and Technology Fund (“CITF”) of HK\$431,000 (2023: HK\$107,000) for adoption of innovative constructive methods and new technology. For the year ended 31 March 2023, the government grants also included COVID-19-related subsidies of HK\$1,695,000 under Employment Support Scheme provided by the Hong Kong Government.

8. Impairment Losses (Reversed) Recognised Under Expected Credit Loss Model, Net

	2024 HK\$'000	2023 HK\$'000
Impairment losses (reversed) recognised on:		
– trade receivables	2	36
– contract assets	(144)	(661)
– amount due from a joint venture	–	(12)
	(142)	(637)

Details of impairment assessment are set out in note 32.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

9. Finance Costs

	2024 HK\$'000	2023 HK\$'000
Interests on:		
Bank borrowings	4,435	2,470
Lease liabilities	75	131
	4,510	2,601

10. Profit Before Tax

	2024 HK\$'000	2023 HK\$'000
Profit before tax has been arrived at after charging:		
Direct costs (<i>note</i>):		
Raw materials and consumables used	40,863	37,958
Subcontractor and other expenses	147,420	140,307
	188,283	178,265
Auditor's remuneration	1,100	1,150
Depreciation of property, plant and equipment	4,857	4,258
Depreciation of right-of-use assets	2,784	3,599
Directors' remuneration (<i>note 6</i>)	6,650	6,768
Staff costs:		
Salaries and allowances	50,171	44,273
Contributions to retirement benefits schemes	1,526	1,405
Total staff costs	58,347	52,446

Note: Direct costs includes of approximately HK\$39,480,000 (2023: HK\$34,562,000) relating to staff costs, which is also included in the staff costs separately disclosed above.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

11. Income Tax Expense

	2024 HK\$'000	2023 HK\$'000
Current tax:		
Hong Kong Profits Tax	–	2,080
Deferred tax (<i>note 24</i>):		
Charge for the year	512	–
	512	2,080

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

	2024 HK\$'000	2023 HK\$'000
Profit before tax	8,791	14,740
Tax at the domestic income tax rate of 16.5% (2023: 16.5%)	1,451	2,432
Tax effect of share of results of joint ventures	(2,702)	20
Tax effect of expenses not deductible for tax purpose	37	419
Tax effect of income not taxable for tax purpose	(105)	(822)
Tax effect of tax losses not recognised	1,892	207
Utilisation of tax losses previously not recognised	(61)	(11)
Effect of two-tiered tax rate in Hong Kong	–	(165)
Income tax expense for the year	512	2,080

As at 31 March 2024, the Group has estimated unused tax losses of approximately HK\$32,925,000 (2023: HK\$21,828,000) available for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

12. Dividend

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

13. Earnings Per Share

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

Earnings

	2024 HK\$'000	2023 HK\$'000
Earnings for the purpose of basic earnings per share profit for the year attributable to owners of the Company	8,279	12,660

Number of shares

	2024 '000	2023 '000
Number of ordinary shares for the purpose of calculating basic earnings per share	800,000	800,000

No diluted earnings per share is presented as there is no potential ordinary share in issue for both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

14. Property, Plant and Equipment

	Properties HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Computer equipment and software HK\$'000	Total HK\$'000
COST								
At 1 April 2022	86,818	559	545	4,432	340	–	197	92,891
Additions	–	6,063	645	–	503	–	93	7,304
Disposals/written off	–	(286)	(107)	(570)	(119)	–	(90)	(1,172)
At 31 March 2023	86,818	6,336	1,083	3,862	724	–	200	99,023
Additions	5,950	–	–	1,150	3	3,756	537	11,396
At 31 March 2024	92,768	6,336	1,083	5,012	727	3,756	737	110,419
DEPRECIATION								
At 1 April 2022	4,566	180	137	2,616	148	–	142	7,789
Provided for the year	2,574	589	209	723	129	–	34	4,258
Eliminated on disposals/ written off	–	(174)	(106)	(570)	(116)	–	(90)	(1,056)
At 31 March 2023	7,140	595	240	2,769	161	–	86	10,991
Provided for the year	2,677	698	217	562	145	440	118	4,857
At 31 March 2024	9,817	1,293	457	3,331	306	440	204	15,848
CARRYING AMOUNT								
At 31 March 2024	82,951	5,043	626	1,681	421	3,316	533	94,571
At 31 March 2023	79,678	5,741	843	1,093	563	–	114	88,032

