Kwan On Holdings Limited
均安控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1559

ANNUAL REPORT 2024

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Mr. Chen Zhenghua *(Chairman)*
Mr. Zhang Fangbing *(Chief Executive Officer)*
Mr. Cao Lei

Independent Non-executive Directors

Prof. Lam Sing Kwong, Simon
Mr. Lum Pak Sum
Mr. Gong Zhenzhi

COMPANY SECRETARY

Mr. Fung Kwok Wai

COMPLIANCE OFFICER

Mr. Zhang Fangbing

AUTHORISED REPRESENTATIVES

Mr. Zhang Fangbing
Mr. Fung Kwok Wai

AUDIT COMMITTEE

Mr. Lum Pak Sum *(Chairman)*
Prof. Lam Sing Kwong, Simon
Mr. Gong Zhenzhi

REMUNERATION COMMITTEE

Prof. Lam Sing Kwong, Simon *(Chairman)*
Mr. Lum Pak Sum
Mr. Zhang Fangbing

NOMINATION COMMITTEE

Mr. Gong Zhenzhi *(Chairman)*
Prof. Lam Sing Kwong, Simon
Mr. Chen Zhenghua

RISK MANAGEMENT COMMITTEE

Mr. Lum Pak Sum *(Chairman)*
Prof. Lam Sing Kwong, Simon
Mr. Gong Zhenzhi

AUDITORS

Crowe (HK) CPA Limited

LEGAL ADVISER

Iu, Lai & Li Solicitors

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3401
118 Connaught Road West
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchin Drive
Grand Cayman KY1-1111
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 BANKERS

Bank of China (Hong Kong) Limited
China Citic Bank International Limited

COMPANY'S WEBSITE

www.kwanonconstruction.com

STOCK CODE

1559

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kwan On Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2024 (the "**Reporting Year**").

BUSINESS REVIEW

During the financial year under review, the civil engineering construction market in Hong Kong was marked by intensified competition, resulting in suppressed contract prices and challenges in tendering bids. Compounded by the lingering effect of the COVID-19 pandemic, particularly impactful in the civil engineering construction segment of our Group, our operations faced significant disruptions. The pandemic led to delays in the completion of various government contracts, eliciting increased pressure from government's representatives to expedite project timelines. Meanwhile, our costs for additional fixed manpower expenses, subcontracting fees, and overhead expenses caused by the pandemic are unlikely to be recovered under the existing contract terms, as per government's stance. Disputes in the certification of contract works have emerged between our Group and subcontractors, leading to several ongoing legal claims and necessitating a conservative provision of HK$7.2 million.

To mitigate potential penalties and further warnings from our employer regarding late project completion, the Group allocated additional resources to accelerate contract progress. Although most government contracts, including NE201605, GE201803, DC201810, and HA20189126, were substantially completed within the year, concerns were raised by government's representatives regarding the unsatisfactory progress and performance of contracts HA20170102, GE201801, and HY201812.

The management had actively engaged with the government to explore viable solutions. Consequently, supplementary agreements were either signed or in the process of being signed to withdraw from contracts HA20170102, GE201801, and HY201812. As per the withdrawal conditions, the Group is obligated to rectify identified defects and fulfill certain works as agreed upon in the supplementary agreements before handing over the incomplete works and project sites to the government. Furthermore, the government reserves the right to recover any additional costs incurred due to the completion of remaining works not undertaken by our Group. Our project teams studied the terms and provided necessary financial provisions. The Group recorded a gross loss of HK$50.0 million for these three contracts.

In the overseas market, the Group faced significant challenges with its property development projects in the Philippines amid a turbulent external economic landscape. Ongoing regional political tensions and a surge in trade protectionism heightened market uncertainties, casting a shadow over our operations. Additionally, escalating financing costs further dampened market sentiment. Given these formidable obstacles, along with the absence of a finalized financing plan with potential lenders and the Group's deteriorating financial performance, management encountered constraints in allocating substantial resources to the development project. A strategic decision was made to liquidate our investment in the Philippine property. An agreement was signed between our Group and the buyer, yielding sales proceeds (net of direct tax) of approximately HK$109.0 million. The disposal of our property under development, classified as inventory on our books, resulted in a gross loss of HK$50.8 million in the current financial year.

In response to the aforementioned challenges and to optimize the Group's resources, management remains committed to divesting loss-making contracts or businesses while exploring opportunities in the construction markets of Malaysia and Mainland China. Leveraging the extensive business network of our major shareholder, the Group successfully secured new engineering and pipework contracts with Samsung Engineering (Malaysia) Sdn Bhd and M.E.I Consultants Sdn Bhd in Malaysia in the current financial year, with total contract sum of approximately HK$187.8 million. Throughout the Reporting Year, construction contracts in Mainland China, the Philippines and Malaysia generated revenue of HK$300.2 million, with a gross profit of HK$11.0 million. This robust performance in the overseas market underscores the Group's adeptness in seizing emerging opportunities.

PROSPECTS

During the Reporting Year, the Group successfully secured new engineering projects of approximately HK$187.8 million in overseas market. The result reaffirms the management's confidence in navigating the Group towards sustained growth and success.

In future, by leveraging the support from the business network of our largest shareholder while engaging our experienced project management team, the Group will continue to explore the potential business opportunity, particularly in Malaysia, China which has grown into the world's second largest economy and destined to remain an engine of global economy for the next decade.

APPRECIATION

I would like to take this opportunity to express my gratitude to all shareholders, customers and suppliers for their valuable support. I would also like to express our sincere appreciation to all the employees of the Group for their hard work and dedication.

Chen Zhenghua
Chairman
28 June 2024

EXECUTIVE DIRECTORS

Mr. Chen Zhenghua (陳正華) ("Mr. Chen"), aged 61, was appointed as an Executive Director and the Chairman of the Board on 1 June 2017. Mr. Chen was graduated with a Master of Business Administration Degree (EMBA) from the Tsinghua University. He is a senior economist and a member of the Chinese People's Political Consultative Conference of Jiangsu Province* (江蘇省政協常委). Mr. Chen is also the managing director of the Jiangsu Provincial Construction Group* (江蘇省建築工程集團有限公司). He has been awarded the titles of "Outstanding Entrepreneur of the Building Industry of China*" (全國建築業優秀企業家), "Outstanding Entrepreneur of Construction Companies of China*" (全國施工企業優秀企業家), and the "National May 1 Labour Medal*" (全國五一勞動獎章). In addition, Mr. Chen is an executive director of the Chinese Association for International Understanding* (中國國際交流協會), a chief supervisor of the Jiangsu Overseas Chinese Entrepreneurs Association* (江蘇僑商總會), the vice chairman of the Jiangsu Construction Industry Association* (江蘇省建築行業協會), the vice chairman of the Construction Market Manage Association of Jiangsu Province* (江蘇省建築市場管理協會), the vice chairman of the Jiangsu Sushang Development Promotion Association* (江蘇省蘇商發展促進會), and the honorary president of the Nanjing Overseas Chinese Investment Enterprise Association* (南京市僑商投資企業協會).

Mr. Zhang Fangbing (張方兵) ("Mr. Zhang"), aged 46, was appointed as an Executive Director and Chief Executive Officer on 1 June 2017 and 15 January 2020 respectively. Mr. Zhang was graduated with a Bachelor Degree in Civil Engineering from the Hohai University* (河海大學). He is a senior engineer and a contractor* (全國註冊一級建造師).

Mr. Zhang is the vice president and the chairman of overseas companies (副總裁兼國際工程公司董事長) of the Jiangsu Provincial Construction Group* (江蘇省建築工程集團有限公司).

Mr. Zhang has been awarded the titles of "China Jiangsu Overseas Outstanding Project Manager*" (江蘇省境外優秀項目經理), "Review Expert of the Ministry of Commerce of the People's Republic of China Foreign Assistance Projects*" (商務部對外援助成套項目) and "Internationalisation Expert of Jiangsu Enterprises*" (江蘇省企業國際化專家).

Mr. Cao Lei (曹累) ("Mr. Cao"), aged 49, was appointed as an Executive Director on 9 February 2018. He was graduated from the College of Economics and Management* of the Nanjing University of Aeronautics and Astronautics* (南京航空航天大學工商學院) with a professional qualification in marketing in June 1994. Mr. Cao has over 20 years' of work experience. Mr. Cao had been appointed as the General Manager of the Nanjing Xinsida Technology Limited* (南京信思達科技有限公司) from 2000 to 2005 and as the Chairman of the Suzhou Hongyi Real Estate Limited* (蘇州鴻意地產有限公司) from 2003 to 2008. Mr. Cao was appointed as the Chairman of the Nanjing Minsheng Leasing Limited* (南京市民生租賃有限公司) from 2013 to 2016.

* The English name is for identification purpose only.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Lam Sing Kwong, Simon (林誠光) "Professor Lam", aged 65, was appointed as an independent non-executive Director on 16 March 2015. Professor Lam is the Professor of Management and Strategy at the Faculty of Business and Economics, The University of Hong Kong. He was also Head of the Faculty's Management and Strategy Area, Director of the Centre of Asian Entrepreneurship and Business Values, Associate Dean of the Faculty of Business and Economics and Ian Davies Endowed Professor in Ethics at the University of Hong Kong. Before joining the University of Hong Kong, Professor Lam had worked as a management consultant and as a regional manager for a bank. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance. Professor Lam is the independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (stock code: 03366), Jacobson Pharma Corporation Limited (stock code: 02633), and Qingci Games Inc. (stock code: 06633).

Mr. Lum Pak Sum (林柏森) ("Mr. Lum"), aged 63, was appointed as an Independent Non-executive Director on 26 August 2016. Mr. Lum obtained a master's degree in business administration from the University of Warwick UK in 1994 and a bachelor's degree in laws from University of Wolverhampton UK in 2002. He has been currently a non practising fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, U.K. since 1996 and 1993 respectively. Mr. Lum possesses over 20 years working experience in money market and capital market.

Mr. Lum's positions in other companies listed on the Stock Exchange in the present and in the past three years are set out below:

Name of company	Position	Period of service
China Asia Valley Group Limited (stock code: 63)	Independent non-executive director	September 2019 to June 2021
Great China Properties Holdings Limited (stock code: 21)	Independent non-executive director	August 2007 to June 2023
Yuhua Energy Holdings Limited (stock code: 2728)	Independent non-executive director	December 2014 to April 2019
i-Control Holdings Limited (stock code: 1402)	Independent non-executive director	May 2015 to present
Anxian Yuan China Holdings Limited (stock code: 922)	Independent non-executive director	May 2017 to present
TATA Health International Holdings Limited (stock code: 1255)	Independent non-executive director	June 2017 to June 2021
Sunway International Holdings Limited (stock code: 58)	Non-executive director	May 2019 to present
Imperial Pacific International Holdings Limited (stock code: 1076)	Independent non-executive director	October 2023 to April 2024

Mr. Gong Zhenzhi (龔振志) ("Mr. Gong"), aged 53, was appointed as an Independent Non-executive Director on 23 April 2018. Mr. Gong was graduated from the Southeast University* (東南大學) in Nanjing, China with a Bachelor Degree in Engineering in the profession of manufacturing of machinery and equipment* (機械製造工藝與設備專業) in June 1993. In March 1999, Mr. Gong obtained a Master's Degree in Management in the profession of management science and engineering from the Nanjing University of Aeronautics and Astronautics* (南京航空航天大學). In October 2008, Mr. Gong obtained a Doctoral Degree in Management in the profession of management science and engineering from the Southeast University* (東南大學). In June 2010, Mr Gong obtained a Master of Public Management Degree from The University of Maryland. Mr. Gong has served as the head of a High-tech Product Research and Development Department of a large scale stated-owned enterprise, the chairman of a large scale state-owned enterprise and the president of a university's Industrial Research Institute.

SENIOR MANAGEMENT

Chief Executive Officer

Mr. Zhang Fangbing (張方兵) ("Mr. Zhang") was appointed as Chief Executive Officer on 15 January 2020. The biographical details of Mr. Zhang are set out in this section headed with "Executive Directors" of this annual report.

Chief Operating Officer

Mr. Shen Zhi (沈治) ("Mr. Shen") aged 46, was appointed as Chief Operating Officer of the Group on 9 February 2018. Mr. Shen is an engineer and an intermediate level accountant* (中級會計師). Mr. Shen is currently the Deputy General Manager* (常務副總經理) of the Jiangsu Provincial Construction Group Overseas Company* (江蘇省建築工程集團有限公司海外公司) and the secretary of a branch of the Communist Party of China* (中國共產黨支部書記). Mr. Shen graduated from the Yangzhou University* (揚州大學) with a professional qualification in Financial Accounting of Construction Works (基本建設財務會計) in June 1999 and obtained a Bachelor Degree in Economic and Administration Management from the People's Liberation Army Nanjing Political College* (中國人民解放軍南京政治學院) in December 2015.

COMPANY SECRETARY

Mr. Fung Kwok Wai (馮國衛) ("Mr. Fung"), aged 64, was appointed as the Company Secretary and Chief Financial Officer of the Group on 14 February 2019. He is responsible for the overall financial and company secretarial aspects of the Group. Mr. Fung is a fellow member of both the Association of Chartered Certified Accountants and The Hong Kong Institute of the Certified Public Accountants. He holds a bachelor degree and has 30 years' experience in auditing, finance, accounting and company secretarial work.

For the civil engineering contracts in Hong Kong, the Group is engaged in the provision of (i) waterworks engineering services; (ii) road works and drainage services and site formation works; and (iii) landslip preventive and mitigation works to slopes and retaining walls services ("**LPM Services**").

Kwan On Construction Company Limited, an operating subsidiary of the Group, is one of the Group C contractors (confirmed) for waterworks engineering services, Group C contractors (confirmed) for roads and drainage services, Group B contractors (confirmed) for site formation services, and Group A contractors (probationary) for buildings services on the list of approved contractors for public works maintained by The Works Branch of the Development Bureau of the Government of Hong Kong.

For the Overseas Projects, the Group successfully secured construction contracts in Mainland, Philippines and Malaysia during the Reporting year.

Set out below are the list of material contracts on hand as at 31 March 2024:

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated contract sum	Cumulative revenue recognised	Further revenue expected to be recognised
				HK$ million	*HK$ million*	*HK$ million*
Hong Kong Projects						
Tendered by Kwan On Construction Company Limited						
KL/2012/03	Civil Engineering and Development Department	Kai Tak Development – Stage 4 infrastructure at former north apron area	13/12/2017[1]	1,038.3	938.8	99.5
20219051	Housing Authority	Slope Maintenance and Improvement Work for Region A	9/1/2025	25.1	8.0	17.1
Total				1,063.4	946.8	116.6

Contract number	Customer	Particular of contract	Original/ extended date for completion	Estimated contract sum	Estimated total revenue to be received by our Group	Cumulative revenue recognised by our Group	Further revenue expected to be recognised by our Group
				HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Tendered by the Group's joint operations							
2/WSD/21	WSD	Term contract for Risk-Based Improvement of Water Mains – Hong Kong & Islands	22/3/2026	218.4	111.4	74.0	37.4
ED/2019/02	Civil Engineering and Development Department	Development of Anderson Road Quarry Site – Remaining Pedestrian Connectivity Facilities Works	21/6/2024	203.9	99.9	73.7	26.2
Total					211.3	147.7	63.6

Customer	Particular of Contract	Original/ Extended date for completion	Estimated contract sum	Cumulative revenue recognised	Further revenue expected to be recognised
			HK$ million	*HK$ million*	*HK$ million*
Overseas Projects					
Tendered by the Kwan On Construction (Malaysia) Sdn Bhd					
A	Engineering and Pipework work	Oct-24	381.3	235.3	146.0
Tendered by Nanjing Univic Engineering Construction Limited					
B	Construction projects in commercial and residential buildings in Changzhou	Sep-24	98.2	87.9	10.3
C	Construction projects in commercial and residential buildings in Yangzhou	Sep-24	203.6	174.4	29.2
Tendered by Kwan On Holdings (Philippines)					
D	Construction Project	Mar-28	396.6	40.6	356.0

Note (1): The extended completion date was the date previously agreed with the customer. We had applied to the customer for a further extension of time and such application was being considered by the customer as at the date of this Reporting Year.

FINANCIAL REVIEW

Construction and property development related business

The segment reported revenue of approximately HK$582.4 million for the Reporting Year, reflecting a HK$52.9 million or 10.0% increase compared to the previous year's revenue of approximately HK$529.5 million. This increase was mainly due to the net proceeds of HK$109.0 million received from the one-off sale of a property under development in the Philippines. However, excluding these net proceeds from one-off sale of the property under development, the segment revenue decreased by HK$56.1 million compared to last year. This decrease was primarily due to a HK$139.8 million drop in revenue from Hong Kong government projects and a HK$151.0 million decrease in revenue from PRC construction contracts, as most contracts approached substantial completion. However, this decline was partly offset by increased revenue from construction projects in Malaysia and the Philippines, contributing an increase of HK$194.1 million and HK$40.6 million respectively.

The revenue analysis by category is shown as follows:

	Year ended 31 March	
	2024	2023
	HK$000	*HK$000*
Waterworks	**31,567**	32,644
Road works and drainage and site formation work ("**Road Work**")	**111,228**	234,759
Landslip preventive and mitigation works to slopes and retaining walls services ("**LPM Services**")	**21,107**	30,841
Private sector in Hong Kong	**9,279**	14,763
Mainland China construction sector	**46,421**	197,410
Malaysia construction sector	**213,214**	19,123
Philippines construction sector	**40,597**	–
Philippines property development sector	**108,967**	–
	582,380	529,540

Revenue from Road Works contracts experienced a significant decrease of 52.6%, dropping to HK$111.2 million from HK$234.8 million in the previous year. This decrease was mainly attributed to the substantial completion of contracts NE201605 and DC201810, and the withdrawal from contracts HY201812 and 20170102. The combined revenue decrease from these contracts amounted to approximately HK$126.2 million. However, this decline was partially offset by an increase in revenue from contract ED201902, which actively pursued the project deadline.

Revenue in the LPM works for the Reporting Year decreased by 31.6% to approximately HK$21.1 million, compared to approximately HK$30.8 million in the previous year. This decline was primarily due to the withdrawal from contract GE201801, which resulted in a revenue decrease of HK$14.4 million. However, this decline was partially offset by an increase in revenue from contracts HA20189126 and HA20219051.

The Group recorded a significant revenue increase of approximately HK$234.7 million from construction contracts in Malaysia and the Philippines. This growth was achieved by leveraging the support of our major shareholder's business network, enabling us to successfully secure multiple construction contracts in both countries. However, revenue in Mainland China for the Reporting Year decreased by 76.5% to approximately HK$46.4 million, compared to approximately HK$197.4 million in the previous year, as the contract works approached final stage.

The gross profit margins by categories of work performed are set out below:

	Year ended 31 March	
	2024	2023
Waterworks	**-12.9%**	-18.4%
Road Work	**-63.5%**	-3.8%
LPM Services	**-18.9%**	-50.9%
Private sector in Hong Kong	**2.7%**	20.5%
Mainland China construction sector	**1.7%**	1.7%
Malaysia construction sector	**3.9%**	5.0%
Philippine construction sector	**4.8%**	N/A
Philippine property development sector	**-46.6%**	N/A

During the Reporting Year, the Group reported a gross loss of approximately HK$118.3 million (2023: gross loss of approximately HK$31.7 million) for the construction and property development related business. This significant increase in gross loss was mainly attributable to a HK$50.8 million loss recorded for the sales of property under development in the Philippines and the Group's performance in the Hong Kong civil engineering segment, which was significantly affected by inflationary trends in material and labor costs, as well as delays in the completion of various government contracts due to the past pandemic period.

Road works and LPM services contracts recorded a combined gross loss of HK$74.7 million in the current financial year due to government pressure to expedite project timelines. Supplementary agreements were being signed to withdraw from contracts HA20170102, GE201801, and HY201812 amid concerns over the progress of the contracts. The Group must rectify defects and complete specific works before handing over the projects. The government may recover additional costs for unfinished work. Our project teams have reviewed the terms and made the necessary financial provisions. As a result, the additional costs associated with rectifying defects and completing specific works, along with the financial provisions, have led to a gross loss of HK$50.0 million due to the withdrawal from these contracts. For other Road works and LPM services contracts, the Group also incurred additional manpower and subcontractor resources to accelerate contract progress, which further exacerbating our loss. Despite these challenges, contracts NE201605, GE201803, DC201810, and HA20189126 were substantially completed within the year.

