LAI GROUP HOLDING COMPANY LIMITED
禮建德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8455

2024
Annual Report

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

CONTENTS

	Page
Corporate Information	3
Chairman's Statement	4
Management Discussion and Analysis	5
Environmental, Social and Governance Report	13
Biographical Details of the Directors and Senior Management	42
Directors' Report	45
Corporate Governance Report	56
Summary of Financial Information	70
Independent Auditor's Report	71
Consolidated Statement of Profit or Loss and Other Comprehensive Income	76
Consolidated Statement of Financial Position	77
Consolidated Statement of Changes in Equity	79
Consolidated Statement of Cash Flows	80
Notes to the Consolidated Financial Statements	82

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Dr. Chan Lai Sin *(Chairman)*
Ms. Wan Pui Chi

Independent non-executive Directors
Ms. Lui Lai Chun
Dr. Chung Siu Kuen
Dr. Chu Kwan Siu Candace

BOARD COMMITTEES

Audit Committee
Ms. Lui Lai Chun *(Chairman)*
Dr. Chung Siu Kuen
Dr. Chu Kwan Siu Candace

Remuneration Committee
Ms. Lui Lai Chun *(Chairman)*
Dr. Chan Lai Sin
Dr. Chung Siu Kuen
Dr. Chu Kwan Siu Candace

Nomination Committee
Dr. Chu Kwan Siu Candace *(Chairman)*
Dr. Chan Lai Sin
Ms. Lui Lai Chun
Dr. Chung Siu Kuen

COMPANY SECRETARY

Ms. Ng Hoi Ying

AUTHORISED REPRESENTATIVES

Dr. Chan Lai Sin
Ms. Ng Hoi Ying

COMPLIANCE ADVISER

Frontpage Capital Limited
26/F., Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

AUDITORS

Asian Alliance (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers
Units 4101-4104, 41/F
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Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Shek Mun
Sha Tin
New Territories
Hong Kong

PRINCIPAL BANKS

Bank of China
Hang Seng Bank
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

8455

COMPANY'S WEBSITE

www.dic.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I would like to present our annual report for the year ended 31 March 2024.

REVIEW

The Group's revenue decreased by approximately 8.3% from approximately HK$111.3 million for the year ended 31 March 2023 to approximately HK$102.1 million for the year ended 31 March 2024.

The Group's gross profit increased by approximately HK$1.9 million, by 9.9%, from approximately HK$19.1 million for the year ended 31 March 2023 to approximately HK$21.0 million for the year ended 31 March 2024. Gross profit margin increased from approximately 17.2% for the year ended 31 March 2023 to approximately 20.6% for the year ended 31 March 2024.

During the year ended 31 March 2024, the Group recorded the loss attributable to owners of the Company of approximately HK$12.1 million, representing a decrease in loss as compared with approximately HK$17.9 million for the year ended 31 March 2023. The decrease in loss was mainly due to i) the recognition of a gain on investment in a life insurance contract of approximately HK$0.1 million during the year ended 31 March 2024 (2023: a loss of approximately HK$1.3 million); and ii) a decrease in impairment loss on property, plant and equipment and right-of-use assets from approximately HK$4.2 million for the year ended 31 March 2023 to approximately HK$0.6 million for the year ended 31 March 2024.

PROSPECT

Looking ahead to the second half of 2024, the macroenvironment is expected to remain volatile and continue to affect the economy of Hong Kong. The Company is of the view that the property market in Hong Kong will remain uncertain in the near future.

Although the Group is encountering market uncertainties arising from the downtrend of financial market and property price and the economic downturn in Hong Kong, it has strengthened its position in the interior design and fit-out services by reinforcing the brand promotion in the mainstream media and new media, which is expected to attract new customers.

Despite the challenges in the future, the Group is optimistic about the prospects of the local interior design and fit-out services and will continue to enhance the customer experience and satisfaction through the recruitment of talents, the provision of training and the improvement of management skills, so that the Group will achieve sustainable business growth in the long run and create greater value for the shareholders.

Chan Lai Sin
Chairman and Executive Director

Hong Kong
24 June 2024

BUSINESS REVIEW

The Group is principally engaged in the provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services including interior design provided by the Group's in-house design team, providing the Group's customers with creative and innovative designs that synergise with the latest market and design trends. In order to complete the projects, the Group relies on its subcontractors to implement the designs with high quality fittings and furnishings.

The Group's business can be classified into (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group generated revenue of approximately HK$102.1 million and approximately HK$111.3 million, of which approximately HK$95.8 million and approximately HK$101.9 million, representing 93.8% and 91.6% of the Group's total revenue, were generated from residential interior design and fit-out services for the years ended 31 March 2024 and 2023, respectively. Approximately HK$6.3 million and approximately HK$9.4 million, representing approximately 6.2% and approximately 8.4% of the Group's total revenue, were generated from commercial interior design and fit-out services for the years ended 31 March 2024 and 2023, respectively.

For the year ended 31 March 2024, the Group recorded a net loss of approximately HK$12.1 million as compared with approximately HK$17.9 million for the same period in 2023. The Directors are of the view that the decrease in net loss was primarily attributable to i) the recognition of a gain on investment in a life insurance contract of approximately HK$0.1 million during the year ended 31 March 2024 (2023: a loss of approximately HK$1.3 million); and ii) a decrease in impairment loss on property, plant and equipment and right-of-use assets from approximately HK$4.2 million for the year ended 31 March 2023 to approximately HK$0.6 million for the year ended 31 March 2024.

OUTLOOK

Although global economic activities have been gradually recovering in 2023, the Company is of the view that the property market in Hong Kong will remain uncertain in the near future because of the tightening of monetary policies adopted by major central banks. In the meantime, property developers in Hong Kong continue to build small residential units as they are more affordable to the public.

It is expected that the current year is a challenging year in the midst of the uncertain property market of Hong Kong as it has already negatively affected and is expected to continue to affect the economy of Hong Kong. Under such uncertain conditions of the industry, the Group expects the competitors will continue to adopt a more competitive project pricing strategy and bear higher operating costs in the near future. In view of such poor business environment, the Board will remain cautious in expanding its business and will continue to control its operating costs, as well as monitoring the current market trend to anticipate any downturn or changes in the current property market trend.

Looking forward, the Company is of the view that as the housing become more affordable to the public, the Board expects the general demand for the Group's services will increase in long run. As such, the Company will continue to build upon its marketing and promotional strategy to increase the Group's brand awareness in the renovation and interior fit-out market. In view of the potential expansion of the Group's market size in Hong Kong, the Group will continue to expand its business coverage throughout Hong Kong to extend its reach to more potential customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from the provision of interior design and fit-out services in Hong Kong which includes two main categories, namely (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. For the year ended 31 March 2024, the Group's revenue decreased by approximately 8.3% to approximately HK$102.1 million (2023: approximately HK$111.3 million). Such decrease was mainly due to a decrease in revenue generated from both residential and commercial interior design and fit out services as a result of the continuing adverse and competitive market conditions for the period in Hong Kong.