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

Properties	30 years
Leasehold improvements	Over the shorter of the term of the lease or 10 years
Furniture and fixtures	5 years
Motor vehicles	3 $\frac{1}{3}$ years
Office equipment	5 years
Plant and machinery	5 years
Computer equipment and software	5 years

As at 31 March 2024 and 2023, the Group's properties with an aggregate carrying value of HK\$77,104,000 (2023: HK\$79,678,000) have been pledged to secure banking facilities granted to the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

15. Right-Of-Use Assets

	Leased properties HK\$'000
<hr/>	
As at 31 March 2024	
Carrying amount	2,890
As at 31 March 2023	
Carrying amount	5,373
For the year ended 31 March 2024	
Depreciation charge	2,784
Expense relating to short-term leases	90
Total cash outflow for leases	3,037
Addition to right-of-use assets	301
<hr/>	
For the year ended 31 March 2023	
Depreciation charge	3,599
Expense relating to short-term leases	127
Total cash outflow for leases	4,031
Addition to right-of-use assets	1,093
<hr/>	

For both years, the Group leases various offices and storage rooms for its operations. Lease contracts are entered into for fixed term of two to four years (2023: two to four years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. For the year ended 31 March 2024 and 2023, certain of the premises has leased out as short term lease within one year.

During the year ended 31 March 2024, the Group entered into a new lease agreement for the use of leased property for two years (2023: two years). On the lease commencement, the Group recognised HK\$301,000 (2023: HK\$1,093,000) of right-of-use assets and HK\$301,000 (2023: HK\$1,093,000) of lease liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

16. Interests in Joint Ventures/Amounts Due From Joint Ventures

Details of the Group's interests in joint ventures are as follows:

	2024 HK\$'000	2023 HK\$'000
Cost of unlisted interests in joint ventures	104,045	86,179
Share of post-acquisition results	15,748	(627)
	119,793	85,552

	2024 HK\$'000	2023 HK\$'000
Amounts due from joint ventures		
– Non-trade nature	9,401	4,165
Less: Allowance for credit loss	(389)	(389)
	9,012	3,776

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

Details of impairment assessment are set out in note 32.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

16. Interests in Joint Ventures/Amounts Due From Joint Ventures (Continued)

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entities	Place of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			2024	2023	2024	2023	
Nova Techoy Modular Construction Company Limited ("Nova Techoy") <i>(Note)</i>	Hong Kong	Hong Kong	51%	51%	51%	51%	Sales of modular housing solutions
Great Glory Developments Limited ("Great Glory")	BVI	Hong Kong	49%	49%	49%	49%	Investment holding
Profit Apex Development Limited ("Profit Apex")	BVI	Hong Kong	49%	49%	49%	49%	Investment holding
Sky Glory Property Limited ("Sky Glory")	Hong Kong	Hong Kong	49%	49%	49%	49%	Properties developing
World Partners Limited ("World Partners")	Hong Kong	Hong Kong	34.3%	34.3%	34.3%	34.3%	Properties developing

Note: According to the shareholders' agreement of Nova Techoy Venture, the relevant activities require unanimous consent from all shareholders. The directors of the Company consider that the Group can only exercise joint control over these arrangements and therefore they are classified as joint venture of the Group.

Profit Apex and Sky Glory are subsidiaries of Great Glory of which Great Glory owns 100% interests. World Partners is a subsidiary of Great Glory of which Great Glory owns 70% interest.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

16. Interests in Joint Ventures/Amounts Due From Joint Ventures (Continued)

Summarised financial information of material joint ventures

Summarised financial information in respect of each of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Nova Techoy

	2024 HK\$'000	2023 HK\$'000
Current assets	268	1,085
Current liabilities	(8,731)	(9,547)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	262	260
Current financial liabilities (excluding trade and other payables and provisions)	(8,731)	(8,745)
	2024 HK\$'000	2023 HK\$'000
Revenue	4,850	3,024
Loss for the year	(1)	(6)
The unrecognised share of loss of a joint venture for the year	(1)	(3)
Cumulative unrecognised share of loss of a joint venture	(4,306)	(4,305)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