In the waterwork contracts, the Group reported a gross loss of approximately HK$4.1 million, resulting in a negative gross profit margin of 12.9%. This loss was primarily due to inflationary trends in material and labor costs for ongoing contract 2WSD21, as well as additional overhead costs incurred from the extended time required to conclude the final account for contract 1WSD17 with the government representative, despite all contract works being completed in the previous financial year.

Private sector contracts in Hong Kong included projects with Hong Kong Tramways Ltd for tram track renewal and tram pole erection. These contracts generated revenue of approximately HK$9.3 million, with a gross profit of approximately HK$0.3 million.

Additionally, contracts awarded in mainland China, Malaysia, and the Philippines contributed revenues of approximately HK$46.4 million, HK$213.2 million, and HK$40.6 million, respectively. The gross profit from the mainland China contract was approximately HK$0.8 million, while the Malaysia and Philippines contracts yielded gross profits of approximately HK$8.3 million and HK$1.9 million, respectively.

Trading business

The Group is involved in the trading of chemical materials. During the Reporting Year, the Group recorded a revenue of approximately HK$72.1 million (2023: approximately HK$94.6 million) and a profit of approximately HK$0.03 million (2023: HK$0.1 million).

Net impairment losses on financial and contract assets

Net impairment loss on financial and contract assets for the Reporting Year was approximately HK$3.4 million (2023: impairment loss of HK$35.1 million). The change in provision for impairment loss was made after considering the credit portfolio of outstanding receivables and historical default rate.

Provision for litigations

A provision of HK$7.2 million has been made in the current financial year due to disputes arising between our Group and subcontractors over the certification of contract works. These disputes have led to several ongoing legal claims. After assessing the situation and consulting with external legal advisors, management has taken a conservative approach by making a provision of HK$7.2 million.

Impairment losses for property, plant and equipment

An impairment of property, plant and equipment amounting to HK$4.5 million (2023: Nil) was made after considering a decline in market prices within the property market during the current financial year.

Other income

Other income for the Reporting Year amounted to approximately HK$9.0 million, compared to HK$12.8 million in 2023. The decrease in other income was mainly due to the government grant of HK$4.7 million recorded in last reporting year, while no such income was recorded in current financial year.

Other loss

Other loss for the Reporting Year was approximately HK$0.3 million, compared to approximately HK$8.0 million in the previous reporting year. The loss in the previous year was primarily due to an impairment loss provision for prepaid expenses of HK$6.5 million. No such losses were recorded in the current financial year.

Administrative expenses

Administrative expenses for the Reporting Year increased by approximately HK$13.5 million, reaching a total of around HK$54.8 million (2023: approximately HK$41.3 million). This increase was mainly due to a rise in staff costs of approximately HK$9.3 million. The increase in staff costs was primarily attributable to an additional HK$4.0 million for back-office staff in our Malaysia operations and HK$5.3 million for our Hong Kong operations, driven by operational needs and rising costs.

Finance costs

The finance costs for the Reporting Year amounted to approximately HK$17.4 million, compared to approximately HK$9.2 million in 2023. This increase can be primarily attributed to the finance cost of HK$6.9 million for the property under development in the Philippines. In the previous financial year, this finance cost was capitalized as part of the property development cost. However, it was expensed in the current financial year due to management's decision to dispose of this property.

Other comprehensive expense

Other comprehensive expense for the Reporting Year amounted to approximately HK$15.9 million, compared to approximately HK$15.9 million in 2023. This change primarily resulted from a fair value loss on the investment in common shares of a company listed on the Philippine Stock Exchange, Inc., and the exchange difference arising from the translation of foreign operations. A fair value loss of approximately HK$10.1 million was reported in the current financial year, compared to approximately HK$0.9 million in the previous year. Additionally, an exchange loss of HK$5.7 million was recorded in the current financial year, while an exchange loss of HK$15.1 million was recorded in the last financial year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2024, the Group had net current assets of approximately HK$77.6 million (2023: approximately HK$282.6 million). Current ratio of the Group as at 31 March 2024 was approximately 1.15 times (2023: approximately 1.58 times).

As at 31 March 2024, the gearing ratio, calculated based on the net debt divided by total capital plus net debt, was approximately 72.8%. (2023: approximately 54.8%) Net debt is calculated as the total of trade and other payables, amount due to a related company, amount due to an associate, amounts due to other partners of joint operations, bank borrowings and lease liabilities and less unpledged bank balances and cash. Capital includes equity attributable to owners of the Company.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the Reporting Year.

COMMITMENTS

As at 31 March 2024, the Group did not have any significant capital commitments (2023: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Year.

CONTINGENT LIABILITIES

Save for certain litigations involved, the Group did not have any material contingent liabilities as at 31 March 2024 (2023: Nil).

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to other receivables in relation to a transferred construction project, trade and retention receivables and deposits with banks. During the Reporting Year, the Group has received all remaining receivable and interest. The credit risk of the Group's trade and retention receivables is concentrated since 73% of which was derived from three major customers as at 31 March 2024 (2023: 79%). The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from non-performance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2024, the Group did not hold any significant investment with a value of 5 per cent. or more of the Group's total assets.

CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES

As at 31 March 2024, the Group's bank borrowings and other banking facilities are pledged by bank deposits amounting to approximately HK$56.5 million (2023: HK$95.5 million); leasehold land and building with an carrying value of approximately HK$23.8 million (2023: HK$28.9 million) ;and freehold land included in inventories with an carrying value of approximately HK$nil (2023: HK$164.8 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group employed a total of 100 employees, comprising 94 staff employed on a full-time basis and 6 casual workers. Staff costs, including Directors' emoluments, of the Group amounted to approximately HK$92.8 million for the Reporting Year (2023: approximately HK$90.0 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

LITIGATIONS

During the year ended 31 March 2024 and up to the date of approval of the consolidated financial statements, various parties have filed litigation against the Group for the settlement of outstanding construction-related services and daily operation payables. Among them, there were 12 cases with individual claim amounts exceeding HK$1 million, and the aggregated claim amounts of these cases amounted to approximately HK$184 million. The Directors have considered the advice of the Group's legal counsels, and have assessed the impact of the litigation on the consolidated financial statements for the year ended 31 March 2024, by assessing the possibility of any outflow of resources in settling these claims and/or sufficiency of the insurance policies are maintained to cover the loss, if any. The Directors concluded that accrued provisions for litigations of HK$7,200,000 was made as at 31 March 2024.

PRIOR YEAR ADJUSTMENT

There is no prior year adjustment made in the consolidated financial statements of the Group for the Reporting Year.

SUBSEQUENT EVENTS

There is no subsequent event after the Reporting Year which has a material impact to the Group.

CORPORATE GOVERNANCE PRACTICE

The Board recognised that transparency and accountability are important to a listed company. Therefore, the Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted and, saved as disclosed below, complied with the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The following is a summary of work performed by the Board in determining the policy for the corporate governance of the Company during the year ended 31 March 2024:

(1) developed and reviewed the Company's policies and practices on corporate governance;

(2) reviewed and monitored the training and continuous professional development of Directors and senior management;

(3) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(4) developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and Directors; and

(5) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

In the opinion of the Board, the Company has complied with the provisions of the CG Code for the Reporting Year except for the following deviation.

CG Code Provision C.5.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Year, only two regular board meetings were convened. However, the management have regularly updated the Board for the Group's business development with performance review through electronic means of communication. All the Board members are encouraged to express their opinions on the Company's matters. The Board was consulted for every crucial decision and the written resolutions were also circulated to all the Directors to obtain the board consents. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code. However, the Company will consider to hold regularly board meetings at approximately quarterly intervals in the future.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules (the "**Model Code**"). The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiries with the Directors, our Directors have confirmed that they have complied with the required standard of dealings regarding securities transactions by the Directors throughout the Reporting Year.

BOARD OF DIRECTORS

As at 31 March 2024, the Board comprised six Directors, including three Executive Directors and three Independent Non-executive Directors. As at the date of this report, the Board comprised the following Directors:

Executive Directors
Mr. Chen Zhenghua *(Chairman)*
Mr. Zhang Fangbing *(Chief Executive Officer)*
Mr. Cao Lei

Independent Non-executive Directors
Prof. Lam Sing Kwong Simon
Mr. Lum Pak Sum
Mr. Gong Zhenzhi

The Board believes that the number of executive and non-executive directors is reasonable and adequate to provide sufficient balances that would safeguard the interests of the shareholders.

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

The day-to-day management, administration and operation of the Company are delegated to the Executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the Executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code and the disclosures in this annual report. All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent Non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee (as defined under the paragraph headed "Board Committees").

The biographical details of the Directors and other senior management are set out in the section headed with "Biographical Details of Directors and Senior Management" from pages 6 to 9 of this annual report. Save as disclosed in the section "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

CHIEF EXECUTIVE OFFICER ("CEO")

The Company has appointed Mr. Zhang Fangbing ("**Mr. Zhang**") as CEO on 15 January 2020. The biographical details of Mr. Zhang are set out in the section headed with "Biographical Details of Directors and Senior Management" of this annual report.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") from the date of Listing up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The Nomination Committee will review the Board Diversity Policy as appropriate from time to time to ensure its effectiveness.

The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the Reporting Year.

Pursuant to Rule 13.92 of the Listing Rules, the Stock Exchange will not consider diversity to be achieved for a single gender board. Henceforth, the Board will continue to seek a pipeline of potential successors to the Board by identifying and nominating such candidates through the Nomination Committee to achieve greater gender diversity. The Board will appoint at least one female Director on the Board no later than 31 December 2024.

Although 100% of our directors and senior management are male, approximately 22% of our workforce is female. While the Board would aspire to have more female representation amongst our senior management, which the Board aim to achieve over time primarily through succession planning. The Board also aspire to increase female representation amongst our workforce, a significant challenge as the market in which we operate (construction and quarrying in particular) traditionally has a predominantly male workforce. The Board will continue to take opportunities to increase the proportion of females amongst our staff, as and when suitable candidates are identified.

ATTENDANCE RECORDS OF MEETINGS

The Company convened and held two regular Board meetings during the Reporting Year.

Additional Board meetings will be convened, as and when required, to deal with ad hoc issues. Any Director who is not able to present physically may participate at any Board meeting through electronic means of communication, such as conference phone or other similar communication equipment, in accordance with the Articles.

Notice convening each regular Board meeting is sent at least 14 days in advance, and reasonable notice is given for other Board meetings and committee meetings. The Company Secretary assists the Board to prepare the meeting notice and agenda. Each Director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each Director at least 3 days before each Board meeting or committee meeting to enable the Directors to make informed decisions on the matters to be discussed, except where a Board meeting or committee meeting is convened on a very urgent basis to consider any urgent ad hoc matter.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes will normally be circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

During the Reporting Year, two regular Board meetings, two Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting and the 2023 annual general meeting ("**AGM**") were held. Details of individual Directors' attendance at these meetings are set out in the following table:

	Attended/Eligible to attend					
Directors	**Regular Board Meeting**	**Audit Committee Meeting**	**Remuneration on Committee Meeting**	**Nomination Committee Meeting**	**Risk Management Committee**	**AGM**
Executive Directors						
Mr. Chen Zhenghua	2/2	N/A	N/A	1/1	N/A	1/1
Mr. Zhang Fangbing	2/2	N/A	1/1	N/A	N/A	1/1
Mr. Cao Lei	2/2	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Directors						
Prof. Lam Sing Kwong, Simon	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Lum Pak Sum	2/2	2/2	1/1	N/A	1/1	1/1
Mr. Gong Zhenzhi	2/2	2/2	N/A	1/1	1/1	1/1

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, etc. The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our Executive Directors has entered into a service contract with our Company upon appointment and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with our Executive Directors are for an initial term of three years commencing from the date of appointment. The letters of appointment with each of our Independent Non-executive Directors are for an initial fixed term of three years commencing from the date of appointment. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles and the applicable Listing Rules.

The Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

The Company has three Independent Non-executive Directors which complies with Rule 3.10(1) of the Listing Rules. Among the three Independent Non-executive Directors, Mr. Lum Pak Sum has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Independent Non-executive Directors represent at least one-third of the Board in compliance with Rule 3.10A of the Listing Rules.

Independent Non-executive Directors are appointed for three years subject to retirement by rotation and re-election in accordance with the Articles. Each of the Independent Non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independency pursuant to Rule 3.13 of the Listing Rules and the Company considers these Independent Non-executive Directors to be independent.

Pursuant to article 84(1) of the Articles, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office and shall be eligible to offer themselves for re-election. In addition, separate ordinary resolutions in relation to the proposed re-election of the retiring Directors should be put forward to the shareholders in the annual general meeting. The term of office of the Directors who have been re-elected shall commence from the date of the annual general meeting which approves their re-appointments and end at the conclusion of the third subsequent annual general meeting of the Company.

The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an induction training so as to ensure that he has appropriate understanding of the Group's business and of his duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules.

Training and Support for Directors

The Company has established procedures for training and development of Directors. Newly appointed Director will be provided with comprehensive, formal and tailored induction upon his/her appointment and, subsequently, necessary briefing and professional development so as to ensure the Directors have adequate understanding and to strengthen their awareness of the business and operation of the Group, their responsibilities and obligations under the statutory and common laws, the Listing Rules, laws and other regulatory requirement and governance policies, to enable the Directors to discharge their duties properly. The Company Secretary maintains proper records of training attended by the Directors.

The summary of training received by the Directors during the year is as follows:

Directors	**Training Matters** *(Note 1)*
Executive Directors	
Chen Zhenghua *(Chairman)*	A, B
Zhang Fangbing *(Chief Executive Officer)*	A, B
Cao Lei	A, B
INEDs	
Prof. Lam Sing Kwong, Simon	A, B
Lum Pak Sum	A, B
Gong Zhenzhi	A, B

Note 1: A. corporate governance
B. regulatory

BOARD COMMITTEES

The Board has established four board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") and the risk management committee (the "**Risk Management Committee**"). Save for the Risk Management Committee, the written terms of reference are available on the websites of the Stock Exchange and the Company.

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

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

AUDIT COMMITTEE

The Company established the Audit Committee on 16 March 2015 with written terms of reference in compliance with the Listing Rules. In accordance with provisions set out in the CG Code, these terms of reference are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three Independent Non-executive Directors, namely Prof. Lam Sing Kwong, Simon, Mr. Lum Pak Sum and Mr. Gong Zhenzhi. The chairman of the Audit Committee is Mr. Lum Pak Sum, who has appropriate professional qualifications and experience in accounting matters.

The main duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independency, objectivity and the effectiveness of the audit process and to discuss the nature and scope of the audit with the external auditor. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) financial control, internal control and risk management systems of the Company.

The consolidated financial statements of the Group for the Reporting Year have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Reporting Year has complied with the applicable accounting standards, Listing Rules and that adequate disclosures have been made. The Audit Committee had reviewed the Group's consolidated financial statements for the Reporting Year.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the Reporting Year.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established on 16 March 2015 comprising one Executive Director, namely Mr. Zhang Fangbing and two Independent Non-executive Directors, namely Prof. Lam Sing Kwong, Simon and Mr. Lum Pak Sum. Prof. Lam Sing Kwong, Simon is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policies and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the Reporting Year.

NOMINATION COMMITTEE

The Nomination Committee was established on 16 March 2015 comprising one Executive Director, namely Mr. Chen Zhenghua and two Independent Non-executive Directors, namely Prof. Lam Sing Kwong, Simon and Mr. Gong Zhenzhi. Mr. Gong Zhenzhi is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange.

The primary duties of the Nomination Committee are to review and assess the structure, size and diversity of the Board and the independence of the Independent Non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. In designing the Board's composition, board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

RISK MANAGEMENT COMMITTEE

The risk management committee has been established since March 2015 and currently comprises 3 independent Non-executive Directors. The members of the risk management committee include Mr. Lum Pak Sum (as Chairperson), Prof. Lam Sing Kwong, Simon and Mr. Gong Zhenzhi.

The major duties of the risk management committee are (i) to consider and formulate risk management framework, (ii) to review and assess the effectiveness of the Group's risk management framework, and (iii) to monitor and ensure the effective implementation of relevant risk management measures. The risk management committee, if necessary, may seek independent professional advice when discharging their duties at the fees and expenses of the Company.

During the year, the risk management committee held a meeting to review and discuss the following items:

- the Group's risk management work report for 2023;
- the updates on the major risks and core risk indicators of the Company and the Group's business segments in 2024;
- the effectiveness of risk management system;
- the risk management work plan for 2024;
- the Environmental, Social and Governance Report 2023;
- report of a sustainable development steering group on ESG risk management work; and
- the Group's risk management work report for the first half of 2024.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the members of directors and the senior management by band for the Reporting Year is set out below:

Remuneration band	Number of persons
Less than HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 or above	–

Particulars regarding Directors' remuneration and the five highest paid employees are required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in Notes 10 and 11 to the consolidated financial statements in this annual report.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the consolidated financial statements of the Group. As at 31 March 2024, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditor, Crowe (HK) CPA Limited, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report included in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems on an annual basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee and the Risk Management Committee assist the Board in fulfilling its oversee and corporate governance roles in the Group's financial, operational, procedural compliance, risk management and internal control functions.

Main features of the systems

The Group has established a risk management framework integrated with the internal control system, which includes, but not limited to the participation of the Board, the Audit Committee and the Risk Management Committee. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the effectiveness of risk management. The Risk Management Committee meets, at least on an annual basis, to review the overall risk management strategies and the risk tolerance/appetite level to assess the effectiveness of the Group in mitigating risks. On a daily basis, the management monitor the business operations to ensure their internal controls are implemented as intended. Any weaknesses identified would be remediated by the management immediately.

Risk identification process

The Group has established an on-going process for identifying, evaluating and managing the significant risks of the Group. Such process comprises the following stages:

1. Risk identification – identify potential risks and recorded into the risk register, which summarize into four categories: reporting, operational, strategic and compliance risk;

2. Risk assessment and prioritisation – assess the risks in terms of impact and vulnerability, then assign a rating and prioritise in descending order;

3. Risk response – risk can be accepted, mitigated, shared, or avoided. A remediation plan will be established to respond to the identified risks;

4. Risk monitoring – monitor the effectiveness of the remediation plan on a periodic basis.

Procedures for the handling and dissemination of inside information

The Board has established a policy on the procedures and internal controls for the handling and dissemination of inside information. For any material violation of this policy, the Board will decide, or designate appropriate personnel to decide the course of actions for rectifying the problems and avoiding recurrence. The Group handles and disseminates inside information with due care. Staff is required to comply with confidentiality terms. Only personnel at appropriate level can get reach of price sensitive and inside information.

Internal audit

An independent consulting firm (the "**Firm**") has been engaged to work with the Group to perform the Internal Audit functions. Key risks and internal controls for selected processes are assessed by the Firm. The review results and proposed recommendations are communicated to senior management, the Audit Committee and the Risk Management Committee. The Board, through the Audit Committee and the Risk Management Committee, has reviewed the results of the work done by the Firm in relation to the effectiveness of the internal control and risk management systems of the Group. In response to any material internal control defects identified, the Firm would provide recommendations for major observations of control weaknesses. Management will take suggestions raised by the Firm to further enhance its risk management and internal control systems.

The Board oversees the management in designing, implementing and monitoring the risk management and internal control (including financial, operational and compliance controls) systems on an on-going basis, and the management confirms with the Board (which the Board concurs) on the effectiveness and adequacy of these systems. The Board has conducted annual review on the effectiveness and adequacy of the Group's risk management and internal control systems, including changes in the nature and extent of significant risks (including environmental, social and governance risks) since the last annual review, the ability of the Group to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of risks and the internal control system, the work of internal audit function, the extent and frequency of communication of monitoring results to the Board and the Board Committees to enable the assessment of the effectiveness of the Group's risk management and internal control systems, as well as the significant control failings or weaknesses that have been identified during the year and the extent to which they have resulted in a material impact on the Group's financial performance or condition. Based on the foregoing review, the Audit Committee and the Board considered the risk management and internal control systems to be effective and adequate during the year.