	For the year ended 31 March			
Revenue by business segment	**2024**		2023	
	HK$'000	**%**	HK$'000	%
Residential interior design and fit-out services	**95,755**	**93.8**	101,868	91.6
Commercial interior design and fit-out services	**6,321**	**6.2**	9,388	8.4
Total	**102,076**	**100.0**	111,256	100.0

Direct costs

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The table below sets forth a breakdown of components of direct costs for the years ended 31 March 2024 and 2023:

	For the year ended 31 March			
Components of direct costs	**2024**		2023	
	HK$'000	**%**	HK$'000	%
Materials	**14,676**	**18.1**	17,532	19.0
Subcontracting charges	**59,385**	**73.2**	66,686	72.4
Staff costs	**7,126**	**8.8**	7,893	8.6
Reversal of provision for warranties	**(95)**	**(0.1)**	(4)	0.0
Total	**81,092**	**100.0**	92,107	100.0

The Group's direct costs decreased by approximately 12.0% from approximately HK$92.1 million for the year ended 31 March 2023 to approximately HK$81.1 million for the year ended 31 March 2024. Such decrease was mainly driven by the corresponding decrease in revenue and the effective cost control measures adopted by the Group.

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit increased by approximately HK$1.9 million, or approximately 9.9%, from approximately HK$19.1 million for the year ended 31 March 2023 to approximately HK$21.0 million for the year ended 31 March 2024. The Group's gross profit margin was approximately 20.6% for the year ended 31 March 2024, representing an increase of approximately 3.4 percentage points as compared to approximately 17.2% for the year ended 31 March 2023. The increase in gross profit was primarily attributable to the increase in gross profit margin of projects undertaken by the Group, as a result of the effective cost control measures adopted by the Group.

Other income, other gains and losses, net

Other income, other gains and losses, net decreased from approximately HK$3.2 million for the year ended 31 March 2023 to approximately HK$1.7 million for the year ended 31 March 2024. Such decrease was primarily resulted from; (i) the absence of the non-recurring government grants received by the Group related to Employment Support Scheme provided by the Hong Kong Government for the year ended 31 March 2024 whereas approximately HK$0.8 million was received during the year ended 31 March 2023; and (ii) the decrease in management fee income.

Administrative and other operating expenses

The Group's administrative and other operating expenses remained at a similar level of approximately HK$33.7 million and approximately HK$34.5 million for the year ended 31 March 2024 and 2023 respectively.

Impairment loss recognised, net

In view of the deteriorating performance of the Group resulted from the challenging business environment in Hong Kong the Group was facing throughout the year ended 31 March 2024 and 2023, the Group assessed if any impairment loss should be recognised for the non-current assets of the Group including property, plant and equipment and right-to-use assets.

Impairment loss of approximately HK$0.1 million (2023: HK$1.0 million) and HK$0.5 million (2023: HK$3.2 million) were recognised for property, plant and equipment and right-of-use assets, respectively, for the year ended 31 March 2024.

Gain (Loss) on investment in a life insurance contract

For the year ended 31 March 2024, the Group recorded a gain on investment in a life insurance contract of approximately HK$0.1 million (2023: a loss of approximately HK$1.3 million).

Finance costs

Finance costs of the Group increased by approximately 64.3% from approximately HK$252,000 for the year ended 31 March 2023 to approximately HK$414,000 for the year ended 31 March 2024. The increase in finance costs was mainly attributable to an increase in interest on bank borrowing and lease liabilities for the year ended 31 March 2024.

Income tax expense

The Group's income tax expense for the year ended 31 March 2024 was approximately HK$163,000, representing a significant increase from approximately HK$4,000 for the year ended 31 March 2023. The increase in income tax expense was mainly due to an increase in deferred income tax for the year ended 31 March 2024.

Loss attributable to owners of the Company

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK$12.1 million and approximately HK$17.9 million for the years ended 31 March 2024 and 2023, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OBJECTIVES AND STRATEGIES

The Group will endeavor to achieve the following business objectives:

Business strategy	Progress up to 31 March 2024
Strengthen sales and marketing efforts	
• To increase advertising frequency on traditional media such as weekly magazine and billboards	The Group has found suitable media channels for engaging in an informative advertising campaign
• To increase online advertisement	The Group has increased the frequency of online advertisement during the period
• To engage a celebrity to market and endorse the services of the Company	The Group has engaged a celebrity as the spokesperson of the Company
Recruiting high caliber talents and enhance internal training to support future growth	
• To hire additional employees and talents	The Group has hired additional project supervisors, draftsman and designer assistants to facilitate the business development
• To organise internal training and seminar	The Group has provided internal training to existing and new hiring staff
• To offer incentive bonus to employees	Portion of proceeds were used for hiring additional employees and talents
Upgrade the information systems	
• To pay the final stage payment for software development and upgrade office systems and design softwares	The Group is in the progress of developing online system for project management
Development of fleet of vehicles	
• To purchase a vehicles and pay the related fees due to the purchase of the vehicles	The Group has purchased four vehicles and paid the relevant fees

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Company at the time of its listing on 12 April 2017 (the "**Listing Date**") through the share offer of 200,000,000 shares of HK$0.01 each in the share capital of the Company at the price of HK$0.26 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$34.8 million (the "**Net Proceeds**"). These Net Proceeds were applied in the manner as described in the prospectus of the Company dated 31 March 2017 (the "**Prospectus**") and the announcement of the Company dated 7 March 2023 in relation to the change in use of proceeds (the "**Announcement**").

The below table sets out the proposed applications of the Net Proceeds from the Listing Date to 31 March 2024:

	Planned use of Net Proceeds as disclosed in the Prospectus and as amended in the Announcement HK$ million (Note)	**Unutilised Net Proceeds as at 31 March 2023** HK$ million	**Utilised Net Proceeds during the reporting period** HK$ million	**Utilised Net Proceeds up to 31 March 2024** HK$ million	**Unutilised Net Proceeds up to 31 March 2024** HK$ million	**Expected timeline of full utilisation of the unutilised Net Proceeds**
Expansion of market coverage in Hong Kong	–	–	–	–	–	N/A
Strengthen sales and marketing efforts	4.0	–	–	4.0	–	N/A
Recruiting high caliber talent and enhance internal training to support future growth	4.7	–	–	4.7	–	N/A
Upgrading information systems	1.9	0.5	0.2	1.6	0.3	by March 2025
Development of fleet of vehicles	2.6	–	–	2.6	–	N/A
General working capital	21.6	19.8	14.8	16.6	5.0	by March 2025
	34.8	20.3	15.0	29.5	5.3	

Note: On 7 March 2023, the Board resolved to change the outstanding Net Proceeds from the issue of new shares of the Company at the time of its listing on the Listing Date, being approximately HK$20,300,000 as at 7 March 2023 as follows: (i) as to approximately HK$500,000, to upgrade information systems of the Company; and (ii) as to the remaining balance of approximately HK$19,800,000, for general working capital.

For upgrading information systems, the Company is currently in the progress of upgrading office systems and design softwares. Therefore, the Company expects to utilise these unutilised Net Proceeds of approximately HK$0.3 million by 31 March 2025 to upgrade the information system. As general working capital, the Company has maintained part of the direct staff costs and marketing expenses for the year ended 31 March 2024.

As at 31 March 2024, the unutilised Net Proceeds of approximately HK$5.3 million have been placed as deposits into licensed banks in Hong Kong and are expected to be used according to the intentions previously disclosed in the Prospectus and the Announcement. Such amounts are expected to be fully utilised by 31 March 2025.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus and the Announcement were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus and the Announcement while the proceeds were applied based on the actual development of the Group's business and the industry.

CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM on the Listing Date. There has been no change in the capital structure of the Group since then. The capital of the Group consists only of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements principally from cash generated from operations and bank loan.

As at 31 March 2024, the Group had total debts, comprising bank borrowing and lease liabilities, of approximately HK$7.4 million which was denominated in Hong Kong Dollars (2023: approximately HK$9.6 million).

As at 31 March 2024, the Group had approximately HK$24.3 million in cash and bank balance and time deposits (2023: approximately HK$34.5 million). The Directors believe that the Group is in a healthy financial position to achieve its business objectives.

GEARING RATIO

As at 31 March 2024, the gearing ratio of the Group was approximately 86.0% (2023: approximately 46.4%). Gearing ratio is calculated as total interest-bearing liabilities and lease liabilities divided by total equity. The increase in the gearing ratio was primarily attributable to the decrease in total equity, while partially offset by the decrease in total interest bearing liabilities and lease liabilities, during the year ended 31 March 2024.

CHARGE ON GROUP ASSETS

On 18 August 2022, Faith Flying Limited ("**Faith Flying**"), a then indirect wholly-owned subsidiary of the Company, took out a life insurance policy (the "**Policy**") with the Hang Seng Insurance Company Limited ("**Hang Seng Insurance**") and placed an initial single premium of US$950,000 (equivalent to approximately HK$7,470,000) thereunder with Hang Seng Insurance, which became effective on 28 September 2022. Dr. Chan is the insured person and Faith Flying is both the policy holder and the beneficiary of the Policy. As at 31 March 2023, the Policy was pledge as collateral for the Group's banking facilities.

On 7 February 2024, Faith Flying ceased to be the subsidiary of the Company. For details, please refer to announcements of the Company dated 8 February 2024 and 1 March 2024. As at 31 March 2024, there was no charge on assets of the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, there was no significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year ended 31 March 2024. The Group did not have other plan for material investments or capital assets as at 31 March 2024.

FOREIGN EXCHANGE EXPOSURE

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's bank balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2024 (2023: Nil).

CAPITAL COMMITMENTS

As at 31 March 2024, the Group had approximately HK$5.0 million of capital commitment in relation to the unpaid registered capital of a subsidiary (2023: approximately HK$5.0 million).

SEGMENT INFORMATION

The Group principally operates in one business segment, which is the provision of interior design and fit-out services in Hong Kong.

FINAL DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 March 2024 (2023: Nil).

INFORMATION ON EMPLOYEES

As at 31 March 2024, the Group had 26 employees working in Hong Kong (2023: 38). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Share options may also be granted to eligible employees and persons of the Group. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 March 2024 amounted to approximately HK$17.6 million (2023: approximately HK$18.0 million).

PRINCIPAL RISKS AND UNCERTAINTIES

Interest rate risk

The interest rate risk of the Group relates primarily to the bank balance, time deposit and bank borrowings. The Group currently has not entered into interest rate swaps to hedge against the exposure to the changes in fair values of the borrowings. It is the policy of the Group to maintain an appropriate level between the deposits and borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that the Group may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of the debt obligations. The Group currently does not use any derivative instruments to manage the interest rate risk. To the extent the Group decide to do so in the future, there can be no assurance that any future hedging activities will protect the Group from fluctuations in interest rates.

Credit risk

The credit risk of the Group mainly arises from contract assets, trade and other receivables and bank balances. The carrying amounts, where applicable, of each class of these assets represent the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates. The Group's credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies. In respect of trade and other receivables and contract assets, individual and/or collective credit evaluations are performed on the Group's customers and counterparties. Monitoring procedures have been implemented to ensure that follow-up action will be taken to recover overdue debts. The Group performs impairment assessment under the expected credit loss model under HKFRS 9 on its financial assets and contract assets. In this regard, management considers that the Group's credit risk is significantly reduced.

Liquidity risk

The Group has maintained a policy to monitor current and expected liquidity requirements regularly to ensure that the Group can maintain sufficient reserve of cash to meet liquidity requirements in both long and short terms as well as maintaining sufficient financial resources to fund operations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented environmental protection measures, including procedures and programmes related to wastewater discharge management, noise control, resources and energy use control, environmental protection enhancement and sustainable development, internal environmental examination and evaluation, environmental emergency response and impact control. The Group also commits to the principle and practice of recycling and reducing. To protect the environment, the Group implements green office practices such as re-deployment of office furniture as far as possible, to encourage use of recycled paper for printing and copying, double-sided printing and copying, to reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances. The Group's operations were in compliance in all material respects with current applicable environmental protection laws and regulations in the Hong Kong during the year ended 31 March 2024.

For details of environmental, social and governance performance of the Group, please refer to the Environmental, Social and Governance report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 March 2024, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year ended 31 March 2024, there was no significant dispute between the Group and its suppliers, customers and/or stakeholders.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, there is no other important event affecting the Group since 31 March 2024 and up to the date of this annual report.

INTRODUCTION

Lai Group Holding Company Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), is principally engaged in the provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services including interior design provided by the Group's in-house design team, providing the Group's customers with creative and innovative designs that synergise with the latest market and design trends. In order to complete the projects, the Group relies on its subcontractors to implement the designs with high quality fittings and furnishings. This Environmental, Social and Governance Report (the "**ESG Report**") discloses the Group's measures and performance on sustainable development topics in a transparent and open manner in order to enhance stakeholders' confidence and understanding of the Group.

REPORTING YEAR

The ESG Report describes the Group's environmental, social and governance ("**ESG**") measures and performance during the year ended 31 March 2024 (the "**Reporting Period**" or "**2024**") as well as the comparative data for the year ended 31 March 2023 ("**2023**").

REPORTING SCOPE

The senior management of the Group has discussed and identified the reporting scope of the ESG Report based on the materiality principle and considering the Group's core business and main revenue source. The ESG Report covers the ESG performance of the Group's key business and operational activities of residential interior design and fit-out services, as well as commercial interior design and fit-out services, which generate all of the Group's revenue. The ESG Report covers the Group's operating locations, including headquarters, branch offices and project sites in Hong Kong. The ESG key performance indicator ("**KPI**") data are gathered only from the operations under the Group's direct operational control.

REPORTING FRAMEWORK

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The ESG Report provides an overview of the ESG performance of the Group. The information in the ESG Report is derived from the Group's official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by the Group.

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report of this annual report.

During the preparation of the ESG Report, the Group has applied the reporting principles of materiality, quantitative and consistency set out in the ESG Reporting Guide:

Materiality: A materiality assessment was conducted to identify material issues, which were then confirmed and adopted as the focus for the preparation of this ESG Report. The materiality of issues was reviewed and confirmed by the Board of Directors (the "**Board**") and the designated personnel from various businesses and functional departments ("**Designated Personnel**"). Please refer to the sections headed "STAKEHOLDER ENGAGEMENT" and "MATERIALITY ASSESSMENT" for further details.

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

Consistency: The statistical methodologies applied to this ESG Report were substantially consistent with those of 2023. Explanations will be provided to the data if there are any changes in the scope of disclosure and calculation methodologies that may affect comparison with previous reports.