16. Interests in Joint Ventures/Amounts Due From Joint Ventures (Continued)

Summarised financial information of material joint ventures (Continued)

Great Glory (consolidated financial information of Great Glory, Profit Apex, Sky Glory and World Partners)

	2024 HK\$'000	2023 HK\$'000
Current assets	7,642	12,480
Non-current assets	466,771	356,628
Current liabilities	(230,312)	(194,828)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	7,642	1,009
Current financial liabilities (excluding trade and other payables)	(230,312)	(194,828)
	2024 HK\$'000	2023 HK\$'000
Profit (loss) for the year	33,358	(343)
Profit (loss) for the year excluding non-controlling interests in a joint venture	33,417	(250)
The share of profit (loss) of a joint venture for the year	16,375	(123)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements:

	Nova Techoy		Great Glory	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Net (liabilities) assets	(8,463)	(8,462)	244,101	174,280
Non-controlling interests	–	–	375	316
	(8,463)	(8,462)	244,476	174,596
Proportion of the Group's interest	51%	51%	49%	49%
Carrying amount of the Group's interests in joint ventures	–	–	119,793	85,552

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

17. Trade and Other Receivables

	2024 HK\$'000	2023 HK\$'000
Trade receivables	30,948	56,020
Less: Allowance for credit losses	(88)	(86)
	30,860	55,934
Rental deposits	1,118	1,087
Other deposits	1,011	2,637
Other receivables	–	15
Prepayments	759	2,230
	33,748	61,903
Less: Rental deposits (classified as non-current assets) (note i)	(548)	(522)
	33,200	61,381

Note:

- (i) These balances represented rental deposits placed by the Group in connection with its rented premises. Therefore, these balances are classified as non-current.

The credit period granted by the Group to its customers is 30 days from the date of invoices on progress payments of contract work. An ageing analysis of trade receivables, net of allowance of credit losses, is presented based on the invoice date at the end of the reporting period.

	2024 HK\$'000	2023 HK\$'000
0-30 days	30,860	55,934

As at 31 March 2024 and 2023, there are no trade receivables balance which are past due.

Details of impairment assessment on trade and other receivables are set out in note 32.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

18. Contract Assets and Contract Liabilities

	2024 HK\$'000	2023 HK\$'000
Contract assets:		
Retention receivables of construction contracts (<i>note (a)</i>)	14,932	7,758
Unbilled revenue of construction contracts (<i>note (b)</i>)	42,339	21,098
	57,271	28,856
Less: Allowance for credit losses	(88)	(232)
	57,183	28,624
Contract liabilities (<i>note (c)</i>)	(3,054)	(13,776)

As at 1 April 2022, contract assets and contract liabilities amounted to HK\$20,176,000 and HK\$27,238,000, respectively.

Notes:

- (a) Retention receivables included in contract assets represents the Group's right to receive 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. As at 31 March 2024, the due dates for retention receivables are one year (2023: one year) after the completion of construction work.
- (b) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but 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. The increase in contract assets in the current year is the result of the increase in ongoing construction contracts at the end of the year.
- (c) The decrease in contract liabilities in the current year is mainly due to the decrease in the advances certification by the customers.

Contract assets that are expected to be settled within the Group's normal operating cycle are classified as current. The Group applies simplified approach to provide for ECL on contract assets prescribed by HKFRS 9. Details are set out in note 32.

All contract liabilities as at 1 April 2023 and 1 April 2022 were recognised as revenue during the year ended 31 March 2024 and 31 March 2023, respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

19. Pledged Bank Deposits/Cash and Cash Equivalents

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities (including bank borrowings and performance guarantee) granted to the Group, and carry interest at prevailing market rate ranging from 0.001% to 4.9% (2023: 0.001%) per annum.

Cash and cash equivalents

Cash and cash equivalents comprise cash held and short-term bank deposits with an original maturity of three months or less, and carry interest at prevailing market rate ranging from 0.001% to 5.1% (2023: 0.001% to 0.3%) per annum.