AUDITOR'S REMUNERATION

The report from the auditor of the Company regarding their responsibilities and opinion on the financial statements of the Group for the year ended 31 March 2024 is set out in the "Independent Auditor's Report" in this annual report. The Board has taken steps to ensure the continued objectivity and independence of the external auditor. For the year ended 31 March 2024, the remunerations paid/payable to the external auditor of the Company were approximately HK$1.4 million in respect of audit services provided to the Group respectively. Details of services and the fees incurred are as follows:

Audit services	HK$1.2 million
Other services	HK$0.2 million

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

REVIEW OF THE EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has continued to oversee the management in the design, implementation and monitoring of the risk management and internal control systems. It conducted a comprehensive review of the risk management and internal control systems of the Company during the year, and continuously oversees major risks and regularly reviews the implementation of management and control measures covering the period of 2024. Based on its review and the advice from the audit committee and the risk management committee, it considered that the risk management and internal control systems are effective and adequate.

COMPANY SECRETARY

Mr. Fung Kwok Wai ("**Mr. Fung**") is the Company Secretary of the Company, whose biographical details are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. Mr. Fung has informed the Company that he has taken more than 15 hours of relevant professional training for the Reporting Year. The Company considers that the training of the Company Secretary is in compliance with the requirements under Rule 3.29 of the Listing Rules for the Reporting Year.

DIVIDEND POLICY

The Company intends to create long-term value for the Shareholders through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet its working capital requirements and capturing future growth opportunities. The declaration and payment of dividends by the Company is subject to any restrictions under the Companies Law of the Cayman Islands, the Company's memorandum and articles of association, and any other applicable laws and regulations.

The Board adopted a dividend policy (the "**Dividend Policy**") to provide guidance on whether to propose a dividend and to guide the Board to consider, inter alia, the following factors in determining the dividend amount:

- the Group's actual earnings performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and

- other factors that the Board may deem appropriate and relevant.

The Board will review the Dividend Policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' RIGHTS

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

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to the articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors and welcomes suggestions from investors, shareholders and the public.

Enquiries and concerns to the Board and the Company may be sent by post to the head office and principal place of business of the Company in Hong Kong at "Unit 3401, 118 Connaught Road West, Hong Kong", for the attention of the Board and/or the company secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

The Company has conducted the annual review of the implementation and effectiveness of the Shareholders' Communication Policy and concluded that the policy was implemented effectively during the year ended 31 March 2024.

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

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

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

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

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

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

ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Our Group implements green office practices which include double-sided printing, copying, promoting the use of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. Our Group will review the environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's business and enhance environmental sustainability.

ESG POLICIES AND PERFORMANCE

During the Reporting Year, the Group has complied with the "comply or explain" provisions set out in the Environmental, Social and Governance ("**ESG**") Reporting Guide. Information about the Company's ESG policies and performance during the Reporting Year will be set out in the Environmental, Social and Governance Report to be available on the Company's website.

CONSTITUTIONAL DOCUMENTS

No changes were made to the Company's amended the memorandum and articles of association of the Company during the year ended 31 March 2024.

WHISTLEBLOWING POLICY

The Company has a whistleblowing policy and system in place for employees and those who deal with the Company (such as customers and suppliers) to raise concerns in confidence and anonymity. For further details, please refer to the Environmental, Social and Governance Report.

ANTI-CORRUPTION POLICY

The Company has established anti-corruption policy and system that promote and support anti-corruption laws and regulations. For further details, please refer to the Environmental, Social and Governance Report.

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2024 (the "**Reporting Year**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 1 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Reporting Year.

FINANCIAL RESULTS

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 59 and 60 of this annual report.

BUSINESS REVIEW

Further discussion and analysis of the business activities of the Group, including a business review of the Group for the Reporting Year and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis as set out on pages 10 to 18 of this annual report. These discussions form part of this Directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

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:

Our Group relies on the contracts granted by the Government, and our Group's business, results of operations and profitability may be adversely affected if we fail to secure contracts from the Government or there is any significant reduction of such contracts in the future

During the Reporting Year, the customer base of our Group was concentrated. Revenue generated from Government contracts represented approximately 30% (2023: 48%) of our Group's total revenue for the Reporting Year. Contracts from the Government are normally awarded to contractors on the Contractor List and the Specialist List by way of public tender. Approved contractors on the Contractor List and approved specialist contractors on the Specialist List are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by those contractors carrying out the Government's works. An approved contractor could be prohibited from tendering for public works of the relevant category during a suspension period if a serious construction accident occurs at a construction site for which such contractor is responsible for the safety performance of such contractor is not satisfactory. There is no assurance that serious accident will not occur at construction sites for which we are responsible for, or that we will not be subject to regulatory actions in the future which may have an adverse impact on our overall operations or on our eligibility to tender for public works of the Government. In the event that our Group fails to secure contracts from the Government or there is significant reduction of contracts from the Government in the future, our Group's business, results of operations and profitability may be adversely affected.

Our revenue is mainly derived from projects which are not recurring in nature and any significant decrease in the number of our projects would affect our operations and financial results

The majority revenue during the Reporting Year was derived from undertaking (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) LPM Services; and (iv) building works as a contractor in Hong Kong. We also engaged in building works in the Southeast Asia. Our engagements with customers were on a project basis and non-recurring in nature. We did not enter into any long term agreement or master service agreement with our customers as at the date of this annual report. After completion of the projects, our customers are not obliged to engage us again in subsequent projects, and we have to undergo the tendering process for every new project. There is no assurance that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue, and our operations and financial results would hence be adversely affected.

Our Group's business is labour-intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected

Our construction works are labour-intensive in nature. During the Reporting Year, our Group and our subcontractors did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, there is no assurance that we will not experience these problems in the future when the peak load of construction activities is ongoing. In the event that there is a significant increase in the costs and demand of labour and we have to retain our labour by increasing their wages, our staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and within budget, our Group's operations and profitability may be adversely affected.

Delay in the commencement of public projects, which may be caused by factors such as political disagreements, delay in approval of funding proposals, and the occurrence of large scale demonstration or occupation activities may adversely affect our operations and results of operation.

Delay in the commencement of public projects may be caused by factors such as political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents or entities. Any large-scale protests or occupation activity may also delay the construction works to be carried out in the affected areas. Our engagement in public projects depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where filibustering by the members thereof has often led to delays in the passing of public works funding proposals in recent years. Any change of the political environment in Hong Kong may affect the economy and construction industry in the region, which may adversely affect our operations and results of operations. The delay in the commencement of public projects may affect the utilisation of our equipment and our results of operation if we are not able to engage our equipment for other projects at the same or similar level. Further, the uncertainty on the commencement the relevant projects also make it more difficult for us to make accurate planning for the demand, deployment, utilisation of our equipment, which may adversely affect our operations and financial performance.

Our Group has been committed to exploring the business opportunity in different markets and may encounter business risk in oversea business markets

In order to enhance its overall business development and profitability, the Group has been committed to exploring business opportunities in different markets in recent years, including construction work in the Republic of the Philippines and Malaysia, and trading of chemical material business in Mainland China. Although the Group has adhered to the principle of prudent, orderly and steady advancement to the new business, the relevant business, financial condition and results of operations are still subject to risks and uncertainties in the countries in which the operations are conducted, including but not limited to international, regional and local economic and political conditions, Regulatory policies, local government policies and threshold requirements for infrastructure projects, restrictions on foreign investment and repatriation of earnings. In the event of any adverse change in these operating environments and laws, regulations or policies, the Group may be required to revoke or revise the existing arrangements in such countries, which may adversely affect its business, financial condition and results of operations.

Based on above, the Company considers the above communication policy by way of regular updates on the business and financial information of the Group through the publication of annual and interim reports, meetings with investors and face-to-face communications at annual general meetings are effective and adequate.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is dedicated to maintain sustainable working practices and pay close attention to ensure all resources are efficiently utilised. We strive to become an environmental-friendly corporation, and that we had placed an environmental officer in each of our contract to monitor and implement the project environmental management system.

We have an environmental management plan for each contract undertaken by our Group, which sets out our general environmental policies, organisational structure and responsibilities of our environmental protection team, in-house rules and regulations, environmental performance monitoring, implementation measures, waste management measures and review of requirements.

The Group and its business activities are subject to requirements under various laws. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Immigration Ordinance (Chapter 115 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors are of view that employees, customers and business partners are the keys to the sustainable development of the Group. Our Directors believe that our Group maintains good working relations with its employees and business partners and it endeavours to improve the quality of services to the customers.

Employees are regarded as the most important and valuable assets of the Group. We provide various types of trainings to our employees, including (i) conducting in-house continuous professional development seminars; (ii) subsidising our staff in pursuing further studies in related fields; and (iii) provision of safety training programme to staff to enhance their safety awareness.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the largest customer accounted for approximately 35% (2023: 48%) of the Group's total revenue. The five largest customers accounted for approximately 82% (2023: 84%) of the Group's total revenue for the Reporting Year.

The Group's five largest suppliers together accounted for approximately 18% (2023: approximately 45%) of the Group's total cost of sales for the Reporting Year. The largest supplier accounted for approximately 6% (2023: approximately 30%) of the total cost of sales of the Group for the Reporting Year.

Other than as set out in the paragraph above, to the best knowledge of the Directors, neither the Directors, their close associates (as defined in the Listing Rules), nor any Shareholders, who owned more than 5% of the Company's issued voting shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the Reporting Year.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") of the Company was adopted on 16 March 2015. The Scheme will be valid and effective for a period of 10 years commencing on 16 March 2015 and remains in force until 15 March 2025. There were no share option granted or agreed to be granted under the Scheme since the date of the adoption to the date of this annual report.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any Director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board has contributed or may contribute to the Group as incentive or reward for their contribution to the Group.

(b) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of shares as equals 10% of the issued share capital of the Company at the date of refreshment of the Scheme on 29 September 2020, being 1,584,000,000 shares, unless the Company obtains a fresh approval.

During the year, no Share Awards were granted, outstanding, vested, lapsed or cancelled prior to the termination of the Share Award Scheme. Accordingly, the total of number of the Company's shares available for being awarded under the Share Award Scheme (representing 10% of the issued share capital of the Company at the date of refreshment of the Scheme on 29 September 2020) as at 31 March 2024, 31 March 2023 and the date of this annual report were 158,400,000, nil and nil, respectively.

(c) Maximum number of options to any one grantee

Unless approved by the shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted to each grantee in any 12-month period must not exceed 1% of the shares in issue.

(d) Price of shares

The subscription price for shares under Scheme shall be determined at the discretion of the Directors but will not be less than the highest of:

(i) The closing price of the shares on the Stock Exchange as shown in the daily quotation sheet of the Stock Exchange on the offer date of the particular option, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("**Business Day**");

(ii) The average of the closing prices of the shares shown in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the offer date of that particular option; and

(iii) The nominal value of a share on the offer date of the particular option.

(e) Time of exercise of option

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but not later than 10 years from the date of grant but subject to the early termination of the Scheme.

SHARE CAPITAL

Details of movements in share capital of the Company during the Reporting Year are set out in Note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's article of association although there are no restrictions against such rights under the laws in the Cayman Islands.

TAX RELIEF AND EXEMPTION

The Board is not aware of any relief or exemption from taxation available to our shareholders by reason of their holdings in the Shares.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Year are set out in Note 34(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 March 2024, the Company's reserves of approximately HK$67,588,000 were available for distribution to the Company's shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained public float as required under the Listing Rules.

DIRECTORS

The Directors during the Reporting Year and up to the date of this annual report were as follows:

Executive Directors
Mr. Chen Zhenghua *(Chairman)*
Mr. Zhang Fangbing *(Chief Executive Officer)*
Mr. Cao Lei

Independent Non-executive Directors
Prof. Lam Sing Kwong, Simon
Mr. Lum Pak Sum
Mr. Gong Zhenzhi

Pursuant to article 83(3) of the articles of association of the Company (the "**Articles**"), the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the shareholders of the Company after his appointment and be subject to re-election. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of 3), the number nearest to but not less than one-third shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

In accordance with articles 83(3) and 84(2) of the articles of association of the Company, Mr. Lum Pak Sum and Mr. Cao Lei will retire and, being eligible, offer themselves for re-election at the Company's forthcoming annual general meeting.

Biographical details of the Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management". Information regarding Directors' and Chief Executive's emoluments is set out in Note 10 to the consolidated financial statements. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules have been received from each of the Independent Non-executive Directors.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 5 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date of appointment, as appropriate and will continue thereafter until terminated in accordance with the terms of the contract. Independent Non-executive Directors are appointed for a term of three years initially and will continue thereafter unless terminated by either party giving at least three months' notice in writing.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance to the Company in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year ended 31 March 2024.

INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors nor their respective associates (as defined in the Listing Rules) had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

The Independent Non-executive Directors have also reviewed the compliance by each of the Covenators with the Undertaking during the Reporting Year. The Independent Non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Covenators of the Undertaking given by them.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 10 and 11 to the consolidated financial statements.

The Remuneration Committee of the Company will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Scheme.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change in the information of the Directors required to be disclosed under the Listing Rules for the Reporting Year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 March 2024, the interests and short positions of the Directors and CEO in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

Name	Capacity	Number of issued shares interested	Approximate percentage of the issued share capital of the Company
Mr. Chen Zhenghua ("**Mr. Chen**") *(Note 1)*	Interest of controlled corporation	1,039,456,250 (L)	55.61%

Note:

1. The interests of Mr Chen was held by Sino Coronet Group Limited ("**Sino Coronet**"), which is a wholly-owned subsidiary of Jiangsu Provincial Construction Group Co., Ltd.* (江蘇省建築工程集團有限公司) ("**Jiangsu Construction**"), which in turn is owned as to 50% by Greenland Infrastructure Group Co., Ltd.* (綠地大基建集團有限公司) ("**Greenland Infrastructure**"), 35% by Jiangsu Huayuan Investment Group Ltd.* (江蘇華遠投資集團有限公司) ("**Jiangsu Huayuan**") and 15% by Nanjing Urban Development & Equity Investment Partnership Corporation Ltd. (Limited Partnership)* (南京城開股權投資合夥企業(有限合夥)) ("**Nanjing Urban Development**"). Jiangsu Huayuan is owned as to 99% by Mr. Chen and 1% by Ms. Dou Zhenghong.

* The English name is for identification purpose only.

Save as disclosed above, none of the Directors or Chief Executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to Appendix 10 to the Listing Rules.

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

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 March 2024, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and CEO.

Name	Capacity	Number of issued shares interested	Approximate percentage of the issued share capital of the Company
Sino Coronet Group Limited	Beneficial owner *(Note 1)*	1,039,456,250	55.61
Jiangsu Provincial Construction Group Co., Ltd.* 江蘇省建築工程集團有限公司	Interest of controlled corporation *(Note 1)*	1,039,456,250	55.61
Jiangsu Huayuan Investment Group Ltd.* 江蘇華遠投資集團有限公司	Interest of controlled corporation *(Note 1)*	1,039,456,250	55.61
Greenland Infrastructure Group Co., Ltd.* 綠地大基建集團有限公司	Interest of controlled corporation *(Note 1)*	1,039,456,250	55.61
Greenland Holding Group Co., Ltd.* 綠地控股集團有限公司	Interest of controlled corporation *(Note 1)*	1,039,456,250	55.61
Greenland Holdings Corporation Ltd.* 綠地控股集團股份有限公司 ("**Greenland Holdings**")	Interest of controlled corporation *(Note 1)*	1,039,456,250	55.61
Mr. Chen Zhenghua 陳正華 ("**Mr. Chen**")	Interest of controlled corporation *(Note 1)*	1,039,456,250	55.61

Notes:

1. The 1,039,456,250 Shares were held by Sino Coronet, which is wholly-owned by Jiangsu Construction, which in turn is owned as to 50% by Greenland Infrastructure, 35% by Jiangsu Huayuan and 15% by Nanjing Urban Development.

   Greenland Infrastructure is wholly–owned by Greenland Holding Group Co., Ltd.* (綠地控股集團有限公司), which in turn is owned as 95% by Greenland Holdings, a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600606) 5% by Greenland Financial Technology Group Limited (綠地金創科技集團有限公司). Greenland Holdings is owned as to 25.88% by Shanghai Greenland Investment Corporation (Limited Partnership)* (上海格林蘭投資企業(有限合夥)), 25.82% by Shanghai Land (Group) Co., Ltd.* (上海地產(集團)有限公司) and 20.55% by Shanghai Municipal Investment (Group) Corporation* (上海城投(集團)有限公司).

   Jiangsu Huayuan is owned as to 99% by Mr. Chen and 1% by Ms. Dou Zhenghong.

   * The English name is for identification purpose only.

Save as disclosed above, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares, underlying Shares and debentures 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 were recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31 March 2024.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party and connected transactions of the Group are set out in Note 36 to the consolidated financial statements. The related party transactions set out in Note 36 to the consolidated financial statements were fully exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Joint operation formed by Kwan On Construction Company Limited ("Kwan On") and U Tech Engineering Co. Ltd ("U-Tech")

On 10 October 2021, Kwan On and U-Tech entered into an agreement pursuant to which Kwan On Construction and U-Tech agreed to share the surplus, loss and assets and liabilities, rights and obligations arising from their cooperation in the project for the contract 2/WSD/21 in specific percentage, which Kwan On shares 51% and U-Tech shares 49%.

Joint operation formed by Univic Engineering Ltd ("Univic") and Wing Lee (SK) Construction Co. Ltd ("Wing Lee")

On 16 March 2021, Univic and Wing Lee entered into an agreement pursuant to which Univic and Wing Lee agreed to share the surplus, loss, assets and liabilities, rights and obligations arising from their cooperation in the project for the contract ED/2019/02 in specific percentage, which Univic shares 49% and Wing Lee shares 51%. Wing Lee is regarded as a connected person at the subsidiary level of the Company by reason of its ability to exercise influence over the affairs of Wing Lee – Univic.

Financial guarantee by a substantial shareholder of the Company

In accordance with the relevant arrangements entered into with a main contractor in the overseas hotel construction project in Thailand during the year ended 31 March 2019, the main contractor had assumed the obligation to pay certified value of works completed by the Group amounted to THB477,318,232 (equivalent to approximately HK$116,600,000). In 2020, the first repayment of THB205,620,283 (equivalent to approximately HK$48,721,000) had been received by the Group. During the year ended 31 March 2021, the second repayment of THB90,565,983 (equivalent to approximately HK$22,501,000) had been received by the Group. During the year ended 31 March 2022, the second installment of THB90,565,983 (equivalent to approximately HK$21,315,000) and underlying interest of THB14,490,557 (equivalent to approximately HK$3,454,000) had been received by the Group. As at 31 March 2022, the remaining Receivable amounted to THB90,565,983 (equivalent to approximately HK$25,590,000) and the interest thereon were guaranteed by a substantial shareholder of the Company, who was also the beneficial owner of the project. The guarantee was conducted on normal commercial terms and was not secured by the assets of our Group.

As at 31 March 2022, a performance deposit amounted to PHP198,545,576 (equivalent to approximately HK$29,782,000) was paid to the land owner for construction project in the Republic of the Philippines. It was secured by the pledge of entire equity interests in the land owner and guaranteed by a substantial shareholder of the Company. The guarantee was conducted on normal commercial terms and is not secured by the asset of our Group.

During the year ended 31 March 2023, the third installment of THB90,565,983 (equivalent to approximately HK$25,590,000) and underlying interest of THB14,490,557 (equivalent to approximately HK$1,613,000) had been received by the Group. The Group has received all receivable during the year.

The Directors, including the Independent Non-executive Directors, consider that all the continuing connected transactions between the Group and a connected person at the subsidiary level above are conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole and are in the ordinary and usual course of the business.