BOARD STATEMENT

The Board is pleased to present the ESG Report of the Group, which provides a summary of the Group's ESG-related measures and performance with respect to environmental protection, labour practices, business operations, supply chain management and other relevant issues. As a responsible corporation, the Group views ESG commitments as part of its responsibilities and is committed to incorporating ESG considerations into its decision-making process.

ESG Governance Structure

The Group uses a top-down management approach to manage its ESG issues. The Board supports the Group's commitments to fulfilling its ESG responsibilities and has overall responsibility for the Group's ESG strategy and reporting, as well as overseeing and managing its ESG issues. The Board must hold at least one meeting each year to establish the overall ESG approach, oversee and assess the potential impacts and risks of the ESG issues related to the Group's operation, review the Group's performance against ESG-related targets and the materiality of ESG issues, ensure the effectiveness of the Group's risk management and internal control systems and approve disclosures in ESG reports. The Board possesses the necessary skills, experience and knowledge relevant to ESG management. Where appropriate, the Group engages external advisors to provide expertise and professional advice related to ESG.

The Group has assigned Designated Personnel to systematically manage ESG issues and facilitate the Board's oversight of ESG issues. The Designated Personnel are responsible for overseeing and reviewing the Group's ESG policies and performance; monitoring and managing ESG risks and opportunities and the effectiveness of the ESG management systems; identifying and prioritising the Group's ESG issues; and collecting relevant information on ESG aspects for the preparation of the ESG reports. Besides, they propose and recommend the Group's ESG strategies, priorities, and targets to the Board. They report to the Board at least once a year, assist in identifying and assessing the Group's ESG risks and opportunities and evaluate the implementation and effectiveness of the internal control mechanism. They also examine and evaluate the Group's performance in different aspects such as the environment, labour practices and other ESG issues. During the Reporting Period, the targets were reviewed, and the Group's progress has been confirmed by the Designated Personnel. Relevant data and year-on-year comparisons are listed in subsequent sections of the ESG Report.

During the Reporting Period, the Group's Design Information Centre has received the "ESG Special Recognition Award 2023" from TVB, recognising the Group's efforts to incorporate sustainable design principles into its operations and services. The Group is proud of this accolade and will continue to prioritise eco-friendly strategies moving forward.

STAKEHOLDER ENGAGEMENT

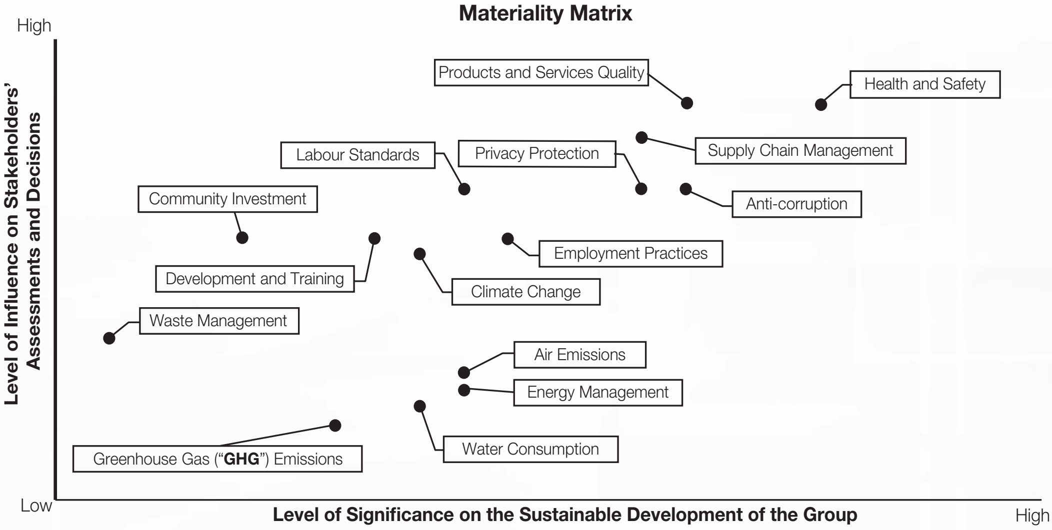
The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. Stakeholders of the Group refer to groups and individuals materially influencing or affected by the Group's business. They include shareholders and investors, clients, employees, subcontractors, the government and suppliers. To understand and address the key concerns of different stakeholders, the Group maintains close communication with them. Stakeholders' expectations have been taken into consideration by utilising diversified engagement channels, as shown below:

Stakeholders	Interests and concerns	Engagement channels
Shareholders and investors	• Return on investment • Financial performance • Corporate strategy and governance • Risk mitigation and management • Regulatory compliance	• Annual general meeting • Financial reports • Corporate websites • Announcements, meeting notices, circulars
Clients	• Robust project management • Full compliance with regulations • High-quality products and services • Consumer rights • Sustainability performance of operations	• Hotline for after-sale services • Corporate websites • Regular meetings and communication • Customer satisfaction surveys • Financial reports
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture and well-being • Employees' compensation and benefits	• Leisure activities • In-house training programmes • Performance reviews and appraisals • Means for employees to express opinions (e.g. opinion form and suggestion box) • Regular meetings and management communication (e.g. email and telephone)
Subcontractors	• Effective project management • Occupational health and safety • Ethical business practices • Fair and open tendering • Assessment criteria for subcontractors • Payment schedule	• Annual health, safety and environment seminars • Regular progress meetings • Audits and assessments • Training sessions
Government	• Laws and regulatory compliance • Proper tax payment	• On-site inspections • Work report preparation and submission for approval • Financial reports
Suppliers	• Long-term partnership • Sustainable supply chain • Fair and open tendering • Ethical business practices • Supplier assessment criteria	• Procurement processes • Audits and assessments • Supplier management meetings and events

The Group endeavours to actively listen to and collaborate with its stakeholders to ensure that their opinions can be voiced through proper communication channels. In the long run, the stakeholders' contribution will aid the Group in improving the performance of potentially overlooked ESG topics and ensure the continued success of the Group's business in a competitive market.

MATERIALITY ASSESSMENT

Stakeholder engagement and communications are crucial in understanding the expectations and priorities of the Group's stakeholders. The Group's management and employees have assisted in identifying the material ESG issues of the Group based on the Group's business, the ESG Reporting Guide and industry standards. Apart from regular communication channels, the Group has also designed a materiality assessment survey to collect opinions from internal and external stakeholders so that the Group can better assess the materiality of various ESG issues. The results of the materiality assessment are confirmed by the Board and the Designated Personnel, and then plotted on the materiality matrix as shown below.



During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for its ESG issues and that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

ENVIRONMENTAL PROTECTION

Environmental protection and sustainable development rely on concerted efforts from all industries and society. The Group strives to integrate environmental sustainability into its business operations and is committed to managing its emissions and seeking practical means to reduce its impact on the environment. To support decarbonisation and address stakeholders' concerns as reflected by the identified material ESG issues, the Group has set environmental targets related to GHG emissions, waste management, energy use and water consumption. The targets were approved by the Board, and the progress is regularly reviewed by the Designated Personnel. The Group continues to work on environmental protection and minimises its carbon footprint by reviewing the effectiveness of its environmental protection measures regularly in order to achieve long-term sustainability for the environment and community where it operates.