Details of impairment assessment of pledged bank deposits and bank balances are set out in note 32.

20. Trade and Other Payables

	2024 HK\$'000	2023 HK\$'000
Trade payables	65,649	75,197
Other payables	5,244	–
Accrued charges	7,221	4,832
Retention payables (note i)	18,004	18,636
Deposits received from suppliers	79	79
Deposits received for rental	1,002	463
Deposits received from customer (note ii)	6,906	–
	104,105	99,207

Notes:

- (i) Retention payables to sub-contractors of contract work will be released by the Group after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from one year from the date of practical completion of the respective contraction contracts.
- (ii) Deposits received from customer represented the advance payment received from HKSAR government on the ongoing construction contract, which will be repaid in six months.

The credit period granted to the Group on subcontracting of contract work services is 30 to 45 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2024 HK\$'000	2023 HK\$'000
0-30 days	52,867	65,932
31-60 days	11,582	9,265
61-90 days	1,200	–
	65,649	75,197

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

21. Lease Liabilities

	2024 HK\$'000	2023 HK\$'000
Within one year	2,185	2,847
Within a period of more than one year but not exceeding two years	635	2,036
Within a period of more than two years but not exceeding five years	–	508
	2,820	5,391
Less: Amount due for settlement with 12 months shown under current liabilities	(2,185)	(2,847)
Amount due for settlement after 12 months shown under non-current liabilities	635	2,544

The incremental borrowing rates applied to lease liabilities is 1.87% (2023: from 1.87% to 2.16%).

Lease obligations are denominated in the respective functional currencies of group entities.

22. Deferred Income

At 31 March 2024, the Group received a government subsidy from CITF of approximately HK\$2,104,000 towards the cost of plant and machinery. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of HK\$421,000. As at 31 March 2024, an amount of HK\$1,683,000 remains to be amortised.

23. Bank Borrowings

At 31 March 2024, bank borrowings amounted to HK\$71,000,000 (2023: HK\$60,000,000), are unsecured, repayable within one year and carry interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus a spread of range from 1.35% to 2.5% (2023: 1.35% to 1.75%) with an effective rate of 6.39% (2023: 4.66%) per annum.

At 31 March 2024 and 2023, the Group’s bank borrowings are secured by the Group’s pledged bank deposits and properties.

The bank borrowings are denominated in the respective functional currency of group entity.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

24. Deferred Tax Liabilities

	Accelerated tax depreciation HK\$'000	ECL provision HK\$'000	Total HK\$'000
At 1 April 2023	–	–	–
Charged (credited) to profit or loss	605	(93)	512
At 31 March 2024	605	(93)	512

25. Share Capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2022, 31 March 2023 and 31 March 2024	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2022, 31 March 2023 and 31 March 2024	800,000,000	8,000

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

26. Reconciliation of Liabilities Arising From Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK\$'000	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2022	11	15,000	8,071	23,082
Financing cash flows	(2,275)	45,000	(3,904)	38,821
New lease entered	–	–	1,093	1,093
Finance costs recognised (<i>note 9</i>)	2,470	–	131	2,601
At 31 March 2023	206	60,000	5,391	65,597
Financing cash flows	(4,377)	11,000	(2,947)	3,676
New lease entered	–	–	301	301
Finance costs recognised (<i>note 9</i>)	4,435	–	75	4,510
At 31 March 2024	264	71,000	2,820	74,084

27. Contingent Liabilities

- (i) At 31 March 2024, performance guarantee of approximately HK\$14,101,000 (2023: HK\$20,869,000) are given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers for construction work. The Group has contingent liabilities to indemnify the banks for any claims from customers under the guarantee due to the failure of the Group's performance.

The directors of the Company do not consider it is probable that a claim will be made against the Group.

- (ii) At 31 March 2024, performance guarantee of approximately HK\$939,000 (2023: HK\$939,000) is given by bank in favour of the Group's landlord as security for a premise rented and observance of the Group's obligations under the contract entered into between the Group and the landlord in relation to the payment for the use and occupation of the premise. The Group has contingent liabilities to indemnify the bank for any claims from the landlord under the guarantee due to the date of expiration of the contract.