RIGHTS ISSUE

On 3 August 2022, the Company announced a proposed rights issue on the basis of one rights share (the "**Rights Share**") for every four existing Shares then held by the qualifying shareholders on the record date (25 August 2022, the "**Record Date**") at the subscription price of HK$0.15 per Rights Share (the "**Rights Issue**"). The Rights Issue was completed on 19 September 2022, and 285,159,962 fully-paid Rights Shares were allotted and issued accordingly. The gross proceeds raised from the Rights Issue was approximately HK$42.77 million and the net proceeds was approximately HK$41.27 million ("**Net Proceeds**"). The net price per Rights Share is approximately HK$0.145. The closing price per Share on 3 August 2022 (being the date on which the terms of Rights Issue were fixed) is HK$0.15.

The intended use and the actual use of the net proceeds raised from the Rights Issue are set out below:

	Proposed use of Net Proceeds HK$000	Approximate percentage of Net Proceeds	Actual use of the Net Proceeds up to 31 March 2024 HK$000	Amount unutilised as at 31 March 2024 HK$000
The construction projects in Hong Kong	33,016	80%	33,016	–
General working capital	8,254	20%	8,254	–
Total	41,270	100%	41,270	–

For further information in relation to the Rights Issue, please refer to the announcements of the Company dated 3 August 2022, 11 August 2022 and 19 September 2022 and the prospectus of the Company dated 26 August 2022.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

EQUITY-LINK AGREEMENTS

Save as disclosed in this annual report relating to share option scheme, no equity-link agreement have been entered into during the Reporting Year or subsisted at the end of the Reporting Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries, during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Year.

EMPLOYEES AND REMUNERATION POLICIES

The employees and remuneration policies of the Group during the Reporting Year is set out in the subsection headed "Employees and Remuneration Policies" on page 18 of this annual report. The content is part of the Management Discussion and Analysis.

There is no service contract, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) of any director.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than shareholdings disclosed above, at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, discussed internal controls, risk management and financial reporting matters and the audited consolidated financial statements for the Reporting Year.

AUDITORS

The consolidated financial statements for the year have been audited by Crowe (HK) CPA Limited ("**Crowe**"). A resolution will be submitted to the forthcoming annual general meeting of the Company to reappoint Crowe as auditor of the Company.

Messrs. PKF Hong Kong Limited ("**PKF**") resigned as the auditor of the Company with effect from 23 February 2023, and Crowe has been appointed as the auditor of the Company with effect from 23 February 2023 to fill in the vacancy following the resignation of PKF. The Board confirmed that there was no disagreement between PKF and the Company.

Messrs. SHINEWING (HK) CPA Limited ("**Shinewing**") resigned as the auditor of the Company with effect from 30 March 2020, and PKF has been appointed as the auditor of the Company with effect from 30 March 2020 to fill in the vacancy following the resignation of Shinewing. The Board confirmed that there was no disagreement between Shinewing and the Company.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Tuesday, 24 September 2024. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 17 September 2024 to Tuesday, 24 September 2024 (both days inclusive), during which period no share transfers will be registered.

In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Monday, 16 September 2024.

On behalf of the Board
Chen Zhenghua
Chairman

Hong Kong, 28 June 2024

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KWAN ON HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kwan On Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 58 to 165 which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy 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 (the "**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 HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

A. Revenue recognition from construction contracts

Refer to note 6 to the consolidated financial statements and the accounting policies on pages 71 to 73.

The Key Audit Matter	How the matter was addressed in our audit
For the year ended 31 March 2024, the Group recognised revenue of approximately HK$473,413,000 from construction contracts. The Group's revenue from construction works is recognised over time using the input method of which the progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs. Most of the construction works take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and budgeted costs at the commencement of the contracts and regularly assesses the progress of construction works as well as the financial impact of scope changes, claims, disputes and liquidated damages. Significant management judgements were required for estimations of revenue, budgeted costs as well as the progress of related construction works and these estimations had significant impact on the amount and timing of revenue recognised.	Our audit procedures in relation to the revenue recognition from construction contracts included the following: • understanding and evaluating the Group's process and control over contract revenue recognition and budget estimation; • testing the calculation of the revenue and profit recognised from construction contracts; • discussing with management about the progress of major projects and the forecast of contract costs, including estimated costs to completion and assessment of potential liquidated damages for major contracts; • testing, on a sample basis, the actual costs incurred on construction works during the reporting period; • testing, on a sample basis, the supporting documents of the budgets, which include subcontracting contracts, material purchase contracts/invoices and price quotations, etc.; and • comparing last year's budget against the current year's budget or actual costs incurred for major contracts on a sampling basis.

KEY AUDIT MATTERS (continued)

B. Impairment assessment on trade receivables and contract assets

Refer to notes 19, 20 and 32(a) to the consolidated financial statements and the accounting policies on pages 83 to 89.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 March 2024, the Group had trade receivables and contract assets (including retention receivables) amounted to approximately HK$428,742,000 in aggregate, representing approximately 66% of the Group's total assets. Significant management judgement and estimates were required in assessing the recoverability of trade receivables and contract assets, including the assessment of the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in payments, ageing analysis and forecast of future events and economic conditions. Management judgements and estimates have a significant impact on the level of loss allowance required for trade receivables and contract assets. The directors of the Company assessed the impairment of trade receivables and contract assets based on valuation performed by an independent professional valuer (the "**Valuer**").	Our audit procedures in relation to assess the recoverability of trade receivables and contract assets included the following: • understanding and evaluating the design and operating effectiveness of management control over the collection and the impairment assessment of the trade receivables and contract assets; • testing, on a sample basis, the ageing of trade receivables at year end; • testing, on a sample basis, subsequent settlements and the latest amounts certified by quantity surveyors appointed by customers; • in respect of material trade receivable and contract asset balances, inspecting relevant contracts and correspondence with the customers, evaluating their historical progress payment records and any default or delinquency in payments, and assessing their creditworthiness with reference to publicly available information, where applicable; • obtaining and reviewing the expected credit loss calculation prepared by management; • evaluating the competence, capabilities and objectivity of the Valuer; • understanding and challenging the Valuer's valuation methodology, significant assumptions adopted and significant unobservable inputs used in the valuation; • testing the mathematical accuracy of the calculation of expected credit losses, on a sample basis; and • evaluating the disclosures regarding the impairment of trade receivables and contract assets in the respective notes to the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 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.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

- 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 June 2024

Chan Wai Dune, Charles
Practising Certificate Number P00712

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 March 2024

	Notes	**2024** **HK$'000**	2023 HK$'000
Revenue	6	**654,452**	624,187
Cost of sales and services rendered		**(772,707)**	(655,780)
Gross loss		**(118,255)**	(31,593)
Net impairment losses on financial and contract assets	32(a)	**(3,420)**	(35,060)
Provision for litigations	26(a)	**(7,200)**	–
Impairment loss for property, plant and equipment	14	**(4,479)**	–
Other income	6	**9,003**	12,797
Other loss	6	**(276)**	(7,973)
Administrative expenses		**(54,804)**	(41,299)
Finance costs	7	**(17,381)**	(9,222)
Loss before tax		**(196,812)**	(112,350)
Income tax credit	8	**6,614**	128
Loss for the year	9	**(190,198)**	(112,222)
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**(10,128)**	(850)
		(10,128)	(850)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(5,730)**	(15,074)
		(5,730)	(15,074)
Other comprehensive expense for the year, net of nil income tax		**(15,858)**	(15,924)
Total comprehensive expenses for the year		**(206,056)**	(128,146)

	Note	2024 HK$'000	2023 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(155,403)**	(111,719)
Non-controlling interests		**(34,795)**	(503)
		(190,198)	(112,222)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(171,507)**	(127,668)
Non-controlling interests		**(34,549)**	(478)
		(206,056)	(128,146)
Loss per share			
Basic (HK cents)	13	**(8.31)**	(6.44)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Notes	**2024 HK$'000**	2023 HK$'000
Non-current assets			
Property, plant and equipment	14	**29,148**	39,255
Right-of-use assets	15	**3,245**	9,229
Interests in associates	16	**68**	68
Equity instrument at fair value through other comprehensive income	17	**16,442**	25,703
Other receivables and prepayments	19	**4,339**	5,644
Deferred tax asset	28	**3,730**	3,181
		56,972	83,080
Current assets			
Inventories	18	**–**	164,787
Trade and other receivables	19	**133,429**	171,777
Amounts due from other partners of joint operations	30	**1,903**	–
Contract assets	20	**375,387**	291,812
Pledged bank deposits	23	**56,510**	95,457
Cash and cash equivalents	23	**26,535**	47,624
		593,764	771,457
Current liabilities			
Contract liabilities	20	**29,748**	32,977
Trade and other payables	24	**337,398**	247,907
Amount due to immediate holding company	21	**49,481**	29,156
Amount due to an associate	22	**24**	24
Amounts due to other partners of joint operations	30	**–**	4,056
Bank borrowings	25	**85,058**	149,150
Provisions	26	**7,200**	8,269
Lease liabilities	27	**3,172**	8,170
Income tax payable		**4,123**	9,151
		516,204	488,860
Net current assets		**77,560**	282,597
Total assets less current liabilities		**134,532**	365,677
Non-current liabilities			
Bank borrowings	25	**–**	20,872
Provisions	26	**229**	–
Lease liabilities	27	**234**	2,836
Deferred tax liabilities	28	**469**	2,313
		932	26,021
NET ASSETS		**133,600**	339,656

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Note	**2024** **HK$'000**	2023 HK$'000
Capital and Reserves			
Share capital	29	**18,692**	18,692
Reserves		**151,319**	322,826
Equity attributable to owners of the Company		**170,011**	341,518
Non-controlling interests	35(b)	**(36,411)**	(1,862)
TOTAL EQUITY		**133,600**	339,656

The consolidated financial statements on pages 58 to 165 were approved and authorised for issue by the board of directors on 28 June 2024 and are signed on its behalf by:

Mr. Zhang Fangbing
Director

Mr. Chen Zhenghua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2024

	Attributable to owners of the Company											
	Share capital HK$'000	**Share premium HK$'000**	**Merger reserve HK$'000** *(Note (a))*	**Translation reserve HK$'000** *(Note (e))*	**Contributed surplus HK$'000** *(Note (b))*	**Capital reserve HK$'000** *(Note (c))*	**Investment revaluation reserve HK$'000** *(Note (f))*	**Reserve fund HK$'000** *(Note (d))*	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 1 April 2023	**18,692**	**394,285**	**9,755**	**(16,315)**	**22,968**	**12,544**	**(15,780)**	**223**	**(84,854)**	**341,518**	**(1,862)**	**339,656**
Transfer from retained profits	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22**	**(22)**	**–**	**–**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(155,403)**	**(155,403)**	**(34,795)**	**(190,198)**
Other comprehensive (expense)/income for the year	**–**	**–**	**–**	**(5,976)**	**–**	**–**	**(10,128)**	**–**	**–**	**(16,104)**	**246**	**(15,858)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(5,976)**	**–**	**–**	**(10,128)**	**–**	**(155,403)**	**(171,507)**	**(34,549)**	**(206,056)**
At 31 March 2024	**18,692**	**394,285**	**9,755**	**(22,291)**	**22,968**	**12,544**	**(25,908)**	**245**	**(240,279)**	**170,011**	**(36,411)**	**133,600**

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 *(Note (a))*	Translation reserve HK$'000 *(Note (e))*	Contributed surplus HK$'000 *(Note (b))*	Capital reserve HK$'000 *(Note (c))*	Investment revaluation reserve HK$'000 *(Note (f))*	Reserve fund HK$'000 *(Note (d))*	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2022	15,840	355,478	9,755	(1,216)	22,968	12,544	(14,930)	–	27,088	427,527	(1,384)	426,143
Issue of right issue shares *(note 29(b))*	2,852	38,807	–	–	–	–	–	–	–	41,659	–	41,659
Transfer from retained profits	–	–	–	–	–	–	–	223	(223)	–	–	–
Loss for the year	–	–	–	–	–	–	–	–	(111,719)	(111,719)	(503)	(112,222)
Other comprehensive (expense)/income for the year	–	–	–	(15,099)	–	–	(850)	–	–	(15,949)	25	(15,924)
Total comprehensive expense for the year	–	–	–	(15,099)	–	–	(850)	–	(111,719)	(127,668)	(478)	(128,146)
At 31 March 2023	18,692	394,285	9,755	(16,315)	22,968	12,544	(15,780)	223	(84,854)	341,518	(1,862)	339,656

Notes:

(a) The merger reserve of the Group represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

(b) Contributed surplus of approximately HK$22,968,000 represents the excess of the carrying amount of the Company's share of equity value of a subsidiary acquired and the nominal amount of the Company's shares issued for such acquisition at the time of the group reorganisation which was completed on 16 March 2015.

(c) The capital reserve arose from capital contribution from equity holders resulted from the events set out below:

(i) Pursuant to a written confirmation on 23 March 2015, two of the Company's shareholders, Fortune Decade Investments Limited ("**Fortune Decade**") and Twilight Treasure Limited ("**Twilight Treasure**"), agreed to bear the listing expenses in connection with 120,000,000 sales shares sold through the placing of the Company's shares which took place during the year ended 31 March 2015 and reimbursed their share of these expenses to the Company upon the listing of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited. The reimbursement of approximately HK$7,453,000 by these shareholders in their capacity as shareholders was accounted for as capital contribution to the Company; and

(ii) The shareholders of certain subsidiaries of the Company agreed to repay the dividends previously received by them by the way of set-off against their respective amounts receivable from those subsidiaries of the Group. Such repayment of dividends was accounted for as capital contribution to the Group.

(d) Reserve fund

Pursuant to applicable PRC regulations, PRC subsidiary is required to appropriate 10% of its profit after tax (after offsetting prior years' losses) to statutory reserve until such reserve reaches 50% of the registered capital of the subsidiary. The transfer to the statutory reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilized, upon approval by the relevant authorities, to offset accumulated losses or to increase paid-in capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(e) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(f) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of equity instruments designated at fair value through other comprehensive income under HKFRS 9 that are held at the end of the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(196,812)**	(112,350)
Adjustments for:			
Depreciation of property, plant and equipment	9	**6,133**	6,735
Depreciation of right-of-use assets	9	**6,043**	9,097
Finance costs	7	**17,381**	9,222
Net impairment losses on financial and contract assets	32(a)	**3,420**	35,060
Impairment loss for property, plant and equipment		**4,479**	–
Impairment loss for right-of-use assets		**336**	–
Impairment loss for prepayments	6	**–**	6,500
Provision for onerous contract	9	**–**	8,269
Provision for litigations	26	**7,200**	–
Provision for long service payments	26	**229**	–
Write back of payables		**(2,492)**	–
Interest income	6	**(644)**	(1,746)
Gain on disposal of property, plant and equipment	6	**(617)**	(406)
Gain on lease modification	6	**(18)**	(7)
Operating cash flows before movements in working capital		**(155,362)**	(39,626)
Decrease in inventories		**164,790**	–
Decrease/(increase) in trade and other receivables		**34,681**	(17,152)
Increase in contract assets		**(95,256)**	(168,413)
Increase in amounts due from other partners of joint operations		**(1,903)**	–
(Decrease)/increase in contract liabilities		**(2,294)**	17,402
Increase in trade and other payables		**91,477**	165,192
Decrease in amounts due to other partners of joint operations		**(4,056)**	(6,647)
Cash generated from/(used in) operations		**32,077**	(49,244)
Income tax (paid)/refunded, net		**(759)**	232
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**31,318**	(49,012)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(641)**	(3,315)
Proceeds from disposal of property, plant and equipment		**670**	418
Placement of pledged bank deposits		**(51,674)**	(486,729)
Withdrawal of pledged bank deposits		**90,548**	473,273
Interest received		**644**	1,746
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**39,547**	(14,607)
FINANCING ACTIVITIES			
New bank loans raised	39	**188,450**	648,999
Repayment of bank borrowings	39	**(273,375)**	(712,684)
Proceed from issue of shares	29(b)	**–**	42,774
Transaction costs attributable to issue of shares	29(b)	**–**	(1,115)
Capital element of lease liabilities paid	39	**(8,241)**	(8,032)
Interest element of lease liabilities paid	39	**(412)**	(740)
Advance from immediate holding company	39	**101,175**	68,449
Repayment to immediate holding company	39	**(80,825)**	(55,262)
Other interest paid	39	**(16,969)**	(11,609)
NET CASH USED IN FINANCING ACTIVITIES		**(90,197)**	(29,220)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(19,332)**	(92,839)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**47,624**	149,353
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(1,757)**	(8,890)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**26,535**	47,624
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**26,535**	47,624

1. GENERAL INFORMATION

Kwan On Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 6 December 2012 as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business is Unit 3401, 118 Connaught Road West, Hong Kong.

The Company is an investment holding company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the construction related business, property development in Hong Kong and Southeast Asia and trading of construction and chemical materials.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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 reporting periods beginning on or after 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
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

Except for Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period and financial statements disclosures.

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New HKICPA Guidance on the Accounting Implications of the Abolition of the MPF-LSP Offsetting Mechanism

In June 2022, the Government of the Hong Kong Special Administrative Region (the "**HKSAR Government**" or "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19, *Employee Benefits*, that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its long service payment liability and has applied the above HKICPA guidance. This has no material impact on the Group's results and financial position for the prior periods, and the Group recognised total charges of HK$229,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2024.

Amendments to HKAS 1 and HKFRS Practice Statement 2: *Disclosure of Accounting Policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following revised HKFRSs that have been issued but are not yet effective. The Group anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

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

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after a date to be determined

The Group is currently assessing the impact of these amendments. The Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to 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 Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings.

Revenue from contacts with customers

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

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

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 good or service.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contacts with customers (Continued)

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional under the payment terms set out in the contact. 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 goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

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 depicts the Group's performance in transferring control of goods or services.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contacts with customers (Continued)

Variable consideration

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

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

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

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Existence of significant financing component (Continued)

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or services before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

Property, plant and equipment

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

When the Group makes payments for ownership interests of properties which include 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 allocate the cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment (Continued)

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

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 net sales proceeds and the carrying amount of the asset and is recognised in profit or loss on the date of disposal or retirement.

Impairment of non-financial 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment of non-financial assets (Continued)

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

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

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases. At the lease commencement date, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less and without a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures lease liability at the present value of the lease payments (less any lease incentives receivable) that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the Group under residual value guarantees;
- exercise price of a purchase option if the Group is reasonably certain to exercise the option: and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The lease liability is subsequently measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

Right-of-use assets

The right-of-use assets recognised when a lease is capitalised is initially measured at cost, which comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement dates less lease incentives received and any initial direct costs incurred. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in the foreign operations.

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme for staff in Hong Kong and defined contribution retirement pension schemes for staff other than in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Defined benefit plan obligations

The Group has the LSP as defined benefit retirement plans under the Hong Kong Employment Ordinance.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For LSP obligations, 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.

The Group estimates the LSP obligations annually with the assistance of independent actuaries. This is based on the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Discount factors are determined close to the end of each annual reporting period by reference to government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related defined benefit liability.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Defined benefit plan obligations (Continued)

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in the consolidated statement of profit or loss or capitalized at the earlier of when the scheme amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise of actuarial gains and losses, the return on scheme assets in defined benefit retirement schemes (excluding amounts included in net interest on the net defined benefit liability/asset) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/asset).

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 does not give rise to equal taxable and deductible temporary difference.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, short-term deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out below.

Cash at bank excludes bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash. Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Stock of properties under development

Stock of properties under development for sale are stated at the lower of cost and net realisable value less anticipated costs to complete. Cost of stock of properties is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated costs to completion and the estimated costs necessary to make the sale. Net realisable value is determined by management estimates based on prevailing marketing conditions.

The relevant cost include acquisition costs, development expenditure, borrowing costs capitalised and other direct costs attributable to such properties. Upon completion, the properties are transferred to completed properties held for sale.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments

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

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

Financial assets

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 marketplace.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

– the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (Continued)

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECL**"), through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the financial asset on initial recognition.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. 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, in subsequent reporting periods, 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.

Interest income is recognised in profit or loss.

*Equity instruments designated as at fair value through other comprehensive income ("**FVTOCI**")*

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained profit/(accumulated losses).

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

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

The Group recognises a loss allowance for ECL on financial assets and other items which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, deposits, pledged bank deposits, bank balances and cash and financial guarantee contracts). 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 (for stage 2 and stage 3). In contrast, 12-month 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 (for stage 1). 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.