Apart from implementing an environmental management system in accordance with ISO 14001:2015 requirements, the Group has also formulated environmental policies such as the Emission Policy and the Use of Resources Policy to promote sustainability within the Group's business. The Group implements measures that promote emission reduction, resource efficiency, waste reduction, and other green initiatives. The Group is also committed to educating its employees and raising their awareness of environmental protection in order to comply with relevant environmental laws and regulations. Within the Group's policy framework, the Group continually looks for opportunities to pursue environmentally friendly initiatives and enhance the Group's environmental performance by reducing energy consumption and the use of other resources.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental laws and regulations, including but not limited to the Air Pollution Control Ordinance, the Noise Control Ordinance, and the Waste Disposal Ordinance of Hong Kong, that would have a significant impact on the Group.

EMISSIONS

Air Emissions

During the Group's operations, the fuel consumed by company vehicles generates emissions of nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and particulate matter ("**PM**").

Summary of the Group's air emissions[1] performance:

Types of air emissions	Unit[2]	2024	2023
NO_x	kg	17.31	11.56
SO_x	kg	0.20	0.13
PM	kg	1.27	0.85

Note(s):

1. Vehicles used during the reporting year may vary depending on the project nature. The calculation method is based on "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

2. The unit of air emissions has been revised from tonnes to kg to provide a more detailed and precise measurement.

Although the Group does not generate a significant amount of air emissions directly during its operations, it has still established measures relating to the reduction of air emissions, which include but not limited to:

- Avoid peak-hour traffic;
- Encourage the use of public transport;
- Utilise the vehicles effectively by carpooling with different staff; and
- Monitor the monthly usage of all vehicles through the establishment of a comprehensive data collection system to maintain a prominent level of usage efficiency.

GHG Emissions

The Group's GHG emissions comprise direct emissions (scope 1), energy indirect emissions (scope 2) and other indirect emissions (scope 3). The Group emphasises reducing GHG emissions, which contributes to achieving carbon neutrality and combating climate change. Therefore, the Group has set a target in the year ended 31 March 2022 ("**2022**") to reduce its total GHG emission intensity (kgCO_2e/square foot) by 5% by the year ending 31 March 2026 ("**2026**"), compared with the baseline year of 2022, which was approximately 19.33 kgCO_2e/square foot. The Group has implemented a series of measure in order to reach the target set. The relevant measures are mentioned in this section as follows.

Scope 1 – Direct emissions

Direct GHG emissions of the Group were principally generated from fuel consumed by company vehicles. The Group has actively adopted measures described in the section headed "Air Emissions" under aspect A1.

Scope 2 – Energy indirect emissions

Energy indirect GHG emissions of the Group were principally generated from electricity consumed at the rented headquarters and branch offices.

The Group has adopted several electricity conservation measures to control and reduce electricity consumption. The Group not only encourages the use of appliances with energy efficiency labels but also encourages its employees to switch off all idling appliances and unnecessary lighting upon leaving the offices. The Group has also posted reminders near switches and electrical appliances to remind employees to reduce electricity consumption. Other electricity conservation measures are described in the section headed "Energy Management" under aspect A2.

Scope 3 – Other indirect emissions

Other indirect GHG emissions of the Group were principally generated from the electricity used for fresh water processing and wastewater processing by the Water Services Department and Drainage Services Department, as well as business air travel. The Group has actively adopted various water conservation measures, which are described in the section headed "Water Consumption".

The total GHG emissions intensity (kgCO_2e/square foot) in 2024 has increased by approximately 17.46% compared to 2023. The increase was mainly due to higher demand for business commuting. The Group is currently in the process of achieving the aforementioned target and will continue to promote GHG emission reduction measures in the future.

Summary of the Group's GHG emissions[3] performance:

Indicators	Unit	2024	2023
Scope 1 – Direct GHG emissions • Fuel consumed by company vehicles	tCO_2e	35.83	23.29
Total direct GHG emissions	**tCO_2e**	**35.83**	**23.29**
Scope 2 – Energy indirect GHG emissions • Purchased electricity	tCO_2e	43.36	49.22
Scope 3 – Other indirect GHG emissions • Fresh water and wastewater processing • Business air travel	tCO_2e	4.31	9.34
Total indirect GHG emissions	**tCO_2e**	**47.67**	**58.56**
Total GHG emissions	**tCO_2e**	**83.50**	**81.85**
Intensity of total GHG emissions	**tCO_2e/million revenue (HK$)[4]**	**0.82**	**0.74**
	tCO_2e/project[5]	**0.24**	**0.21**
	tCO_2e/square foot (kgCO_2e/square foot)[6]	**0.03 (25.30)**	**0.02 (21.54)**

Note(s):

3. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, "Annual Report 2022/23" issued by the Water Supplies Department, "Sustainability Report 2021-22" issued by the Drainage Services Department, the global warming potential values from the "IPCC Fifth Assessment Report", and "IPCC Sixth Assessment Report", the "Sustainability Report 2023" published by HK Electric Investments Limited, the "2023 Sustainability Report" published by CLP Holdings Limited, and the ICAO carbon emissions calculator.

4. As at 31 March 2024, the Group recorded a revenue of approximately HK$102.1 million (as at 31 March 2023: approximately HK$111.3 million). This data is used for calculating other intensity data.

5. As at 31 March 2024, the Group recorded the total number of projects of 350 (as at 31 March 2023: 385). This data is used for calculating other intensity data.

6. As at 31 March 2024, the Group recorded a total floor area of approximately 3,300.00 square feet (as at 31 March 2023: approximately 3,800.00 square feet). This data is used for calculating other intensity data.

Waste Management

Hazardous waste

Due to the Group's business nature, it does not generate a material amount of hazardous waste during its operations. Although the Group did not generate hazardous waste during the Reporting Period, it has established guidelines to govern the management and disposal of hazardous waste. In the event that hazardous waste is produced, to comply with the relevant environmental rules and regulations, the Group must engage a qualified chemical waste collector to handle such waste.

Non-hazardous waste

The Group's non-hazardous waste mainly comprises the mixed construction and demolition ("**C&D**") waste produced during the operation of the Group's fit-out services, the general waste and paper used in office. To facilitate the waste reduction from sources, the Group has set a target in 2022 to reduce the total non-hazardous waste disposal intensity (kg/square foot) by 5% by 2026, compared with the baseline year of 2022, which was approximately 31.58 kg/square foot.

To properly dispose of the waste produced, the mixed C&D materials are sent to three strategic landfills by trucks from the government-authorised logistic service provider. In its offices, the Group promotes the reduction of paper and stationery usage by adopting the following initiatives and assumes responsibility for the overall waste management:

- Encourage double-sided printing;
- Extend the life cycle of stationery by reusing envelopes and refilling pens;
- Utilise electronic communication where applicable; and
- Use reusable products instead of one-off office supplies whenever possible.

The total non-hazardous waste disposal intensity (kg/square foot) in 2024 has slightly increased by approximately 4.94% compared to 2023. The increase was due to the higher demand for paper in the preparation of quotations and drawing plans. However, the Group is on track to achieve the aforementioned target. Approximately 0.27 tonnes (2023: approximately 0.26 tonnes) of general waste and approximately 0.25 tonnes (2023: approximately 0.20 tonnes) of paper waste were recycled in 2024.