The directors of the Company do not consider it is probable that a claim will be made against the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

28. Related Party Disclosures

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

	2024 HK\$'000	2023 HK\$'000
Subcontracting costs to Nova Techoy	8	35
Interest expense on lease liabilities to Popstate Limited	–	299
Short term lease payment to Trunk Room Limited	90	127
Construction contract revenue from World Partners	553	300

As at 31 March 2024, the Group has made short term lease payment to Trunk Room Limited of HK\$90,000 (2023: HK\$127,000). Trunk Room Limited is wholly-owned by Mr. Lam Arthur Chi Ping.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2024 HK\$'000	2023 HK\$'000
Short-term benefits	11,467	10,958
Post-employment benefits	141	126
	11,608	11,084

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

29. Retirement Benefits Schemes

The MPF Schemes is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Schemes, the employer and its employees are each required to make contributions to the MPF Schemes at rates specified in the rules. The only obligation of the Group with respect to the MPF Schemes is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Schemes was available to the Group for reducing the contribution payable in the year ended 31 March 2024, nor will it be available in future years. The Group follows the minimum contribution requirement of 5% of eligible employee' relevant aggregate income with a cap of HK\$1,500 per employee per month.

The contributions to retirement benefits schemes arising from the MPF Schemes charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The Group's contributions to the retirement benefits schemes charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK\$1,577,000 (2023: HK\$1,459,000).

30. Other Commitment

On 5 March 2021, in order to finance the land acquisition plan of Great Glory, the Group agreed to provide the additional capital contribution in the aggregate amount of HK\$188,650,000 to Great Glory and such contributions shall be payable upon request of Great Glory from time to time. As at 31 March 2024, the outstanding commitment was HK\$86,325,000 (2023: HK\$104,191,000).

31. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balances. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of debt, which includes lease liabilities and bank borrowings as disclosed in notes 21 and 23 respectively, and equity of the Group, comprising issued share capital and reserves.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issue of new shares, raise of new debts or repayment of existing debts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. Financial Instruments

(a) Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets		
Amortised cost	91,024	139,214
Financial liabilities		
Amortised cost	167,884	154,375

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, amounts due from joint ventures, pledged bank deposits, bank balances, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has limited currency exposure as both the sales and direct costs are denominated in the functional currency of the respective group entity. Accordingly, the directors of the Company considers that the Group's exposure to foreign currency risk is minimal.

Interest rate risk

The Group's cash flow interest rate risk primarily relates to the pledged bank deposits and bank balances (note 19) as at 31 March 2024 and 2023, and variable-rate bank borrowings (note 23) as at 31 March 2024 and 2023. The Group is exposed to fair value interest rate risk in relation to lease liabilities (note 21) as at 31 March 2024 and 2023.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

In the opinion of the directors of the Company, the expected change in interest rate will not have significant impact on interest income or expense on bank balances.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/ lower for variable rate bank borrowings, with all other variables held constant, the Group's post-tax profit for the year ended 31 March 2024 would decrease/increase by HK\$296,000 (2023: post-tax profit decrease/increase by HK\$251,000).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to pledged bank deposits, bank balances, trade receivables and contract assets arising from contracts with customers, other receivables and deposits, amounts due from joint ventures and financial guarantee contracts. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets arising from contracts with customers

The Group has concentration of credit risks with exposure limited to certain customers. Trade receivables and contract assets from one customer (2023: two customers) amounting to approximately HK\$12,351,000 (2023: HK\$29,206,000) and HK\$22,346,000 (2023: HK\$12,680,000) respectively constitute approximately 40% (2023: 52%) of the Group's trade receivables and 39% (2023: 44%) of the Group's contract assets, respectively, as at 31 March 2024. Management of the Group closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables and deposits and amounts due from joint ventures

For other receivables and deposits and amounts due from joint ventures, the directors of the Company make periodic individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable including forward looking information. The directors of the Company believes that there has been no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2024 and 2023, the Group assessed the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