The Group always recognised lifetime ECL for trade receivables and contacts assets without significant financing component.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

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

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 since initial recognition:

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

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

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

Definition of default

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

– when there is a breach of financial covenants by the debtor; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

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

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information.

Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables and contract assets using a provision matrix, and/or assesses the ECL individually for trade receivables and contract assets with significant balances, taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

For other financial assets, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

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

Measurement and recognition of ECL (Continued)

For financial assets, the ECL is estimated as 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 issued by the Company, as the Company 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, 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 Company expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts issued by the Company for which the effective interest rate cannot be determined, the Company will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

Derecognition of financial assets

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

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

3. 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 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

Financial liabilities including trade and other payables, amount due to a related company, amount due to an associate, amounts due to other partners of joint operations, bank borrowings, and lease liabilities are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

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

A financial liability is derecognised 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Fair value measurement

When measuring fair value, except for the Group's share-based payment transactions, leasing transactions, value in use of property, plant and equipment and right-of-use asset for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Provisions, Contingent Liabilities and Onerous Contracts

Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Onerous Contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental cost of fulfilling the obligation under that contract and an allocation of other costs that relate directly to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Related parties

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Related parties (Continued)

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

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

*Consolidation of Kwan On – U-Tech Joint Venture 1 ("**Kwan On – U-Tech 1**")*

The Group formed a legal joint venture, Kwan On – U-Tech 1, with an independent third party namely U-Tech Engineering Co. Ltd. ("**U-Tech**"), for the purpose of execution of a contract. The Group can appoint the majority of the board of directors of Kwan On – U-Tech 1 and thus direct its relevant activities. The Group shares 70% of the profits or losses of Kwan On – U-Tech 1. The directors of the Company have therefore determined the Group has control over Kwan On – U-Tech 1 and the Group's financial statements have consolidated the results of Kwan On – U-Tech 1.

Joint operations

The Group formed ten unincorporated joint ventures, Kwan On – U-Tech Joint Venture 2 ("**Kwan On – U-Tech 2**"), Kwan On – U-Tech Joint Venture 3 ("**Kwan On – U-Tech 3**"), Kwan On – U-Tech Joint Venture 4 ("**Kwan On – U-Tech 4**"), Kwan On – U-Tech Joint Venture 5 ("**Kwan On – U-Tech 5**"), Wing Lee – Univic Joint Venture, Kwan On – China Geo Joint Venture ("**Kwan On – China Geo**"), Kwan On – China Geo Joint Venture 2 ("**Kwan On – China Geo 2**"), Kwan On – China Geo Joint Venture 3 ("**KO-CG Joint Venture 1**") and Kwan On – China Geo Joint Venture 4 ("**KO-CG Joint Venture 2**") with three independent third parties namely U-Tech, Wing Lee (SK) Construction Co. Ltd. ("**Wing Lee**") and China Geo-Engineering Corporation ("**China Geo**") respectively, and Kwan On – Vernaltex Joint Venture with Vernaltex Company Limited ("**Vernaltex**") for the purpose of execution of contracts.

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

Critical judgements in applying the Group's accounting policies (Continued)

Joint operations (Continued)

The Group and U-Tech jointly control over the relevant activities of Kwan On – U-Tech 2, Kwan On – U-Tech 3, Kwan On – U-Tech 4 and Kwan On – U-Tech 5. Under the joint venture agreements, the Group has participation share of 50%, 65%, 51% and 51% respectively to the income, expenses, assets, liabilities, rights and obligations arising out of or in connection with the contracts carried out by Kwan On – U-Tech 2, Kwan On – U-Tech 3, Kwan On – U-Tech 4 and Kwan On – U-Tech 5. As decisions about the relevant activities require unanimous consent of both the Group and U-Tech, the directors of the Company have determined that the joint arrangements are joint operations.

The Group and Wing Lee jointly control over the relevant activities of Wing Lee – Univic Joint Venture. Under the joint venture agreement, the Group has participation share of 49% to the income, expenses, assets, liabilities , rights and obligations arising out of or in connection with the contract carried out by Wing Lee – Univic Joint Venture. As decisions about the relevant activities require unanimous consent of both the Group and Wing Lee, the directors of the Company have determined that the joint arrangement is a joint operation.

The Group and China Geo jointly control over the relevant activities of Kwan On – China Geo, Kwan On – China Geo 2, KO-CG Joint Venture 1 and KO-CG Joint Venture 2. Under the joint venture agreements, the Group has participation share of 51% to the income, expenses, assets, liabilities, rights and obligations arising out of or in connection with the contracts carried out by Kwan On – China Geo, Kwan On – China Geo 2, KO-CG Joint Venture 1 and KO-CG Joint Venture 2. As decisions about the relevant activities require unanimous consent of both the Group and China Geo, the directors of the Company have determined that the joint arrangements are joint operations.

The Group and Vernaltex jointly control over the relevant activities of Kwan On – Vernaltex Joint Venture. Under the joint venture agreement, the Group has participation share of 51% to the income, expenses, assets, liabilities, rights and obligations arising out of or in connection with the contract carried out by Kwan On – Vernaltex Joint Venture. As decisions about the relevant activities require unanimous consent of both the Group and Vernaltex, the directors of the Company have determined that the joint arrangement is a joint operation.

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

Key sources of estimation uncertainty

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

Construction contracts revenue recognition

The Group recognises contract revenue in relation to provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading according to the management's estimation of the total outcome of the contract including the assessment of profitability of on-going construction contracts as well as the progress towards complete satisfaction of construction works of individual contract. Stage of completion was determined based on the proportion of contract costs incurred for works performed to date relative to the estimated total contract costs (input method). Total contract costs are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the past experience of similar projects. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue recognised.

Principal versus agent consideration (principal)

The Group is engaged in trading of construction and chemical materials. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 March 2024, the Group recognised revenue relating to trading of construction and chemical materials amounted to HK$72,072,000 (2023: HK$94,647,000).

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

Key sources of estimation uncertainty (Continued)

Loss allowance for trade receivables and other receivables and contract assets

The Group follows the guidance of HKFRS 9 to estimate the loss allowance for ECL on trade receivables and other receivables and contract assets are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the loss allowance calculations, based on aging analysis and/or credit rating of individual debtor as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment loss charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2024, the carrying amount of trade receivables, other receivables and contract assets are HK$53,355,000 (2023: HK$6,921,000), HK$76,683,000 (2023: HK$77,562,000) and HK$375,387,000 (2023: HK$291,812,000) respectively, net of accumulated impairment losses of HK$590,000 (2023: HK$588,000), HK$27,346,000 (2023: HK$25,655,000) and HK$13,370,000 (2023: HK$12,432,000) respectively. Details of the ECL calculation, credit policy and credit risk are disclosed in Notes 19, 20 and 32(a) to these consolidated financial statements.

Provisions and contingent liabilities

The Group recognises provisions when the Group has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposal of the asset. When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

For impairment assessment of leasehold land and buildings, in the case of fair value less cost of disposal, which is determined based on the valuation performed by independent professional valuers and involves certain assumptions of market conditions, the directors of the Company have relied on the valuator report and exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements would result in changes in the fair value less cost of disposal and hence the recoverable amounts of the Group's property, plant and equipment and right-of-use assets.

At 31 March 2024, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were HK$29,148,000 and HK$3,245,000 (2023: HK$39,255,000 and HK$9,229,000) respectively, after taking into account the impairment losses of HK$4,479,000 and HK$329,000 (2023: HK$nil and HK$nil) in respect of property, plant and equipment and right-of-use assets that have been recognised respectively.

Current tax

The subsidiaries of the Company are subject to income tax in the People's Republic of China (the "**PRC**"), Hong Kong, Malaysia and the Republic of the Philippines (the "**Philippines**"). Significant judgement is required in determining the provision for income tax. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the financial period in which such determination is made.

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

Key sources of estimation uncertainty (Continued)

Deferred tax asset

As at 31 March 2024, a deferred tax asset of HK$65,000 (2023: HK$nil), HK$3,730,000 (2023: HK$3,181,000) and HK$16,398,000 (2023: HK$13,095,000) in relation to lease liabilities, allowances for expected credit losses and unused tax losses, respectively, for certain operating subsidiaries has been recognised in the consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

5. SEGMENT INFORMATION

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

The following summary describes the operations in each of the Group's reportable segments:

Construction – the provision of construction and maintenance works on civil engineering contracts and building works contracts;

Property development – property development for sales of residential units, commercial units and car parking spaces; and

Trading – trading of construction and chemical materials.

The accounting policies of the operating segments are the same as the Group's accounting policies. The Chief Executive Officer assesses the performance of the operating segments based on the segment results, which represent the profit/loss before income tax earned by each segment without allocation of interest income, net exchange gain/loss, finance costs from lease liabilities, finance costs from bank borrowings, central administrative costs and directors' emoluments. Segment assets consist of all operating assets and exclude equity instrument at fair value through other comprehensive income and other corporate assets, which are managed on a central basis. Segment liabilities consist of all operating liabilities and excluded bank borrowings and other corporate liabilities, which are managed on a central basis.

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The information of segment revenue and segment results are as follows:

For the year ended 31 March 2024

	Construction HK$'000	Property development HK$'000	Trading HK$'000	Total HK$'000
REVENUE				
External sales	**473,413**	**108,967**	**72,072**	**654,452**
RESULTS				
Segment results	**(104,932)**	**(51,490)**	**28**	**(156,394)**
Unallocated interest income				**644**
Unallocated exchange loss – net				**(575)**
Unallocated finance costs arisen from lease liabilities				**(412)**
Unallocated finance costs arisen from bank borrowings				**(16,969)**
Central administrative costs and directors' emoluments				**(23,106)**
Consolidated loss before tax				**(196,812)**

For the year ended 31 March 2023

	Construction HK$'000	Property development HK$'000	Trading HK$'000	Total HK$'000
REVENUE				
External sales	529,540	–	94,647	624,187
RESULTS				
Segment results	(85,617)	(702)	99	(86,220)
Unallocated interest income				1,746
Unallocated exchange loss – net				(1,886)
Unallocated finance costs arisen from lease liabilities				(740)
Unallocated finance costs arisen from bank borrowings				(8,482)
Central administrative costs and directors' emoluments				(16,768)
Consolidated loss before tax				(112,350)

5. SEGMENT INFORMATION (CONTINUED)

Other information

For the year ended 31 March 2024

	Construction HK$'000	Property development HK$'000	Trading HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results					
Gain on disposal of property, plant and equipment	(617)	–	–	–	(617)
Gain on lease modification	(18)	–	–	–	(18)
Depreciation of property, plant and equipment	5,475	–	–	658	6,133
Depreciation of right-of-use assets	4,701	–	–	1,342	6,043
Provision for litigations	7,200	–	–	–	7,200
Impairment loss for property, plant and equipment	–	–	–	4,479	4,479
Impairment loss for right-of-use assets	–	–	–	336	336
Impairment loss of trade receivable under ECL model	40	–	–	–	40
Impairment loss of other receivables under ECL model	1,877	–	–	–	1,877
Impairment loss of contract assets under ECL model	1,503	–	–	–	1,503
Write back of payables	(2,492)	–	–	–	(2,492)
Amounts not included in the measure of segment results					
Interest income	–	–	–	(644)	(644)
Finance costs	–	–	–	17,381	17,381

5. SEGMENT INFORMATION (CONTINUED)

Other information (Continued)

For the year ended 31 March 2023

	Construction HK$'000	Property development HK$'000	Trading HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results					
Gain on disposal of property, plant and equipment	(406)	–	–	–	(406)
Gain on lease modification	(7)	–	–	–	(7)
Depreciation of property, plant and equipment	5,993	–	–	742	6,735
Depreciation of right-of-use assets	7,719	–	–	1,378	9,097
Impairment loss of other receivables under ECL model	22,040	–	–	–	22,040
Impairment loss of trade receivables under ECL model	588	–	–	–	588
Impairment loss of contract assets under ECL model	12,432	–	–	–	12,432
Impairment loss for prepayments	6,500	–	–	–	6,500
Provision for onerous contracts	8,269	–	–	–	8,269
Amounts not included in the measure of segment results					
Interest income	–	–	–	(1,746)	(1,746)
Finance costs	–	–	–	9,222	9,222

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

As at 31 March 2024

	Construction HK$'000	**Property development HK$'000**	**Trading HK$'000**	**Total HK$'000**
Reportable segment assets	**570,619**	**25,636**	**–**	**596,255**
Reportable segment liabilities	**471,196**	**13,397**	**–**	**484,593**
Other segment information:				
Additions to non-current assets	**1,528**	**–**	**–**	**1,528**

As at 31 March 2023

	Construction HK$'000	Property development HK$'000	Trading HK$'000	Total HK$'000
Reportable segment assets	579,003	176,620	–	755,623
Reportable segment liabilities	467,715	34,370	–	502,085
Other segment information:				
Additions to non-current assets	8,358	–	–	8,358

Segment assets consist primarily of certain property, plant and equipment, right-of-use assets, inventories, trade and other receivables, amounts due from other partners of joint operations, contract assets, certain pledged bank deposits, certain bank balances and cash and deferred tax assets.

Segment liabilities consist primarily of contract liabilities, trade and other payables, amount due to a related company, amounts due to other partners of joint operations, certain bank borrowings, provision, lease liabilities, income tax payable and deferred tax liabilities.

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

Reconciliation of reportable segment assets to total assets is as follows:

	2024 **HK$'000**	2023 HK$'000
Total reportable segment assets	**596,255**	755,623
Equity instrument at fair value through other comprehensive income	**16,442**	25,703
Unallocated corporate assets – property, plant and equipment	**23,767**	28,934
Unallocated corporate assets – bank balances and cash	**426**	209
Unallocated corporate assets – pledged bank deposits	**1,403**	39,368
Other unallocated corporate assets	**12,443**	4,700
Total assets	**650,736**	854,537

Reconciliation of reportable segment liabilities to total liabilities is as follows:

	2024 **HK$'000**	2023 HK$'000
Total reportable segment liabilities	**484,593**	502,085
Unallocated corporate liabilities – bank borrowings	**8,168**	8,665
Other unallocated corporate liabilities	**24,375**	4,131
Total liabilities	**517,136**	514,881

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

All of the Group's revenue was derived from Hong Kong, the PRC, Malaysia and the Philippines, based on the location of the customers. Information about the Group's non-current assets other than equity instrument at fair value through other comprehensive income, other receivables and deferred tax assets is presented based on the geographical location of the assets.

	2024 HK$'000	2023 HK$'000
Revenue from external customers		
– Hong Kong (place of domicile)	**173,181**	313,007
– The PRC	**118,492**	292,057
– Malaysia	**213,214**	19,123
– Philippines	**149,565**	–
	654,452	624,187

	Non-current Assets	
	2024 **HK$'000**	2023 HK$'000
– Hong Kong (place of domicile)	**30,983**	45,417
– New Zealand	**–**	1,731
– Malaysia	**1,410**	1,336
– Thailand	**68**	68
	32,461	48,552

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

Construction segment	2024 HK$'000	2023 HK$'000
– Customer A	**163,851**	297,957
– Customer B	**–***	125,168
– Customer C	**–***	72,242
– Customer D	**193,737**	–*
– Customer E	**108,967**	–

* Less than 10% of the Group's revenue in the respective year.

6. REVENUE, OTHER INCOME AND OTHER LOSS

Revenue

The Group's revenue represents amount received and receivable from contract works performed and trading of construction and chemical materials.

(i) Disaggregation of revenue from contracts with customers

	2024 **HK$'000**	2023 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
– Provision of construction and maintenance works on civil engineering contracts and building works contracts, recognised over time	**473,413**	529,540
– Sales of properties, recognised at a point in time	**108,967**	–
– Trading of construction and chemical materials, recognised at a point in time	**72,072**	94,647
	654,452	624,187

(ii) Performance obligations for contracts with customers

Construction

The Group provides construction 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 input method.

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 or the value of construction work has to be agreed with the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables when the Group issues invoice to the customers based on the value of work certified by independent quantity surveyors.

6. REVENUE, OTHER INCOME AND OTHER LOSS (CONTINUED)

Revenue (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Construction (Continued)

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which range 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.

Trading of construction and chemical materials

The Group sells construction and chemical materials directly to corporate customers. Revenue is recognised when control of the goods has been transferred, being at the point in time when the goods are delivered to the customer's specific location.

(iii) Transaction price allocated to remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 31 March 2024 and 2023 and the expected timing of recognising revenue are as follows:

	2024	2023
	HK$'000	HK$'000
Construction services		
Within one year	**205,776**	664,097
More than one year	**16,930**	96,015
	222,706	760,112

The construction period varies from one to four years. The amounts disclosed above represent the Group's expectation on the timing of construction services provided.

6. REVENUE, OTHER INCOME AND OTHER LOSS (CONTINUED)

Other income and other gain/(loss)

An analysis of the Group's other income and other loss recognised during the year is as follows:

	2024	2023
	HK$'000	HK$'000
Other income		
Bank interest income	**644**	133
Other interest income	**–**	1,613
Government grants *(Note a)*	**–**	4,708
Sales of scrap materials	**3,810**	3,133
Insurance compensation	**1,084**	685
Write back of payables	**2,492**	–
Sundry income	**973**	2,525
	9,003	12,797
Other loss		
Gain on disposal of property, plant and equipment	**617**	406
Gain on lease modification	**18**	7
Impairment loss for prepayments	**–**	(6,500)
Impairment loss for right-of-use assets	**(336)**	–
Exchange loss	**(575)**	(1,886)
	(276)	(7,973)

Note:

(a) The government grants recognised in other income represent the employment support scheme paid by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There is no unfulfilled condition in relation to the government grant as at 31 March 2023.

7. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest on bank borrowings *(Note 39)*	**16,969**	11,609
Interest on lease liabilities *(Note 39)*	**412**	740
Total interest expenses on financial liabilities not at fair value through profit or loss	**17,381**	12,349
Less: Amount capitalised in inventories	**–**	(3,127)
	17,381	9,222

Specific borrowing costs are capitalised for the development of qualifying assets.

8. INCOME TAX CREDIT

	2024 HK$'000	2023 HK$'000
Current tax:		
Hong Kong	**–**	2,509
The PRC	**195**	814
Malaysia	**90**	–
Philippines	**483**	–
	768	3,323
Over-provision in prior years:		
Hong Kong	**(4,989)**	–
Deferred tax *(Note 28)*	**(2,393)**	(3,451)
Income tax credit for the year	**(6,614)**	(128)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from Hong Kong for the year ended 31 March 2024.

The PRC subsidiary is subject to income tax at 25% for both years under Enterprise Income Tax Law ("**EIT law**").

8. INCOME TAX CREDIT (CONTINUED)

The Corporate Income Tax in the Republic of the Philippines is calculated at 25% of assessable profit for both years.

The Corporate Income Tax in Malaysia is calculated at 24% of assessable profit for both years.

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

	2024 **HK$'000**	2023 HK$'000
Loss before tax	**(196,812)**	(112,350)
Notional tax on loss before taxation, calculated at Hong Kong profits tax rate of 16.5% (2023: 16.5%)	**(32,474)**	(18,538)
Effect of different tax rates in other jurisdiction	**(5,936)**	(1,329)
Tax effect of income not taxable for tax purpose	**(538)**	(289)
Tax effect of expenses not deductible for tax purpose	**18,710**	10,389
Tax effect of tax losses not recognised	**18,078**	9,510
Tax effect of utilisation of tax losses	**(774)**	(1,402)
Tax effect of unrecognised decelerated tax allowances	**1,309**	–
Over-provision in prior years	**(4,989)**	–
Others	**–**	1,531
Income tax credit for the year	**(6,614)**	(128)

Details of deferred tax are set out in Note 28.

9. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging:

	2024 **HK$'000**	2023 HK$'000
Carrying amount of goods sold	**231,812**	94,548
Cost of construction services rendered *(Note i)*	**540,895**	561,232
Auditor's remuneration		
– audit services	**1,200**	1,100
– other services	**180**	–
Depreciation of property, plant and equipment *(Note i)*	**6,133**	6,735
Depreciation of right-of-use assets *(Note i)*	**6,043**	9,097
Short-term lease expenses *(Note i and ii)*	**6,534**	6,080
Provision for onerous contracts *(Notes i and 26)*	**–**	8,269
Emoluments of directors and chief executive *(Note 10)*	**1,218**	1,328
Salaries, wages and other benefits (excluding directors' emoluments)	**90,188**	85,873
Retirement benefits schemes contributions (excluding directors)	**1,433**	2,794
Total staff costs *(note i)*	**92,839**	89,995

Note:

(i) Cost of construction services rendered includes depreciation of HK$8,215,000 (2023: HK$10,659,000), staff costs of HK$61,599,000 (2023: HK$66,468,000), short-term lease expenses of HK$3,691,000 (2023: HK$5,271,000) and provision for onerous contracts of HK$nil (2023: HK$8,269,000), which are also included in the respective total amounts disclosed separately above.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 6 (2023: 6) directors (including the chief executive) were as follows:

For the year ended 31 March 2024

	Chief executive officer	Executive directors		Independent non-executive directors			
	Mr. Zhang Fangbing HK$'000	Mr. Chen Zhenghua HK$'000	Mr. Cao Lei HK$'000	Mr. Gong Zhenzhi HK$'000	Mr. Lam Sing Kwong Simon HK$'000	Mr. Lum Pak Sum HK$'000	Total HK$'000
Emoluments paid and payable in respect of a person's services as a director of the Company							
Fees	–	–	–	60	150	150	360
Emoluments paid and payable in respect of director's other services or chief executive's service in connection with the management of the affairs of the Company and its subsidiary undertakings							
Other emoluments							
Salaries	480	–	360	–	–	–	840
Discretionary bonus	–	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	18	–	–	–	18
Total emoluments	480	–	378	60	150	150	1,218

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 March 2024 and 2023.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 March 2023

	Chief executive officer	Executive directors		Independent non-executive directors			
	Mr. Zhang Fangbing HK$'000	Mr. Chen Zhenghua HK$'000	Mr. Cao Lei HK$'000	Mr. Gong Zhenzhi HK$'000	Mr. Lam Sing Kwong Simon HK$'000	Mr. Lum Pak Sum HK$'000	Total HK$'000
Emoluments paid and payable in respect of a person's services as a director of the Company							
Fees	–	–	–	60	150	150	360
Emoluments paid and payable in respect of director's other services or chief executive's service in connection with the management of the affairs of the Company and its subsidiary undertakings							
Other emoluments							
Salaries	590	–	360	–	–	–	950
Discretionary bonus	–	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	18	–	–	–	18
Total emoluments	590	–	378	60	150	150	1,328

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2023: none) was chief executive/director of the Company whose emoluments are included in Note 10 above. The emoluments of the remaining five (2023: five) individuals were as follows:

	2024	2023
	HK$'000	HK$'000
Salaries and other benefits	**7,049**	5,429
Retirement benefits schemes contributions	**54**	63
Bonus	**–**	210
	7,103	5,702

Their emoluments were within the following bands:

	2024	2023
	Number of Individuals	Number of Individuals
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**2**	–

During the years ended 31 March 2024 and 2023, no emoluments were paid by the Group to any of the directors or chief executive or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

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

13. LOSS PER SHARE

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

Loss

	2024	2023
	HK$'000	HK$'000
Loss for the purpose of basic loss per share	**(155,403)**	(111,719)

Number of ordinary shares

	2024	2023
	'000	'000
Weighted average number of ordinary shares	**1,869,160**	1,734,038

Since there were no potential ordinary shares in issue during the years ended 31 March 2024 and 2023, no diluted loss per share is presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2022	32,882	1,340	6,063	18,709	19,756	78,750
Additions	–	–	244	1,525	1,546	3,315
Disposals	–	–	(819)	(1,169)	(1,693)	(3,681)
Exchange adjustments	–	–	1	–	6	7
At 31 March 2023 and 1 April 2023	32,882	1,340	5,489	19,065	19,615	78,391
Additions	–	–	180	137	324	641
Disposals	–	–	(640)	(2,232)	(3,637)	(6,509)
Exchange adjustments	–	–	(7)	(8)	(73)	(88)
At 31 March 2024	**32,882**	**1,340**	**5,022**	**16,962**	**16,229**	**72,435**
ACCUMULATED DEPRECIATION						
At 1 April 2022	3,290	1,237	5,657	13,097	12,789	36,070
Charge for the year	658	103	71	2,478	3,425	6,735
Eliminated on disposals	–	–	(819)	(1,169)	(1,681)	(3,669)
At 31 March 2023 and 1 April 2023	3,948	1,340	4,909	14,406	14,533	39,136
Charge for the year	658	–	117	2,535	2,823	6,133
Eliminated on disposals	–	–	(640)	(2,232)	(3,584)	(6,456)
Exchange adjustments	–	–	–	(1)	(4)	(5)
At 31 March 2024	**4,606**	**1,340**	**4,386**	**14,708**	**13,768**	**38,808**
ACCUMULATED IMPAIRMENT						
At 1 April 2022, 31 March 2023 and 1 April 2023	–	–	–	–	–	–
Impairment loss for the year	4,479	–	–	–	–	4,479
At 31 March 2024	**4,479**	**–**	**–**	**–**	**–**	**4,479**
CARRYING VALUES						
At 31 March 2024	**23,797**	**–**	**636**	**2,254**	**2,461**	**29,148**
At 31 March 2023	28,934	–	580	4,659	5,082	39,255

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Leasehold land and building	50 years or over the lease terms, whichever is shorter
Leasehold improvements	38% or over the lease terms, whichever is shorter
Furniture and fixtures	20% – 25%
Machinery	15% – 25%
Motor vehicles	25%

As at 31 March 2024, the Group's leasehold land and building with carrying amount amounting to approximately HK$23,797,000 (2023: HK$28,934,000) was pledged to secure banking facilities granted to the Group (Note 25).

As at 31 March 2024, included in the property, plant and equipment is the Group's leasehold land and building under long lease located in Hong Kong of HK$23,797,000 (2023: HK$28,934,000) of which the Group is the registered owner of this property interest, including the underlying leasehold land. Lump sum payments were made upfront to acquire the property interest. The leasehold land component of this property interest is presented separately only if the payments made can be allocated reliably.

The directors considered that there was an indication of impairment for property, plant and equipment as the market value of the Group's leasehold land and building decreased during the year. An independent valuer was appointed to assess the recoverable amount of the leasehold land and building, which is based on the fair values less costs to sell, using direct comparison approach by reference to recent transaction price of similar properties, adjusted for differences such as building age, floor level and size etc.. As a result, an impairment loss of HK$4,479,000 was made for the year ended 31 March 2024.

15. RIGHT-OF-USE ASSETS

	Leasehold properties HK$'000
COST	
At 1 April 2022	25,099
Additions	5,043
Termination of lease	(656)
Exchange adjustments	(431)
At 31 March 2023 and 1 April 2023	29,055
Additions	887
Termination of lease	(1,712)
Exchange adjustments	(225)
At 31 March 2024	**28,005**
ACCUMULATED DEPRECIATION	
At 1 April 2022	11,183
Charge for the year	9,097
Termination of lease	(355)
Exchange adjustments	(99)
At 31 March 2023 and 1 April 2023	19,826
Charge for the year	6,043
Termination of lease	(1,281)
Exchange adjustments	(157)
At 31 March 2024	**24,431**
ACCUMULATED IMPAIRMENT	
At 1 April 2022, 31 March 2023 and 1 April 2023	–
Impairment loss for the year	336
Exchange adjustments	(7)
At 31 March 2024	**329**
CARRYING VALUES	
At 31 March 2024	**3,245**
At 31 March 2023	9,229

15. RIGHT-OF-USE ASSETS (CONTINUED)

The Group has obtained the right to use other properties as its office premises through tenancy agreements. These leases typically run for an initial period of 2 to 5 years.

As at 31 March 2024 and 2023, the Group had no lease with variable lease payment. The lease agreements do not impose any extension options which are exercisable only by the Group and not by the respective lessors.

Details of the maturity analysis of lease liabilities are set out in Note 27 to these consolidated financial statements.

The total cash outflow for leases for the year ended 31 March 2023 was HK$15,187,000 (2023: HK$14,852,000), as below:

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2024 **HK$'000**	2023 HK$'000
Within		
Operating cash flows	**6,534**	6,080
Financing cash flows	**8,653**	8,772
	15,187	14,852

Those amounts relate to the following:

	2024 **HK$'000**	2023 HK$'000
Lease rentals paid	**15,187**	14,852

As at 31 March 2024, the Group is committed to approximately HK$213,000 (2023: HK$nil) for short-term leases.

16. INTERESTS IN ASSOCIATES

	2024 HK$'000	2023 HK$'000
Costs of investment in associates	**3,024**	3,024
Share of post-acquisition losses and other comprehensive expense	**(2,956)**	(2,956)
	68	68
Loan to an associate *(Note (a))*	**5,000**	5,000
	5,068	5,068
Impairment on loan to an associate *(Note (b))*	**(5,000)**	(5,000)
	68	68

Notes:

(a) The loan to an associate is unsecured, interest-free and not repayable within one year.

(b) In addition to the loan to an associate described in Note 16(a), the Group periodically reviews the aggregate exposures to associates to assess whether there is any potential impairment over its interests in associates.

As at 31 March 2024 and 2023, the Group had interests in the following associates:

Name of entity	Form of entity	Country of incorporation/ place of operation	Class of shares held	Proportion of ownership interests or participating shares held by the Group 2024	2023	Proportion of voting power held 2024	2023	Principal activity
Ever Capital Holdings Limited ("**Ever Capital**")	Incorporated	Hong Kong/ Hong Kong	Ordinary	**34.5%**	34.5%	**34.5%**	34.5%	Investment holding
Jun An Construction (Thailand) Co., Limited ("**Jun An**")	Incorporated	Thailand/ Thailand	Ordinary	**49%**	49%	**49%**	49%	Provision of construction services

17. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	2023
	HK$'000	HK$'000
Common shares listed on The Philippine Stock Exchange, Inc., at fair value	**16,442**	25,703

The amount represents the fair value of 200,000,000 common shares in Philippine Infradev Holdings, Inc., a company listed on The Philippine Stock Exchange, Inc. (Stock Code: IRC) ("**IRC**"). As at 31 March 2024 and 2023, the Group held approximately 3.3% equity interest of IRC. The Group intends to hold the equity instrument for long-term strategic purpose instead of held-for-trading.

Details of the fair value measurements of the equity instrument are set out in Note 32(f) to these consolidated financial statements.

Subsequent to the reporting period, the trading of IRC has been suspended.

18. INVENTORIES

As at 31 March 2023, inventories of HK$164,787,000 represented property under development for sale on two parcels of freehold land located in the Republic of Philippines (the "**Freehold Land**") and the Freehold Land was pledged to secure banking facilities granted to the Group (Note 25).

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate direct cost of development, direct tax and borrowing costs capitalised.

During the year ended 31 March 2024, the Group entered into a formal conditional sale and purchase agreement with an independent third party to dispose of the Freehold Land (the "**Disposal**"), at a consideration (net of sales-related taxes) of approximately HK$108,967,000 (note 6). Details of the Disposal are set forth in the Company's announcement dated 13 December 2023. The pledge of the Freehold Land was released upon receipt of the repayment of bank borrowings during the year ended 31 March 2024 (Note 25).

19. TRADE AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables *(Note (d))*	**53,945**	7,509
Less: impairment loss recognised of trade receivable under ECL model	**(590)**	(588)
Net trade receivables	**53,355**	6,921
Performance deposits *(Note (a))*	**72,763**	71,328
Other receivables *(Note (b))*	**26,771**	26,454
	99,534	97,782
Less: impairment loss recognised of other receivables under ECL model	**(27,346)**	(25,655)
Net other receivables	**72,188**	72,127
Other tax receivables	**60**	11,593
Prepayments to subcontractors *(Note (c))*	**2,955**	70,413
Other prepayments	**4,715**	10,932
Other deposits	**4,495**	5,435
Total trade and other receivables	**137,768**	177,421
Less: classified under non-current assets	**(4,339)**	(5,644)
	133,429	171,777

Notes:

(a) Included in the performance deposits amounted to PHP198,545,576 (equivalent to approximately HK$27,665,000 (2023: HK$28,670,000) paid to the land owner for construction project in the Republic of the Philippines. The balance was interest-free, repayable upon the completion of construction project, secured by the pledge of entire equity interest in the property project company held by the land owner and guaranteed by a substantial shareholder of the Company.

Included in the performance deposits amounted to RMB37,350,000 (equivalent to approximately HK$40,480,000) (2023: HK$42,658,000) paid to the land owners for construction projects in the PRC. The balance was unsecured, interest-free, repayable upon the completion of construction projects.

Included in the performance deposits amounted to MYR2,787,000 (equivalent to approximately HK$4,618,000) (2023: HK$nil) paid to a financial institution in Malaysia for the provision of the guarantee for the construction projects in Malaysia. The balance was unsecured, interest-free, repayable upon the completion of construction projects.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(b) Included in other receivables of the Group was amount due from the non-controlling interest namely, U-Tech Engineering Co. Ltd., of a subsidiary namely Kwan On-U-Tech 1, amounting to HK$nil as at 31 March 2024 (2023: HK$1,965,000). The balance was unsecured, interest-free and repayable on demand.

Included in other receivables of the Group was amount due from a sub-contractor of the Group amounting to HK$22,684,000 as at 31 March 2024 (2023: HK$22,684,000). The balance represented construction and material purchase cost paid on behalf of the sub-contractor. This sub-contractor had worked for the Group since July 2022. However, during the year ended 31 March 2023, the sub-contractor failed to perform the sub-contracting work up to the Group's satisfaction. Accordingly the Group terminated the sub-contracting arrangement with the sub-contractor. As at 31 March 2024 and 2023, the Group is in a litigation with the sub-contractor which it claimed the Group for the sub-contracting fee payable to it and compensation upon the termination of sub-contracting whereas the Group will counter-claim the amount due by the sub-contractor. This balance is long outstanding and thus credit-impaired, and full allowance for ECL of HK$22,684,000 as at 31 March 2024 (2023: HK$22,684,000) is made.

(c) The amount represented the prepayments made to subcontractors for the construction and material purchase cost and was expected to be settled against the sub-contracting fee payable by the Group upon performance of the related contracts by the sub-contractors.

(d) Trade receivables

The Group allows an average credit period of 30 to 45 days (2023: 21 days) to its trade customers. Normally, the Group does not obtain collateral from customers. The following is an aging analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2024 **HK$'000**	2023 HK$'000
Within 30 days	**53,362**	6,923
Over 1 year	**583**	586
	53,945	7,509

Aging analysis of trade receivables by due dates are as follows:

	2024 **HK$'000**	2023 HK$'000
Not past due	**53,362**	6,923
Past due for over 1 year	**583**	586
	53,945	7,509

Further details on the Group's credit policy and credit risk arising from trade and other receivables are set out in Note 32(a) to these consolidated financial statements.

20. CONTRACT ASSETS/CONTRACT LIABILITIES

(a) Contract assets

	2024 **HK$'000**	2023 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts *(Note (a))*	**331,709**	269,147
Retention receivables of construction contracts *(Note (b))*	**57,048**	35,097
Total contract assets	**388,757**	304,244
Less: impairment loss recognised of contract assets	**(13,370)**	(12,432)
Net contract assets	**375,387**	291,812
Retention receivables of construction contracts		
Due after one year	**57,048**	35,097

20. CONTRACT ASSETS/CONTRACT LIABILITIES (CONTINUED)

(a) Contract assets (Continued)

Notes:

(a) 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 trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables 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 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.

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

The significant increase in the contract assets is the result of additional construction contracts during the year.

Further details on the Group's credit policy and credit risk arising from contract assets are set out in Note 32(a) to these consolidated financial statements.

(b) Contract liabilities

	2024	2023
	HK$'000	HK$'000
Contract liabilities arising from:		
Construction contracts	**29,748**	32,977

Contract liabilities of the Group, which are expected to be settled within the Group's normal operating cycle, are classified as current.

Revenue from construction contracts recognised during the year ended 31 March 2024 that was included in the contract liabilities at the beginning of the year was HK$32,977,000 (2023: HK$15,509,000).

21. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest-free, repayable on demand and denominated in Renminbi, United States dollars and Hong Kong dollars.

22. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, interest-free, repayable on demand and denominated in Thai baht.

23. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

Pledged bank deposits amounting to HK$56,510,000 (2023: HK$95,457,000) have been pledged to secure short-term bank loans/undrawn facilities (Note 25).

The pledged bank deposits carry interest rate ranging from 0.89% to 1.30% (2023: 0.01% to 2.25%) per annum.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. TRADE AND OTHER PAYABLES

	2024 **HK$'000**	2023 HK$'000
Trade payables	**117,009**	73,526
Retention payables	**40,421**	42,567
Amount due to non-controlling interest of a subsidiary *(Note (a))*	**12,929**	12,873
Accrued construction cost	**141,013**	102,934
Other tax payables	**4,623**	–
Other payables and accruals	**17,549**	16,007
Delay damages payable *(Note (b))*	**3,854**	–
	337,398	247,907

Notes:

(a) The balance is unsecured, non-interest bearing and repayable on demand. None of the balances are denominated in currencies other than functional currencies of the respective group entities.

(b) During the year ended 31 March 2024, a project has been terminated by a customer of the Group due to the delay in completion of various jobs as required by the customer. The amount represents the liquidated damages payable to the customer in accordance with the relevant terms and conditions set out in the agreement with the customer, which is estimated by an external independent surveyor.

24. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2024	2023
	HK$'000	HK$'000
Within 30 days	**48,217**	6,897
More than 30 days but within 90 days	**5,222**	20,028
More than 90 days	**63,570**	46,601
	117,009	73,526

The credit period on purchases of goods is 30 to 45 days.

25. BANK BORROWINGS

	2024	2023
	HK$'000	HK$'000
Unsecured bank loans	**23,390**	1,142
Secured bank loans	**61,668**	168,880
	85,058	170,022

None of the bank borrowings are denominated in currencies other than functional currencies of the respective group entities.

25. BANK BORROWINGS (CONTINUED)

Carrying amount repayable based on scheduled repayment dates set out in the loan agreements:

	2024 **HK$'000**	2023 HK$'000
Within one year	**77,399**	140,996
More than one year, but not exceeding two years	**527**	14,438
More than two years, but not exceeding five years	**1,690**	8,626
More than five years	**5,442**	5,962
	85,058	170,022
Less: Amounts shown under current liabilities		
– Carrying amount of bank borrowings that are not repayable within one year but contain a repayment on demand clause	**(7,659)**	(8,154)
– Carrying amount of bank borrowings repayable within one year and contain a repayable on demand clause	**(77,399)**	(127,082)
– Carrying amount of bank borrowings repayable within one year and do not contain a repayable on demand clause	**–**	(13,914)
	(85,058)	(149,150)
Amounts classified as non-current portion	**–**	20,872

At 31 March 2024, secured bank borrowings bore floating interest rates of 3.38% to 8.55% (2023: 2.25% to 14.4%) per annum.

Certain bank borrowings are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the draw down facilities would become repayable on demand. In addition, the Group's certain loan agreements contain clauses which give the lenders the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

25. BANK BORROWINGS (CONTINUED)

The management regularly monitors its compliance with these covenants and does not consider that it is probable that the banks will exercise their discretionary rights to demand immediate repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in Note 32(d) to these consolidated financial statements.

As at 31 March 2024, the Group's bank borrowings of HK$23,390,000 are in breach of certain covenants:

– Failed to maintain an average minimum bank balance of HK$10,000,000 placed to a bank; and

– Failed to maintain tangible net wealth of not less than HK$350,000,000.

Upon the breach of certain covenants, the bank may request immediate repayment of the bank borrowings.

The Group has already negotiated with the bank for revising the loan covenants and not demanding immediate repayment of existing bank borrowings due to the breach of covenants.

On 30 April 2024, the Group reached a new banking facilities agreement with the bank, pursuant to which:

– the Group will repay all outstanding bank borrowings in 11 monthly instalments from 30 April 2024 until 28 February 2025; and

– the bank has removed all of the above covenants that were breached by the Group.