Summary of the Group's non-hazardous waste disposal performance:

Types of non-hazardous waste	Unit	2024	2023
Mixed C&D waste	tonnes	100.01	110.05
General waste	tonnes	0.80	0.76
Paper	tonnes	0.76	0.65
Total non-hazardous waste disposal	**tonnes**	**101.57**	**111.46**
Intensity of total non-hazardous waste disposal	**tonnes/million revenue (HK$)**	**0.99**	**1.00**
	tonnes/project	**0.29**	**0.29**
	tonnes/square foot (kg/square foot)	**0.03 (30.78)**	**0.03 (29.33)**

Wastewater Discharge

Wastewater can be generated and discharged at the Group's headquarters, branch offices and project sites. Since the Group did not have direct operational control over the fit-out works at project sites, wastewater discharge data was therefore not available. The wastewater discharged by the offices of the Group was discharged into the public sewerage system. Therefore, the amount of water consumed by the Group is considered the amount of sewage discharged. The corresponding water conservation measures are described in the section headed "Water Consumption".

USE OF RESOURCES

As the Group focuses on the provision of interior design and fit-out services in Hong Kong, it does not consume a significant amount of water and energy at its headquarters, branch offices and project sites. Nevertheless, the Group encourages its employees to use their best endeavours to reduce the use of resources, with a view to contributing to the community and the environment. The Group will keep monitoring the potential environmental impacts of its business operations. The Group has also established the Use of Resources Policy to actively promote resource efficiency.

Energy Management

The Group aims to minimise the environmental impacts of its operations by setting energy reduction targets and adopting appropriate measures. During the Reporting Period, the Group has set a target in 2022 to reduce the total energy consumption intensity (kWh/square foot) by 5% by 2026, compared with the baseline year of 2022, which was approximately 48.23 kWh/square foot. The Group has adopted the following energy-saving measures:

- Purchase equipment and machinery with high energy efficiency when replacing old equipment;
- Encourage the use of products with energy efficiency labels;
- Replace traditional fluorescent tubes with energy-efficient LED light strips;
- Switch off all idling appliances and unnecessary lighting upon leaving the office;
- Conduct regular maintenance on air-cooling technologies; and
- Actively adopt vehicle emission reduction measures, which are described in the section headed "Air Emissions".

The major type of energy used in the Group's operations is electricity. In order to monitor the electricity consumption and identify energy-saving opportunities, the Group measures and records the electricity consumption level from time to time.

The total energy consumption intensity (kWh/square foot) in 2024 has increased by approximately 37.10% compared to 2023. The increase was mainly due to higher demand for business commuting. The Group is currently in the process of achieving the aforementioned target and will continue to promote energy conservation measures in the future.

Summary of the Group's energy consumption[7] performance:

Types of energy	Unit[8]	2024	2023
Direct energy consumption • Fuel consumed by company vehicles	MWh	133.57	86.83
Indirect energy consumption • Purchased electricity	MWh	87.89	99.19
Total energy consumption	**MWh**	**221.46**	**186.02**
Intensity of total energy consumption	**MWh/million revenue (HK$)**	**2.17**	**1.67**
	MWh/project	**0.63**	**0.48**
	MWh/square foot (kWh/square foot)	**0.07 (67.11)**	**0.05 (48.95)**

Note(s):

7. The electricity consumption data only includes the Group's headquarters and branch offices. Since the Group was not responsible for the electricity bill of the fitting-out works at project sites, electricity consumption data for those sites was therefore not available.

8. The unit conversion method for energy consumption data is formulated based on the "Energy Statistics Manual" issued by the International Energy Agency.

Water Consumption

Water was used at the Group's headquarters, branch offices and project sites. Although the Group does not consume a significant amount of water during its operations, it has set a target in 2022 to reduce the total water consumption intensity (cubic metres/square foot) by 5% by 2026, compared with the baseline year of 2022, which was approximately 0.08 cubic metres/square foot. To facilitate its water-saving initiative, the Group encourages all employees to develop the habit of conscious water conservation. The Group has been enhancing its water conservation promotion, such as posting water-saving reminders and guiding employees to utilise water reasonably. The employees' awareness of water conservation has increased due to the aforementioned water saving measures.

Due to the geographical location of the Group's operations and the Group's business nature, the Group did not encounter any problems sourcing water that was fit for purpose.

The total water consumption intensity (cubic metres/square foot) in 2024 has decreased by approximately 28.57% compared to 2023. The decrease was mainly due to the Group's effective water conservation measures and employees' increased awareness of water conservation. The Group is on track to achieve the aforementioned target. The Group will also continue to monitor the figures closely and prevent any unnecessary water usage.

Summary of the Group's water consumption[9] performance:

Indicators	Unit	2024	2023
Total water consumption	**cubic metres**	**171.30**	**260.00**
Intensity of total water consumption	**cubic metres/million revenue (HK$)**	**1.68**	**2.34**
	cubic metres/project	**0.49**	**0.68**
	cubic metres/square foot	**0.05**	**0.07**

Note(s):

9. The water consumption data only includes the Group's headquarters and branch offices. Since the Group was not responsible for the water bill of the fit-out works at project sites, water consumption data for those sites was therefore not available.

Use of Packaging Material

Due to the Group's business nature, the use of packaging material is not considered a material ESG issue for the Group.

THE ENVIRONMENT AND NATURAL RESOURCES

The Group has set up an environmental system management task force as part of its efforts to develop an environmental management system that supports sustainable development. The Design Information Centre of Smart Will Engineering Limited, one of the Group's subsidiaries, has obtained ISO 14001:2015 certification for its environmental management system.

Through the implementation of an ISO 14001-certified environmental management system and the establishment of the Environment and Natural Resources Policy, the Group has given careful consideration to minimise all significant impacts on the environment's resources.

Noise Pollution

The Group's fitting-out works may cause noise disturbances in the surrounding neighbourhoods. In order to ensure that noise levels at the project sites are in line with the statutory requirements prescribed in relevant regulations, the Group performs works during non-restricted hours to minimise the effects of any emanated noise or vibration from its works on the surrounding areas.

CLIMATE CHANGE

The Group recognises the importance of identifying significant climate-related issues and mitigation of the related risks and is therefore committed to managing the potential climate-related risks that may impact the Group's business activities. The Group has established the Environment and Natural Resources Policy for identifying and mitigating climate-related risks. During the Reporting Period, the Group conducted a climate change assessment to identify and assess the impact of the potential risks that may arise from its business operations. These risks mainly stem from the following dimensions:

Physical Risks

The increase in frequency and severity of extreme weather, such as typhoons, storms and heavy rains, can disrupt the Group's operations by damaging the power grid and communication infrastructures, and hindering and injuring its employees when they are at work or on their commute. These could result in a temporary, permanent or partial halt of the Group's business operations, which exposes the Group to risks associated with non-performance and delayed performance. Extreme weather may also interrupt the supply chain of materials for fit-out works due to delays in material transportation or disturbance of material manufacturing.

To better manage the aforementioned physical risks, the Group has evaluated the possible extreme weather events that could influence the Group's business operations and has developed extreme weather contingency plans, including personnel allocation, emergency response arrangements and a business restoration sequence and schedule. The Group's Employee Handbook clearly outlines the response plan for employees to follow in the event of a typhoon or heavy rain. When extreme weather events occur or may occur, senior management will react according to the plan and timely communicate with employees about the work arrangement to ensure staff safety and operational continuity. The Group will also periodically review its response plan, to ensure the outlined solutions remain appropriate for employees to follow if any essential work arrangements become unavailable due to extreme weather events.