Pledged bank deposits/bank balances

The credit risk on pledged bank deposits and bank balances is low because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies, and the Group has limited exposure to any single financial institution.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and other item which are subject to ECL assessment:

	<i>Notes</i>	External credit rating	12m or lifetime ECL	2024 Gross carrying amount HK\$'000	2023 Gross carrying amount HK\$'000
Financial assets at amortised cost					
Trade receivables	17	N/A	Lifetime ECL (not credit-impaired and assessed individually)	30,948	56,020
Other receivables and deposits	17	N/A	12m ECL (not credit-impaired and assessed individually)	2,129	3,739
Amounts due from joint ventures	16	N/A	12m ECL (not credit-impaired and assessed individually)	9,401	4,165
Pledged bank deposits	19	Aa2 – Aa3	12m ECL (not credit-impaired and assessed individually)	2,025	1,979
Bank balances	19	A1 – Aa1	12m ECL (not credit-impaired and assessed individually)	31,933	65,923
Other items					
Contract assets	18	N/A	Lifetime ECL (not credit-impaired and assessed individually)	57,271	28,741
			Lifetime ECL (credit-impaired and assessed individually)	–	115
Financial guarantee contracts*	32	N/A	12m ECL (not credit-impaired and assessed individually)	42,532	42,532

* For financial guarantee contracts, the gross carrying amount represents the maximum amount of the Group has guarantee under the respective contracts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Impairment assessment on trade receivables and contract assets

The ECL on trade receivables and contract assets are assessed individually and estimated by reference to internal credit ratings, the credit investigation, including assess to financial information, advice from business partners and credit search.

The loss rates are estimated taking into consideration of historical observed default rates over the expected life of the customers and are adjusted for forward-looking information.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Trade receivables		Contract assets		Total HK\$'000
	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	
At 1 April 2022	50	–	117	776	943
Impairment losses reversed	(50)	–	–	(661)	(711)
New financial assets originated	86	–	–	–	86
At 31 March 2023	86	–	117	115	318
Impairment losses reversed	(86)	–	(29)	(115)	(230)
New financial assets originated	88	–	–	–	88
At 31 March 2024	88	–	88	–	176

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Impairment assessment on trade receivables and contract assets (Continued)

The following tables shows reconciliation of loss allowances that has been recognised for amounts due from joint ventures:

	12m ECL (not credit- impaired) HK\$'000
At 1 April 2022	401
Impairment loss reversed	(12)
At 31 March 2023 and 2024	389

On 5 March 2021, the Group provided a guarantee to a bank in respect of bank facility to the World Partners up to a maximum amount of HK\$124,000,000, provided that the liability of the Group in respect of any part of the guaranteed indebtedness shall be several with that of other joint venture partners, and be limited to 34.3% of the guaranteed indebtedness, representing the effective interest of the Group in the World Partners. The fair value of these financial guarantee, as at date of initial recognition, were considered insignificant. At the end of the reporting period, the management has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. For the year ended 31 March 2024 and 2023, the Group assessed the ECL for financial guarantee contracts are insignificant and thus no loss allowance is recognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

As at 31 March 2024, the Group has net current liabilities of HK\$45,715,000 (2023: HK\$15,536,000). The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements.

Taking into account the ongoing availability of finance to the Group, including the unutilised credit facility granted from banks to the Group of HK\$282,899,000 (2023: HK\$201,130,000) as at 31 March 2024, which can be utilised if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the bank choosing to exercise the rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 March 2024							
Trade and other payables	N/A	-	96,884	-	-	96,884	96,884
Lease liabilities	1.87	-	2,218	638	-	2,856	2,820
Bank borrowings	6.39	71,000	-	-	-	71,000	71,000
Financial guarantee contracts	N/A	42,532	-	-	-	42,532	-
		113,532	99,102	638	-	213,272	170,704
At 31 March 2023							
Trade and other payables	N/A	-	94,375	-	-	94,375	94,375
Lease liabilities	1.87	-	2,921	2,065	510	5,496	5,391
Bank borrowings	4.66	60,000	-	-	-	60,000	60,000
Financial guarantee contracts	N/A	42,532	-	-	-	42,532	-
		102,532	97,296	2,065	510	202,403	159,766

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

32. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the repayable on demand time band in the above maturity analysis. As at 31 March 2024, the aggregate carrying amounts of these bank borrowings amounted to HK\$71,000,000 (2023: HK\$60,000,000). Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – bank borrowings with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 March 2024 Bank borrowings	71,564	71,564	71,000
At 31 March 2023 Bank borrowings	60,304	60,304	60,000

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from the estimated interest rates determined at the end of the reporting period.