The Directors are of the opinion that given the new repayment arrangement and the removal of these covenants, the probability that the bank will demand immediate repayment from the Group is remote.

As at 31 March 2024, the Group's bank borrowings and other banking facilities are secured by:

(a) Bank borrowings of HK$nil (2023: HK$13,928,000) are secured by bank deposits of HK$nil (2023: HK$4,579,000) and guaranteed by the Company;

(b) Bank borrowings of HK$30,000,000 (2023: HK$30,000,000) are secured by deposits of HK$30,000,000 (2023: HK$30,000,000) and guaranteed by the Company;

(c) Bank borrowings of HK$23,390,000 (2023: HK$58,000,000) are secured by bank deposits of HK$nil (2023: HK$38,925,000) and trade receivables of HK$nil (2023: HK$2,154,000) assigned in favor of the banks and is guaranteed by the Company;

(d) Bank borrowings of HK$23,500,000 (2023: HK$23,500,000) are secured by leasehold land and building with carrying amount of approximately HK$23,797,000 (2023: approximately HK$28,934,000) (*Note 14)* and corporate guarantee executed by the Company;

(e) Bank borrowings of HK$8,168,000 (2023: HK$8,665,000) are secured by the leasehold land and building with carrying amount of HK$23,797,000 (2023: HK$28,934,000) *(Note 14)*;

(f) Bank borrowings of PHPnil (2023: PHP240,909,000 (equivalent to approximately HK$34,787,000)) are secured by the Freehold Land included in inventories with carrying amount of HK$nil (2023: HK$164,787,000) *(Note 18)* and corporate guarantee executed by Dunfeng Shipping Phils. Corp, a non-controlling interest of the Company's subsidiary, Anncore Properties Group Corp; and

25. BANK BORROWINGS (CONTINUED)

(g) certain unutilised facilities are secured by bank deposits amounting to approximately HK$26,510,000 (2023: HK$21,953,000).

The unutilised banking facilities as at 31 March 2024 amounted to approximately HK$156,541,000 (2023: HK$107,257,000).

26. PROVISIONS

	2024	2023
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current liabilities	**7,200**	8,269
Non-current liabilities	**229**	–
	7,429	8,269

	Provision for litigations	**Provision for onerous contracts**	**Provision for long service payments**	**Total**
	(Note (a))	*(Note (b))*		
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2022	–	–	–	–
Provision made	–	8,269	–	8,269
At 31 March 2023 and 1 April 2023	–	8,269	–	8,269
Provisions made	7,200	–	–	7,200
Current service cost	–	–	229	229
Reversal of provision	–	(8,269)	–	(8,269)
At 31 March 2024	**7,200**	**–**	**229**	**7,429**

26. PROVISIONS (CONTINUED)

Notes:

(a) During the year ended 31 March 2024 and up to the date of approval of the consolidated financial statements, various parties have filed litigation against the Group for the settlement of outstanding construction-related services and daily operation payables. Among them, there were 12 cases with individual claim amounts exceeding HK$1 million, and the aggregated claim amounts of these cases amounted to approximately HK$184 million. The Directors have considered the advice of the Group's legal counsels, and have assessed the impact of the litigation on the consolidated financial statements for the year ended 31 March 2024, by assessing the possibility of any outflow of resources in settling these claims and/or sufficiency of the insurance policies are maintained to cover the loss, if any. The Directors concluded that accrued provisions for litigations of HK$7,200,000 was made as at 31 March 2024.

As at 31 March 2023, the Group was involved in certain litigations. Based on the advice of the Group's legal counsels, the possibility of any outflow of resources in settling these claims was remote and/or sufficient insurance policies are maintained to cover the loss, if any. Furthermore, a substantial and controlling shareholder has provided an undertaking to the Group, committing to covering all potential losses arising from the litigations. In the opinion of the Directors, the financial position and results of the Group would not be materially adversely affected by the ultimate liability under these claims.

(b) The provision for onerous contracts relates to certain construction contracts with customers under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received due to anticipated increase in certain construction costs.

The provision for the onerous contracts is expected to be utilised within one year from the end of the reporting period.

27. LEASE LIABILITIES

	2024	2023
	HK$'000	HK$'000
Lease liabilities payable:		
Within one year	**3,172**	8,170
In the second year	**234**	2,836
	3,406	11,006
Less: Amounts due within one year shown under current liabilities	**(3,172)**	(8,170)
Amounts shown under non-current liabilities	**234**	2,836

None of the balances are denominated in currencies other than functional currencies of the respective group entities.

As at 31 March 2024, the effective interest rates of lease liabilities were ranging from 3.76% to 7.49% (2023: 3.76% to 7.49%).

28. DEFERRED TAX

(a) Deferred tax assets and liabilities recognised

The following is the major deferred tax liabilities/(assets) recognised and movements thereon during the current and prior years:

	Right-of-use assets HK$'000	Lease liabilities HK$'000	Accelerated depreciation allowances HK$'000	Allowances for expected credit losses HK$'000	Unbilled revenue for work completed but not yet billed HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2022	–	–	1,431	(4)	1,156	–	2,583
Charged/(credited) to profit and loss *(Note 8)*	–	–	882	(3,177)	11,939	(13,095)	(3,451)
At 31 March 2023 and 1 April 2023	–	–	2,313	(3,181)	13,095	(13,095)	(868)
Charged/(credited) to profit and loss *(Note 8)*	65	(65)	(1,844)	(549)	3,303	(3,303)	(2,393)
At 31 March 2024	**65**	**(65)**	**469**	**(3,730)**	**16,398**	**(16,398)**	**(3,261)**

Reconciliation to the consolidated statement of financial position

	2024 HK$'000	2023 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**3,730**	3,181
Net deferred tax liability recognised in the consolidated statement of financial position	**(469)**	(2,313)
	3,261	868

28. DEFERRED TAX (CONTINUED)

(b) Deferred tax assets not recognised

As at 31 March 2024, the Group had the following unrecognised deductible temporary differences:

	2024	2023
	HK$'000	HK$'000
Deductible temporary differences	**7,790**	103
Unutilised tax losses	**234,731**	137,375
	242,521	137,478

The Group has not recognised deferred tax assets in respect of unutilised tax losses and deductible temporary differences as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(c) Deferred tax liabilities not recognised

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

At the end of the reporting period, the Group has taxable temporary difference of approximately HK$245,000 (2023: HK$1,964,000), arising from undistributed profit in the PRC subsidiary. Deferred tax liability has not been recognised in respect of the taxable temporary difference as the Group is able to control the dividend policy of the PRC subsidiary and will not distribute dividends in the foreseeable future.

Under the Philippines Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the Philippines subsidiaries with the withholding tax rate at 25%. At 31 March 2024, there is no (2023: nil) taxable temporary difference arising from undistributed profit for the subsidiaries incorporated and operated in the Philippines.

29. SHARE CAPITAL

	Number	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2022	2,000,000,000	20,000
Increase on 23 September 2022 *(Note (a))*	8,000,000,000	80,000
At 31 March 2023, 1 April 2023 and 31 March 2024	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2022	1,584,000,000	15,840
Issue of rights issue shares *(Note (b))*	285,159,962	2,852
At 31 March 2023, 1 April 2023 and 31 March 2024	1,869,159,962	18,692

Notes:

(a) The increase in authorised share capital of the Company to HK$100,000,000 by the creation of additional 8,000,000,000 ordinary shares of HK$0.01 each was approved by the shareholders of the Company on the 2022 annual general meeting held on 28 September 2022.

(b) On 20 September 2022, a total of 285,159,962 ordinary Shares (the "**Right Issue Shares**") have been issued at the price of HK$0.15 per Right Issue Share on the basis of one Right Issue Share for every four existing shares held on the record date on a non-underwritten basis. Accordingly, net proceeds of HK$41,659,000 (gross proceeds of HK$42,774,000 less expenses of HK$1,115,000) were generated to the Group.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

30. JOINT OPERATIONS

Details of investments in joint operations as at 31 March 2024 and 2023 are as follows:

Name	Place and date of establishment	Principal place of business	Principal activities	Participating interests 2024	Participating interests 2023
Kwan On - U-Tech 2 *(Note)*	Unincorporated joint operation operating in Hong Kong, 16 December 2013	Hong Kong	Civil engineering construction	**–**	50%
Kwan On - U-Tech 3	Unincorporated joint operation operating in Hong Kong, 25 July 2016	Hong Kong	Civil engineering construction	**65%**	65%
Kwan On - U-Tech 4	Unincorporated joint operation operating in Hong Kong, 26 July 2017	Hong Kong	Civil engineering construction	**51%**	51%
Kwan On - U-Tech 5	Unincorporated joint operation operating in Hong Kong, 1 September 2021	Hong Kong	Civil engineering construction	**51%**	51%
Kwan On - China Geo *(Note)*	Unincorporated joint operation operating in Hong Kong, 12 August 2013	Hong Kong	Civil engineering construction	**–**	51%
Kwan On - China Geo 2 *(Note)*	Unincorporated joint operation operating in Hong Kong, 14 July 2015	Hong Kong	Civil engineering construction	**–**	51%
KO-CG Joint Venture 1 *(Note)*	Unincorporated joint operation operating in Hong Kong, 23 December 2015	Hong Kong	Civil engineering construction	**–**	51%
KO-CG Joint Venture 2 *(Note)*	Unincorporated joint operation operating in Hong Kong, 23 June 2016	Hong Kong	Civil engineering construction	**–**	51%
Kwan On - Vernaltex Joint Venture	Unincorporated joint operation operating in Hong Kong, 1 December 2017	Hong Kong	Civil engineering construction	**51%**	51%
Wing Lee - Univic Joint Venture	Unincorporated joint operation operating in Hong Kong, 30 March 2021	Hong Kong	Civil engineering construction	**49%**	49%

30. JOINT OPERATIONS (CONTINUED)

The above table lists the joint operations of the Group which, in the opinion of the directors, principally affect the income and expenses for the year or constitute a substantial portion of the assets and liabilities of the Group. To give details of other joint operations would, in the opinion of the directors, result in particulars of excessive length.

Pursuant to the terms of the joint venture agreement, the profit or loss sharing for each year of the joint operation shall be distributed to the joint operators in proportion to their respective participating interests.

Amounts from/due to other partners of joint operations are unsecured, non-interest bearing, repayable on demand and are denominated in Hong Kong dollars.

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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategies remain unchanged from prior year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Except as stated below, changes in the objectives, policies or processes were made during the year.

The capital structure of the Group consists of net debt, which includes the bank borrowings, amount due to immediate holding company and lease liabilities, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure using gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as the total of amount due to immediate holding company, bank borrowings and lease liabilities and less unpledged bank balances and cash. Capital includes equity attributable to owners of the Company. The Group's policy is to maintain the gearing ratio at not more than 40% (2023: 40%), which is determined and reviewed with reference to the funding needs of the Group periodically.

31. CAPITAL RISK MANAGEMENT (CONTINUED)

	2024 HK$'000	2023 HK$'000
Total debt	**137,945**	210,184
Less: Unpledged bank balances and cash	**(26,535)**	(47,624)
Net debt	**111,410**	162,560
Equity attributable to owners of the Company	**170,011**	341,518
Net debt and equity	**281,421**	504,078
Gearing ratio	**40%**	32%

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
Trade and other receivables	**130,038**	84,483
Amounts due from other partners of joint operations	**1,903**	–
Pledged bank deposits	**56,510**	95,457
Cash and bank balances	**26,535**	47,624
Financial assets at amortised cost	**214,986**	227,564
Financial assets at fair value through other comprehensive income		
Equity instrument at fair value through other comprehensive income	**16,442**	25,703
Financial liabilities		
Trade and other payables	**332,775**	247,907
Amount due to immediate holding company	**49,481**	29,156
Amounts due to other partners of joint operations	**–**	4,056
Amount due to an associate	**24**	24
Bank borrowings	**85,058**	170,022
Lease liabilities	**3,406**	11,006
Financial liabilities at amortised cost	**470,744**	462,171

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The main risks arising from the Group's financial instruments are credit risk, currency risk, interest rate risk, equity price risk and liquidity risk. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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 trade receivables, other receivables, contract assets, amounts due from other partners of joint operations, loan to associate, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. The Group's exposure to credit risk arising from cash and cash equivalents and pledged bank deposits is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies, which the Group considers the credit risk as low. The Group's exposure to credit risk arising from refundable rental deposits (included in other deposits) is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

Trade receivables and contract assets

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 45 days (2023: 21 days) from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 45% (2023: 52%) of the total trade receivables and contract assets at 31 March 2024. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 10% (2023: 59%) and 86% (2023: 95%) of the total trade receivables and contract assets are due from the Group's largest customer and the five largest customers respectively within the construction segment.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group segments its trade receivables and contract assets based on geographic regions, due to different loss patterns experienced in the different regions.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its construction business because these customers consist of various number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets. Certain debtors have been assessed individually as the Group considers the balances due from those debtors are significant or have been credit-impaired. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Allowance for ECL

	2024 HK$'000	2023 HK$'000
Non-credit impaired	**13,377**	12,434
Credit impaired	**583**	586
	13,960	13,020

As at 31 March 2024

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
Hong Kong			
Assessed based on provision matrix			
Current (not past due)	**0.03%**	**131,992**	**35**
Assessed individually			
Past due for more than 1 year	**100%**	**39**	**39**
		132,031	**74**

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
PRC			
Assessed individually			
Current (not past due)	**6%**	**205,190**	**13,322**

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (continued)

Allowance for ECL (continued)

As at 31 March 2024 (continued)

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
Philippines			
Assessed based on provision matrix			
Current (not past due)	0.01%	47,321	5

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
Malaysia			
Assessed based on provision matrix			
Current (not past due)	0.03%	57,616	15
Assessed individually			
Past due for more than 1 year	100%	544	544
		58,160	559

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (continued)

Allowance for ECL (continued)

As at 31 March 2023

	Expected Loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
Hong Kong			
Assessed based on provision matrix			
Current (not past due)	0%	134,052	4

	Expected Loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
PRC			
Assessed individually			
Current (not past due)	7%	163,401	11,469

	Expected Loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
Malaysia			
Assessed based on provision matrix			
Current (not past due)	7%	13,714	961
Assessed individually			
Past due for more than 1 year	100%	586	586
		14,300	1,547

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data have been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables and contract assets.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (continued)

Movements in the loss allowance account in respect of lifetime ECL recognised for trade receivables during the years are as follows:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2022	–	–	–
New financial assets originated	2	586	588
At 31 March 2023 and 1 April 2023	2	586	588
Transfer from lifetime ECL (not credit-impaired)	(2)	2	–
Changes due to financial instruments recognised at 1 April 2023:			
– Impairment loss recognised	7	33	40
Exchange adjustments	–	(38)	(38)
At 31 March 2024	**7**	**583**	**590**

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (continued)

Movements in the loss allowance account in respect of lifetime ECL recognised for contract assets during the years are as follows:

	Lifetime ECL (not credit-impaired) HK$'000
At 1 April 2022	–
New financial assets originated	12,432
At 31 March 2023 and 1 April 2024	12,432
New financial assets originated	6
Changes due to financial instruments recognised at 1 April 2023:	
– Impairment loss recognised	2,401
– Impairment loss reversed	(904)
Exchange adjustments	(565)
At 31 March 2024	**13,370**

Other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that, other than the credit-impaired receivable as mentioned below which provided for lifetime ECL, there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Other receivables (Continued)

Movements in the loss allowance in respect of 12-month ECL and lifetime ECL recognised for other receivables during the years are as follows:

	12-month ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2022	3,615	–	3,615
Change due to financial instruments recognised of 1 April 2022			
– Impairment losses reversed	(2,445)	–	(2,445)
New financial assets originated	1,801	22,684	24,485
At 31 March 2023 and 1 April 2023	2,971	22,684	25,655
New financial assets originated	295	–	295
Changes due to financial instruments recognised at 1 April 2023:			
– Impairment loss recognised	1,697	–	1,697
– Impairment loss reversed	(115)	–	(115)
Exchange adjustments	(186)	–	(186)
At 31 March 2024	**4,662**	**22,684**	**27,346**

As disclosed in note 19(b), included in other receivables of the Group was amount due from a sub-contractor of the Group amounting to HK$22,684,000 as at 31 March 2024 (2023: HK$22,684,000). The balance represented construction and material purchase cost paid on behalf of the sub-contractor. This sub-contractor had worked for the Group since July 2022. However, during the year ended 31 March 2023, the sub-contractor failed to perform the sub-contracting work up to the Group's satisfaction. Accordingly the Group terminates the sub-contracting arrangement with the sub-contractor and the balance becomes due immediately by the sub-contractor. As at 31 March 2024 and 2023, the Group is in a litigation with the sub-contractor which it claimed the Group for the sub-contracting fee payable to it and compensation upon the termination of sub-contracting whereas the Group will counter-claim the amount due by the sub-contractor. Through the information developed internally and from the external resources, the director of the Company considered that the balance is credit-impaired and hence made an impairment loss for the full amount due from the sub-contractor.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Amounts due from other partners of joint operations and loan to associate

The Group assessed that there is no significant increase in credit risk in respect of amounts due from other partners of joint operations since initial recognition and provided impairment based on 12-month ECL. For the year ended 31 March 2024, the Group assessed that ECL for the amounts due from other partners of joint operations to be insignificant.

The Group considered the credit risk on loan to associate at the end of the reporting period using the past due information. Accordingly, the Group considered the amount is credit-impaired and lifetime ECL is provided, loan to associate of HK$5,000,000 (2023: HK$5,000,000) has been fully impaired as at 31 March 2024 and 2023.

(b) Currency risk

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through receivables, payables and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollar ("**HK$**"), United States dollars ("**US$**"), Thai baht ("**THB**") and Malaysia Ringgits ("**MYR**"). The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised monetary financial assets and monetary financial liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Currency risk (continued)

(i) Exposure to currency risk (continued)

At 31 March 2024

	Functional currency of the group companies	Exposure to foreign currencies (expressed in HK$) HK$ HK$'000	MYR HK$'000	US$ HK$'000	THB HK$'000	Total HK$'000
Bank balances and cash	HK$	–	–	877	–	877
Amount due to an associate	HK$	–	–	–	(24)	(24)
Amounts due to group companies	HK$	–	(1,166)	–	–	(1,166)
Amounts due to group companies	Philippine Peso ("**PHP**")	(168,137)	–	–	–	(168,137)
Amounts due to group companies	New Zealand dollars ("**NZD**")	(1,632)	–	–	–	(1,632)
Amounts due to group companies	Renminbi ("**RMB**")	(110,890)	–	–	–	(110,890)
		(280,659)	(1,166)	877	(24)	(280,972)

At 31 March 2023

	Functional currency of the group companies	Exposure to foreign currencies (expressed in HK$) HK$ HK$'000	MYR HK$'000	US$ HK$'000	THB HK$'000	Total HK$'000
Bank balances and cash	HK$	–	–	1,721	–	1,721
Amount due to an associate	HK$	–	–	–	(24)	(24)
Amounts due to group companies	HK$	–	(3,496)	–	–	(3,496)
Amounts due to group companies	PHP	(230,416)	–	–	–	(230,416)
Amounts due to group companies	MYR	(7,182)	–	–	–	(7,182)
Amounts due to group companies	NZD	(1,476)	–	–	–	(1,476)
Amounts due to group companies	RMB	(103,420)	–	–	–	(103,420)
		(342,494)	(3,496)	1,721	(24)	(344,293)

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in loss after tax HK$'000	Increase/ (decrease) in accumulated losses HK$'000
2024			
If HK$ weakens against THB	**5%**	**1**	**(1)**
If HK$ strengthens against THB	**(5%)**	**(1)**	**1**
If HK$ weakens against MYR	**5%**	**58**	**(58)**
If HK$ strengthens against MYR	**(5%)**	**(58)**	**58**
If PHP weakens against HK$	**5%**	**8,407**	**(8,407)**
If PHP strengthens against HK$	**(5%)**	**(8,407)**	**8,407**
If NZD weakens against HK$	**5%**	**82**	**(82)**
If NZD strengthens against HK$	**(5%)**	**(82)**	**82**
If RMB weakens against HK$	**5%**	**5,545**	**(5,545)**
If RMB strengthens against HK$	**(5%)**	**(5,545)**	**5,545**
2023			
If HK$ weakens against THB	5%	1	(1)
If HK$ strengthens against THB	(5%)	(1)	1
If HK$ weakens against MYR	5%	175	(175)
If HK$ strengthens against MYR	(5%)	(175)	175
If PHP weakens against HK$	5%	11,521	(11,521)
If PHP strengthens against HK$	(5%)	(11,521)	11,521
If MYR weakens against HK$	5%	359	(359)
If MYR strengthens against HK$	(5%)	(359)	359
If NZD weakens against HK$	5%	74	(74)
If NZD strengthens against HK$	(5%)	(74)	74
If RMB weakens against HK$	5%	5,171	(5,171)
If RMB strengthens against HK$	(5%)	(5,171)	5,171

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Currency risk (continued)

(ii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit or loss after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those monetary financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2023.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances *(Note 23)* and bank borrowings at prevailing market rates *(Note 25)*.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate other receivables *(Note 19(b))*, pledged bank deposits *(Note 23)* and lease liabilities *(Note 27)*.