Transition Risks

Policy and Legal Risks

There will be more stringent climate legislation and regulations to support the global vision for decarbonisation. For example, the Stock Exchange has required the listed companies to enhance the climate-related disclosures in their ESG reports. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs may thus increase.

In response to policy, legal and reputational risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate change, and ensures that senior management is aware of the changes in policies or legislation, so as to avoid unnecessary costs or non-compliance fines incurred and to reduce reputational risks resulting from delayed responses.

Market Risks and Opportunities

With the global vision of decarbonisation, as well as the advocacy of "Net Zero", there is an increasing number of investors and customers who are aware of climate-related issues. If the Group fails to implement effective measures to manage climate risks, its attractiveness to investors and customers may be reduced. Conversely, the Group tends to attract more investors and customers if it provides more environmentally friendly fit-out services.

To cope with the potential risk of disinvestment and shifts in consumption, the Group intends to maintain high levels of transparency in its ESG reporting and related activities. This establishes trust and confidence in its relationships with investors and customers. The Group also sets targets across different environmental aspects, including GHG emissions, waste management, energy consumption and water use. The aim is to reduce the environmental impact and mitigate climate change by minimising the footprint of the Group's business operations. The Group regularly reviews progress towards these targets and the effectiveness of its environmental policies and measures to ensure the Group's development aligns with global trends in climate change mitigation and adaptation. Meanwhile, the Group will explore more possibilities for providing greener fit-out services, in terms of material use and design. The Group also aims to conduct more environmentally friendly procurement and engage suppliers with a lower carbon footprint. Further details on these efforts will be mentioned in the "Supply Chain Management" section under the "SOCIAL" aspect.

SOCIAL

EMPLOYMENT PRACTICES

The Group recognises that employees are the most valuable assets and the cornerstone for sustaining corporate development. Therefore, the Group adheres to a people-oriented principle and respects and protects the legitimate rights and interests of every employee. Relevant employment policies of the Group have been formally documented in the Employee Handbook, covering compensation and dismissal, recruitment and promotion, working hours, appraisal, training, benefits, etc. The policies and employment process are reviewed on a regular basis to ensure the continuous improvement of the Group's employment standards.

As at 31 March 2024, the Group had a total of 26 (as at 31 March 2023: 38) employees, all of whom were in Hong Kong. The breakdown of employees by gender, age group, employment type and employee category was as follows:

Number of employees	Unit	As at 31 March 2024	As at 31 March 2023
By gender			
Male	people	14	24
Female	people	12	14
By age group			
Below 30	people	7	11
30-50	people	16	19
Over 50	people	3	8
By employment type			
Full-time	people	26	37
Contract/ Short-term	people	–	1
By employee category			
Senior management level	people	3	1
Management level	people	4	9
General staff	people	19	28

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations, including but not limited to the Employment Ordinance, the Mandatory Provident Fund Schemes Ordinance and the Minimum Wage Ordinance of Hong Kong that would have a significant impact on the Group.

Remuneration and Benefits

The Group has established a fair, reasonable and competitive remuneration system to attract and retain quality talent. The Group's basis for determining one's remuneration includes job-related skills, qualifications, experience, capability, work performance and the prevailing market remuneration rate. Staff performance reviews are conducted regularly to assess the performance of each employee so as to decide on salary adjustments. Employees' remuneration packages are composed of a basic salary, incentive bonuses, a mandatory provident fund and other fringe benefits. Remuneration packages are reviewed periodically.

The Group protects the rights of its staff by providing statutory holidays and paid annual leave according to relevant labour laws and regulations. The Group also arranges the employees' working hours based on statutory working hour standards, while employees are also entitled to paid leaves, sick leaves, maternity leaves and paternity leaves in accordance with relevant laws and regulations.

Moreover, the Group strives to establish harmonious labour relationships and create a relaxing working environment. The Group promotes a positive and healthy lifestyle and strives to lift the spirit of the workforce through various activities, including birthday parties, sports games, barbeques and other outing events. These recreational activities are dedicated to promoting harmony and unity among employees by enhancing their mutual understanding and trust.

With the above benefits and welfare, the Group's turnover rate in 2024 was approximately 37.50%[10] (2023: approximately 23.68%). The employee turnover rate by gender and age group[11] was as follows:

Employee turnover rate	Unit	2024	2023
By gender			
Male	%	52.63	25.53
Female	%	15.38	20.69
By age group			
Below 30	%	44.44	36.36
30-50	%	17.14	8.70
Over 50	%	90.91	–
By geographical region			
Hong Kong, China	%	37.50	23.68

Note(s):

10. The total employee turnover rate = total number of employees leaving employment during the reporting year ÷ average total number of employees at the beginning and end of the reporting year ×100%.

11. The turnover rate by category = number of employees in the specified category leaving employment during the reporting year ÷ average number of employees in the specified category at the beginning and end of the reporting year ×100%.

Recruitment, Promotion, and Dismissal

The Group adheres to the principles of openness and fairness and has adopted a robust recruitment process based on merit selection against the job criteria applied. Job applicants are assessed based on their suitability for the positions and potential to fulfil the Group's current and future needs, regardless of their race, gender, religion, physical disability, marital status, sexual orientation, etc.

The Group offers promotion and development opportunities for outperforming employees through an open and fair assessment system to explore employees' capabilities. Performance reviews are conducted regularly, and employees are provided with the opportunity to openly discuss their performance and career development with their supervisors. The results of performance reviews are reflected in the employees' salary reviews and promotion considerations.

Besides, the Group does not tolerate the dismissal of employees on any unreasonable basis. All terminations of the employment contract would be based on reasonable and lawful grounds supported by the internal policies of the Group.

Equal Opportunities, Diversity and Anti-discrimination

The Group is committed to creating and maintaining an inclusive and collaborative workplace culture. Furthermore, the Group is dedicated to providing equal opportunities in all aspects of employment and protecting its employees from discrimination, physical or verbal harassment, based on their gender, age, religion, disability, ethnicity, political stance, marital status, etc. As the Group is principally engaged in fitting-out works in Hong Kong, manual work is generally required in most positions. Hence, the ratio of male to female employees was approximately 1.17:1 in 2024 (2023: approximately 1.71:1). However, the Group treats all employees equally.

HEALTH AND SAFETY

The Group recognises safety and health at work as integral parts of its business performance. The Group is committed to establishing a healthy, safe and stable working environment and has established the Occupational Health and Safety ("**OHS**") Manual, which is prepared in accordance with ISO 45001:2018, in order to manage the health and safety risks of its operations.

The Group strictly requires employees to comply with the Safety Policy and guidelines outlined in the OHS Management System for both on-site construction teams and employees working in offices. These guidelines clearly specify work flows, all kinds of safety measures and the employees' responsibilities for their health and safety at the Group's workplace.

Every employee will receive "site-specific induction training" when they commence work in the workplace. Thereafter, they are given refresher talks at intervals of six months, depending on the amount of changes to the site condition. The Group also provides toolbox talks, aiming to heighten employees' awareness of workplace hazards and the Occupational Safety and Health Ordinance.