(c) Fair value of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

33. Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was conditionally approved by the Company pursuant to the written resolutions of the then sole shareholder of the Company on 22 September 2015. The Share Option Scheme remained valid and effective following the transfer of listing of its shares from GEM to the Main Board of the Stock Exchange on 26 October 2017 and will be implemented in full compliance with the requirements under Chapter 17 of the Listing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The following is a summary of the principal terms of the Share Option Scheme:

- (i) On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the directors of the Company shall be entitled to, at its absolute discretion and on such terms as it deems fit, grant options to any eligible participant.
- (ii) The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.
- (iii) An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00.
- (iv) The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) must not in aggregate exceed 80,000,000 shares, 10% of the total number of Shares in issue as at the listing date. The Company may refresh this limit at any time, subject to the shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the total number of shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit and for such purpose, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Group) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted. The above is subject to the condition that the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not exceed 30% of the share capital of the Company in issue from time to time.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

33. Share Option Scheme

- (v) The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders of the Company and the date of the board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.
- (vi) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

34. Statement of Financial Position and Reserves of the Company

(a) Statement of the financial position of the Company:

	2024 HK\$'000	2023 HK\$'000
Non-current asset		
Investment in a subsidiary	53,023	53,023
Current asset		
Cash and cash equivalents	270	300
Current liabilities		
Accrual	29	54
Amount due to a subsidiary	7,859	6,510
	7,888	6,564
Net current liabilities	(7,618)	(6,264)
Net assets	45,405	46,759
Capital and reserves		
Share capital (<i>Note 25</i>)	8,000	8,000
Reserves	37,405	38,759
	45,405	46,759

(b) Movement of reserves of the Company:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2022	42,490	(2,308)	40,182
Loss and total comprehensive expense for the year	–	(1,423)	(1,423)
At 31 March 2023	42,490	(3,731)	38,759
Loss and total comprehensive expense for the year	–	(1,354)	(1,354)
At 31 March 2024	42,490	(5,085)	37,405

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2024

35. Particulars of Principal Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2024 and 2023 are as follows:

Name of subsidiaries	Place of incorporation/ principal place of business	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			2024 %	2023 %	
<i>Direct subsidiaries</i>					
Techoy Holding Limited	BVI/Hong Kong	US\$1	100	100	Investment holding
Techoy Modular Construction Co., Ltd	BVI/Hong Kong	US\$1	100	100	Investment holding
Techoy Ventures Holding Limited	BVI/Hong Kong	US\$1	100	100	Investment holding
<i>Indirect subsidiaries</i>					
Techoy Construction	Hong Kong/Hong Kong	HK\$22,200,000	100	100	Property construction in Hong Kong
Theloy Construction Company Limited	Hong Kong/Hong Kong	HK\$2	100	100	Interior decoration
Grandway Inc. Development Limited	Hong Kong/Hong Kong	HK\$1	100	100	Property investment
Theloy Assets Holding Limited	BVI/Hong Kong	US\$1	100	100	Investment holding
Trunk Room Holding Limited	BVI/Hong Kong	US\$1	100	100	Investment holding
One Puffin Limited	BVI/Hong Kong	US\$1	100	100	Investment holding

None of the subsidiaries has issued any debt securities at the end of the reporting period.

Financial Summary

RESULTS

	For the year ended 31 March				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	257,992	259,138	204,342	151,829	536,606
Profit for the year attributable to owners of the Company	8,279	12,660	4,264	21,123	12,756

ASSETS AND LIABILITIES

	At 31 March				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Total assets	352,852	341,267	272,345	276,544	218,969
Total liabilities	(183,174)	(179,868)	(123,606)	(132,069)	(95,617)
Total equity	169,678	161,399	148,739	144,475	123,352