The Group currently does not use derivatives to hedge against the interest rate risk. However, the Group will monitor interest rate exposure and consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the related banks' Hong Kong Dollars Prime Rate and 1-year BVAL rate arising from the Group's Hong Kong dollars denominated bank borrowings and Philippines peso denominated bank borrowings respectively.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

Interest rate risk profile

The following table, as reported to the management of the Group, details of the interest rate risk profile of the Group as at 31 March 2024 and 2023:

	At 31 March 2024		At 31 March 2023	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate financial assets				
Pledged bank deposits	**0.89%-1.30%**	**56,510**	0.01%-2.25%	95,457
Fixed rate financial liabilities				
Lease liabilities	**3.76%-7.49%**	**(3,406)**	3.76%-7.49%	(11,006)
Variable rate financial assets				
Bank balances	**0.01%-0.88%**	**26,535**	0.01%-0.65%	47,624
Variable rate financial liabilities				
Bank borrowings	**3.38%-8.55%**	**(85,058)**	2.25%-14.4%	(170,022)
		(5,419)		(37,947)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points (2023: 50 basis points) increase or decrease is used on bank borrowings when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

No interest rate sensitivity analysis is disclosed for bank balances as in the opinion of the directors of the Company, the interest rate sensitivity does not give additional value in view of insignificant exposure of interest bearing bank balances as at the end of the reporting period.

If interest rates on bank borrowings had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss would increase/decrease by approximately HK$293,000 (2023: HK$695,000).

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses, and the raising of loans to cover expected cash demands, subject to the Company's board approval. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate prevailing at the end of each reporting period.

	On demand or within one year HK$'000	More than one year but not exceeding two years HK$'000	More than two years but not exceeding five years HK$'000	Over five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2024						
Non-derivative financial liabilities						
Trade and other payables	**332,775**	**–**	**–**	**–**	**332,775**	**332,775**
Amount due to immediate holding company	**49,481**	**–**	**–**	**–**	**49,481**	**49,481**
Amount due to an associate	**24**	**–**	**–**	**–**	**24**	**24**
Bank borrowings	**77,667**	**777**	**2,331**	**6,216**	**86,991**	**85,058**
Lease liabilities	**3,257**	**240**	**–**	**–**	**3,497**	**3,406**
	463,204	**1,017**	**2,331**	**6,216**	**472,768**	**470,744**
As at 31 March 2023						
Non-derivative financial liabilities						
Trade and other payables	247,907	–	–	–	247,907	247,907
Amount due to immediate holding company	29,156	–	–	–	29,156	29,156
Amount due to an associate	24	–	–	–	24	24
Amounts due to other partners of joint operations	4,056	–	–	–	4,056	4,056
Bank borrowings	151,223	14,932	7,068	–	173,223	170,022
Lease liabilities	8,563	2,881	–	–	11,444	11,006
	440,929	17,813	7,068	–	465,810	462,171

Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 March 2024, the carrying amount of these bank borrowings amounted to HK$85,058,000 (2023: HK$135,236,000). As at 31 March 2024, as disclosed in Note 25, the Group's bank borrowings of HK$23,390,000 (2023: HK$nil) were in breach of certain covenants. Under the breach of covenant, the bank may request the immediate payment of the bank borrowings. Other than such breach of covenants, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment of other bank borrowings. The directors of the Company believe that all bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity risk (Continued)

The maturity analysis of the bank borrowings with a repayment on demand clause based on agreed scheduled repayment dates set out in the loan agreements is as follows:

	Within one year HK$'000	More than one year but not exceeding two years HK$'000	More than two years but not exceeding five years HK$'000	Over five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2024						
Bank borrowings	**77,667**	**777**	**2,331**	**6,216**	**86,991**	**85,058**
As at 31 March 2023						
Bank borrowings	127,694	753	2,258	6,774	137,479	135,236

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(e) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity security and this investment is classified in the consolidated statement of financial position as equity instrument at fair value through other comprehensive income *(Note 17)*. The management will consider hedging the risk exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the share price of the listed investment classified as equity instrument at fair value through other comprehensive income had been increased/decreased by 20% (2023: 20%) and all other variables were held constant, the other comprehensive expense would decrease/increase by approximately HK$3,288,000 (2023: HK$5,141,000) and investment revaluation reserve as at 31 March 2024 would increase/decrease by approximately HK$3,288,000 (2023: HK$5,141,000) resulting from the changes in fair value of equity instrument at fair value through other comprehensive income.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value measurements of financial instruments

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: fair values measured using Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date

– Level 2 valuations: fair values measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: fair values measured using significant unobservable inputs

	Fair value measurement categorised into			
	Level 1	**Level 2**	**Level 3**	**Fair value**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2024				
Equity instrument at FVOCI	**16,442**	**–**	**–**	**16,442**
As at 31 March 2023				
Equity instrument at FVOCI	25,703	–	–	25,703

During the year ended 31 March 2024 and 2023, there were no transfers between financial instruments in Level 1 and Level 2, or transfers into or out of Level 3.

Fair value of the Group's financial assets and financial liabilities carried at other than fair value

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis and considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

33. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees. The Group has no further obligations for the actual payment of post retirement benefits beyond the contributions.

The employees in the subsidiary in the PRC are members of state-managed retirement benefit scheme (the "**Social Insurance Scheme**") operated by the PRC government. The subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the Social Insurance Scheme. The Group has no further obligations for the actual payment of post retirement benefits beyond the contributions.

The Group is required by Malaysian law to make monthly contributions to the EPF, a statutory defined contribution plan for all its eligible employees based on certain prescribed rates of the employees' applicable remuneration. Contributions are charged to profit or loss in the period in which they relate. The contributions to EPF are disclosed separately and the contributions to EPF are included in salaries, bonuses, allowances and other staff benefits. Once the contributions have been paid, the Group has no further payment obligations. No forfeited contribution is available to reduce the contribution payable in future year.

The total cost charged to profit or loss of approximately HK$2,246,000 (2023: HK$2,812,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

During the year ended 31 March 2024, total charges of long service payments were approximately HK$229,000 (2023: HK$nil), and as at 31 March 2024, provision for long service payments was approximately HK$229,000 (2023: HK$nil).

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2024 HK$'000**	2023 HK$'000
Non-current assets			
Property, plant and equipment		**–**	–
Investments in subsidiaries	35	**–**	–
		–	–
Current assets			
Trade receivables		**–**	6
Other receivables		**71**	71
Amounts due from subsidiaries *(Note)*		**95,099**	414,336
Amounts due from immediate holding company *(Note)*		**12,331**	–
Pledged bank deposit		**–**	37,891
Cash and cash equivalents		**405**	153
		107,906	452,457
Current liabilities			
Other payables		**1,200**	1,100
Bank borrowings		**8,168**	8,665
Amounts due to subsidiaries *(Note)*		**1,152**	66,943
Amounts due to immediate holding company *(Note)*		**–**	29,445
Financial guarantee contracts		**11,106**	23,432
		21,626	129,585
Net current assets		**86,280**	322,872
Net assets		**86,280**	322,872
Capital and reserves			
Share capital	29	**18,692**	18,692
Reserves	34(a)	**67,588**	304,180
Total equity		**86,280**	322,872

Note:

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

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

(a) Reserves

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

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000 *(Note)*	Accumulated losses HK$'000	Total HK$'000
At 31 March 2022 and 1 April 2022	355,478	22,968	7,453	(57,865)	328,034
Issue of right issue shares *(Note 29(b))*	38,807	–	–	–	38,807
Loss for the year	–	–	–	(62,661)	(62,661)
At 31 March 2023 and 1 April 2023	394,285	22,968	7,453	(120,526)	304,180
Loss for the year	–	–	–	(236,592)	(236,592)
At 31 March 2024	**394,285**	**22,968**	**7,453**	**(357,118)**	**67,588**

Note:

Pursuant to a written confirmation on 23 March 2015, the reimbursement of the Company's listing expenses of approximately HK$7,453,000 by two shareholders, Fortune Decade and Twilight Treasure, in their capacity as shareholders, was accounted for as capital contribution to the Company.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the list of the following contains only the particulars of principal subsidiaries which principally affect the revenue, results, assets, liabilities or business prospects of the Group.

Details of the Company's principal subsidiaries at 31 March 2024 and 2023 are as follows:

Name of subsidiary	Place of incorporation and registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital/registered capital held by the Company				Form of legal entity	Principal activities
			2024 Directly %	2023 Directly %	**2024 Indirectly %**	2023 Indirectly %		
Win Vision Holdings Limited	BVI/Hong Kong	US$1	**100**	100	**–**	–	Wholly-owned foreign company	Investment holding
Capital Prospect Holdings Limited	BVI/Hong Kong	US$1	**100**	100	**–**	–	Wholly-owned foreign company	Investment holding
Kwan on Construction Company Limited	Hong Kong/ Hong Kong	HK$24,850,000	**–**	–	**100**	100	Private limited company	Civil engineering construction
Univic Engineering Limited	Hong Kong/ Hong Kong	HK$76,300,200	**–**	–	**100**	100	Private limited company	Provision of contracting work on civil plumbing, fire protection, insulation, concrete repairs and related activities
Univic Engineering and Construction Limited	Hong Kong/ Hong Kong	HK$1,403,500	**–**	–	**100**	100	Private limited company	Provision of civil, plumbing and fire protection engineering contract services
Univic Earthworks Limited	Hong Kong/ Hong Kong	HK$90,000	**–**	–	**100**	100	Private limited company	Provision of civil and plumbing engineering contract services
Univic Building Contractors Limited	Hong Kong/ Hong Kong	HK$10,000	**–**	–	**100**	100	Private limited company	Provision of construction site workmen services
Univic Construction Resources Limited	Hong Kong/ Hong Kong	HK$999	**–**	–	**100**	100	Private limited company	Provision of construction site workmen services
Nanjing Univic Engineering Construction Limited (南京義年益建築工程有限公司)*	Nanjing/Nanjing	RMB12,500,000	**–**	–	**100**	100	Private limited company	Construction of buildings and trading of chemical products
Univic Fireproofing & Construction Limited	Hong Kong/ Hong Kong	HK$2	**–**	–	**100**	100	Private limited company	Trading of diesel and provision of construction site workmen services

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (Continued)

Details of the Company's principal subsidiaries at 31 March 2024 and 2023 are as follows: (Continued)

Name of subsidiary	Place of incorporation and registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital/registered capital held by the Company				Form of legal entity	Principal activities
			2024 Directly %	2023 Directly %	**2024 Indirectly %**	2023 Indirectly %		
Kwan On-U-Tech 1	Hong Kong/ Hong Kong	Not applicable	**–**	–	**70**	70	Unincorporated joint venture	Civil engineering construction
Alpha Gold Investments Limited	Seychelles/ Hong Kong	US$1	**100**	100	**–**	–	Private limited company	Property holding
Greenland Hua Yuan (HK) Limited	Hong Kong/ Hong Kong	HK$100	**–**	–	**100**	100	Private limited company	Administrative centre of the Group
New Zealand Kwan On Construction Limited	New Zealand/ New Zealand	NZD100	**–**	–	**100**	100	Private limited company	Construction
Jovial Elm Limited	BVI/Hong Kong	US$1	**100**	100	**–**	–	Wholly-owned foreign company	Investment holding
Kwan On Holdings (Philippines) Inc.	The Republic of the Philippines/ The Republic of the Philippines	PHP 11,000,000	**–**	–	**100**	100	Private limited company	Civil engineering construction
Kwan On Construction (Malaysia) Sdn Bhd	Malaysia/ Malaysia	RM1,000,000	**–**	–	**100**	100	Private limited company	Construction of building
Anncore Properties Group Corp.#	The Republic of the Philippines/ The Republic of the Philippines	PHP 62,500	**–**	–	**40**	40	Private limited company	Investment holding
Metrocity Properties Group Inc.#	The Republic of the Philippines/ The Republic of the Philippines	PHP 300,000,000	**–**	–	**40**	40	Private limited company	Property development

* The English name of the Company registered in the PRC represents the best efforts of the management of the Company in directly translating the Chinese name of the company as no English name has been registered.

\# The Group has the power to appoint more than half of the directors in the board of the companies, thus the Group has dominant control of the companies and thus they are regarded as subsidiaries of the Group.

None of the subsidiaries had issued any debt securities at the end of both reporting periods.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Non-controlling interests

The following table lists out the information relating to certain subsidiaries of the Group which has material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

Metrocity Properties Group, Inc

	2024	2023
	HK$'000	HK$'000
NCI percentage	**60%**	N/A
Current assets	**40,994**	N/A
Current liabilities	**(67,981)**	N/A
Net liabilities	**(26,988)**	N/A
Carrying amount of NCI	**(37,651)**	N/A

	2024	2023
	HK$'000	HK$'000
Revenue	**115,922**	N/A
Loss for the year	**(58,425)**	N/A
Total comprehensive loss	**(59,280)**	N/A
Loss allocated to NCI	**(35,055)**	N/A
Dividend paid to NCI	**–**	N/A
Cash flows generated from operating activities	**99,008**	N/A
Cash flows generated from investing activities	**–**	N/A
Cash flows used in financing activities	**(98,237)**	N/A

36. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties:

Name of related party	Nature of transactions/ balances	*Notes*	2024 HK$'000	2023 HK$'000
Jiangsu Provincial Construction Group Co., Ltd.* 江蘇省建築工程集團有限公司	Financial guarantee	(a)	**27,666**	28,670
Sino Coronet Group Limited ("**Sino Coronet**")	Right issues	(b)	**–**	31,184
	Amount due to related company	21	**49,481**	29,156

* The English name is for identification purpose only.

Notes:

(a) Jiangsu Provincial Construction Group Co., Ltd., an immediate holding company of Sino Coronet, is a substantial shareholder of the Group.

(b) Sino Coronet Group Limited, an immediate parent of the Company, subscribed 207,891,250 right shares at rights issue price of HK$0.15, totally approximately HK$31,184,000.

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 employee benefits	**4,728**	4,712
Post-employment benefits	**54**	30
	4,782	4,742

37. SHARE OPTION SCHEME

Shareholders of the Company have approved and adopted a share option scheme (the "**Scheme**") on 16 March 2015.

A summary of the Scheme is set out as below:

The Scheme became effective for a period of 10 years commencing on 16 March 2015. Under the Scheme, the directors of the Company shall, in its absolute discretion, select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date. The offer of a grant of options may be accepted within 21 days from the date of the offer grant.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of the approval of the Scheme. No options have been granted since the adoption of the scheme.

38. MAJOR NON-CASH TRANSACTIONS

On 31 March 2024, the Group entered into an offsetting agreement with Sino Coronet Group Limited, the immediate holding company of the Group, pursuant to which the amount due from the immediate holding company of HK$12,331,000 had been settled by offsetting with the amounts due to immediate holding company at aggregate amount of HK$12,331,000 as at 31 March 2024.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities 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 flow will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amount due to immediate holding company HK$'000 *(Note 21)*	Bank borrowings HK$'000 *(Note 25)*	Lease liabilities HK$'000 *(Note 27)*	Total HK$'000
At 1 April 2023	29,156	170,022	11,006	210,184
Changes from financing cash flows:				
New bank loans raised	–	188,450	–	188,450
Repayment of bank borrowings	–	(273,375)	–	(273,375)
Interest paid	–	(16,969)	–	(16,969)
Capital element of lease liabilities paid	–	–	(8,241)	(8,241)
Interest element of lease liabilities paid	–	–	(412)	(412)
Advance from immediate holding company	101,175	–	–	101,175
Repayment to immediate holding company	(80,825)	–	–	(80,825)
Total changes from financing cash flows	20,350	(101,894)	(8,653)	(90,197)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	887	887
Termination of lease	–	–	(175)	(175)
Interest expenses *(Note 7)*	–	16,969	412	17,381
Exchange realignment	(25)	(39)	(71)	(135)
Total other changes	(25)	16,930	1,053	17,958
At 31 March 2024	49,481	85,058	3,406	137,945

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Amount due to immediate holding company HK$'000 *(Note 21)*	Bank borrowings HK$'000 *(Note 25)*	Lease liabilities HK$'000 *(Note 27)*	Total HK$'000
At 1 April 2022	15,969	235,842	14,639	266,450
Changes from financing cash flows:				
New bank loans raised	–	648,999	–	648,999
Repayment of bank borrowings	–	(712,684)	–	(712,684)
Interest paid	–	(11,609)	–	(11,609)
Capital element of lease liabilities paid	–	–	(8,032)	(8,032)
Interest element of lease liabilities paid	–	–	(740)	(740)
Advance from immediate holding company	68,449	–	–	68,449
Repayment to immediate holding company	(55,262)	–	–	(55,262)
Total changes from financing cash flows	13,187	(75,294)	(8,772)	(70,879)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	5,043	5,043
Termination of lease	–	–	(308)	(308)
Interest expenses *(Note 7)*	–	11,609	740	12,349
Exchange realignment	–	(2,135)	(336)	(2,471)
Total other changes	–	9,474	5,139	14,613
At 31 March 2023	29,156	170,022	11,006	210,184

40. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 March 2024, the directors consider the immediate parent and ultimate controlling party of the Group to be Sino Coronet Group Limited and Greenland Holdings Corporation Ltd. ("**Greenland Holdings**")(literal translation of 綠地控股集團股份有限公司), which are incorporated in the BVI and the PRC respectively. Sino Coronet Group Limited does not produce financial statements available for public use while Greenland Holdings, a company listed on the Shanghai Stock Exchange (stock code: 600606), produces financial statements available for public use.

41. EVENTS AFTER THE REPORTING PERIOD

Apart from the events as disclosed elsewhere in the consolidated financial statements, the Group did not have other material events after the reporting period and up to the date of this report.

RESULTS

	Year ended 31 March				
	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	**2024** **HK$'000**
Revenue	599,912	538,732	515,361	624,187	**654,452**
Profit/(loss) before income tax expense	17,789	(22,398)	(70,998)	(112,350)	**(196,812)**
Income tax (expense)/credit	(3,218)	(2,179)	2,144	128	**6,614**
Profit/(loss) for the year	14,571	(24,577)	(68,854)	(112,222)	**(190,198)**
Profit/(loss) attributable to:					
Owners of the Company	16,223	(24,405)	(67,965)	(111,719)	**(155,403)**
Non-controlling interests	(1,652)	(172)	(889)	(503)	**(34,795)**
	14,571	(24,577)	(68,854)	(112,222)	**(190,198)**

ASSETS AND LIABILITIES

	As at 31 March				
	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	**2024** **HK$'000**
Total assets	927,804	959,065	808,940	854,537	**650,736**
Less: Total liabilities	(411,654)	(437,912)	(382,797)	(514,881)	**(517,136)**
Total equity	516,150	521,153	426,143	339,656	**133,600**
Less: Non-controlling interests	(367)	(548)	(1,384)	(1,862)	**(36,411)**
Equity attributable to owners of the Company	516,517	521,701	427,527	341,518	**170,011**