Daily operations are inspected by the relevant department assigned by the Group, against the established risk assessment programme. The programme consists of a number of sequential steps including risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations, in order to monitor the effectiveness of the existing measures and reduce those risks that are not deemed to be within acceptable limits. Any non-compliance will also be identified and rectified on a timely basis.

In the event of a future outbreak of an epidemic, the Group will adapt its prevention and control efforts as necessary to ensure a prompt and effective response. The following measures will be implemented at the Group's headquarters, branch offices, and project sites:

- Require employees to wear surgical masks when entering the office, branch offices and project sites;
- Provide disinfection alcohol and sprays to employees;
- Provide vaccination leaves for employees; and
- Provide information related to epidemic.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations, including but not limited to the Occupational Safety and Health Ordinance of Hong Kong, that would have a significant impact on the Group.

Every case of injury or death must be reported to the Group. In the past three years (including the Reporting Period), there were no deaths or permanent disability cases noted. During the Reporting Period, the Group had 0 (2023: 0) reported accidents due to work-related injuries, as detailed in the table below:

Indicators	Unit	2024	2023	2022
Number of work-related fatalities	people	–	–	–
Work-related fatality rate	%	–	–	–
Number of work-related injuries	people	–	–	2
Number of lost days due to work injury	days	–	–	14

DEVELOPMENT AND TRAINING

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in job-related trainings and courses. The Group's Employee Handbook details the relevant policies to standardise employee training.

For new employees, a formal induction and a tour of the workplace are provided on their first day of employment. The aim is to welcome the new employees and familiarise them with the Group's culture. An introduction to the Employee Handbook is also provided to ensure that new employees are aware of relevant policies and the Code of Conduct. Moreover, experienced employees act as mentors to guide new employees. The Group believes such arrangements are best practices to facilitate communication, create team spirit, improve technical skills and managerial capabilities of employees, and encourage learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programmes since it believes that by offering comprehensive training opportunities, it could help provide the necessary protection for talent reserves for corporate development. The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

During the Reporting Period, approximately 68.42%[12] (2023: approximately 59.57%) of the Group's employees received training. The average training hours was approximately 26.84 hours[13] (2023: approximately 23.83 hours) per employee. The breakdown of employees trained, percentage of employees trained and average training hours by gender and employee category were as follows:

Category	Breakdown of employees trained (%)[14]		Percentage of employees trained (%)[15]		Average training hours (hours)[16]	
	2024	2023	2024	2023	2024	2023
By gender						
Male	53.85	64.29	58.33	60.00	25.00	24.00
Female	46.15	35.71	85.71	58.82	30.00	23.53
By employee category						
Senior management level	11.54	3.57	100.00	100.00	40.00	40.00
Management level	15.38	32.14	57.14	100.00	28.57	40.00
General staff	73.08	64.29	67.86	48.65	25.00	19.46

Note(s):

12. The percentage of employees trained = total number of employees trained during the reporting year ÷ total number of employees, including resigned employees, during the reporting year ×100%.

13. The average training hours per employee = total number of training hours for employees during the reporting year ÷ total number of employees, including resigned employees, during the reporting year.

14. The breakdown of employees trained by category = number of employees trained in the specified category during the reporting year ÷ total number of employees trained during the reporting year ×100%.

15. The percentage of employees trained by category = number of employees trained in the specified category during the reporting year ÷ number of employees in the specified category, including resigned employees, during the reporting year ×100%.

16. The average training hours by category = number of training hours for employees in the specified category during the reporting year ÷ number of employees in the specified category, including resigned employees, during the reporting year.

LABOUR STANDARDS

The Group always respects and strictly complies with all applicable laws and local regulations in the places where it operates. Child and forced labour are strictly prohibited during recruitment. To avoid the illegal employment of child labour and underage workers, the Group has also developed rigorous and systematic measures for approval and selection. Personal data is collected during the recruitment process to assist in the selection of suitable candidates and to verify candidates' identities. The Human Resources Department also ensures that identity documents are carefully verified. To prevent forced labour, working hours are specified in the Employee Handbook. If violations are involved, the Group will take necessary actions, including termination of contracts and reporting to authorities, to ensure compliance with labour laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to the prevention of child labour and forced labour, including but not limited to the Hong Kong Employment Ordinance, that would have a significant impact on the Group.

SUPPLY CHAIN MANAGEMENT

The Group highly values its relationships with its suppliers and subcontractors and regards them as important business partners. The Group has formulated the Procurement of Goods and Services Policy to standardise the procurement process and govern the engagement of suppliers and subcontractors. Selected suppliers and subcontractors are subject to screening and evaluation procedures based on criteria including but not limited to overall capabilities, quality and price, asset position, nature of business, reputation in the industry, quality of products, goods delivery, environmental and social performance, and compliance with laws and regulations. The Group also conducts regular assessments of approved suppliers and subcontractors based on the aforementioned criteria at least once per year or after the completion of their contracts. In the event of major non-performance, the Group will review its suitability to remain on the approved list. The Group maintains a long-term strategic relationship with its suppliers and subcontractors based on the results of the assessment.

During the Reporting Period, the Group had 148 (2023: 144) suppliers, 100 (2023: 115) of whom were evaluated and engaged according to the Group's procurement practices as mentioned above. The number of suppliers by geographical region is as follows:

Number of suppliers by geographical region	2024	2023
Hong Kong, China	110	108
Mainland China	38	36

As customers are becoming more concerned about environmental issues and stressing the importance of using environmentally friendly materials, the Group monitors the suppliers' and subcontractors' business procedures through field visits and investigations (if appropriate) to reduce its social and environmental risks along the supply chain. The investigation reviews the suppliers' production capacity, technology level, quality assurance capabilities, supply capacity, safety and environmental management qualifications, if needed. Only suppliers that have fully complied with regulatory requirements are eligible for the Group's supplier selection. Meanwhile, all suppliers and subcontractors must sign the Supplier Code of Conduct to ensure that they comply with the relevant laws and regulations and that their environmental and social performances meet the Group's standards. Any non-compliance with the relevant environmental and social rules and regulations discovered will be promptly reported to the Group's management. A corrective action plan will be carried out by management to remediate the identified risks in a timely manner.

To promote environmentally preferable products and services, the Group frequently communicates with suppliers and subcontractors about the availability of environmentally preferable products or services and those that meet certain green standards and specifications. The Group provides initiative to suppliers and subcontractors by prioritising suppliers and subcontractors who can provide environmentally friendly products and services during the tendering process. The selection of suppliers and subcontractors is determined regarding the criteria mentioned, the assessment and evaluation of the suppliers' performance and their green practices. The Group will continue to act as a responsible corporate citizen by communicating and stressing those environmental and social issues to its suppliers and subcontractors. The Group will also review the above procedures regularly to monitor their effectiveness.

PRODUCT RESPONSIBILITY

The Group is committed to providing high-quality services and guarantees that the quality of the Group's projects is in line with quality standards and sustainability requirements. The Group has always focused on quality control and customer satisfaction in project construction since its incorporation. The Group also pursues higher standards at all times.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress, including but not limited to the Personal Data (Privacy) Ordinance of Hong Kong, that would have a significant impact on the Group. Moreover, the disclosures on the number of products sold or shipped subject to recalls for safety and health reasons and the recall procedures were not applicable due to the Group's business nature.

Products and Services Quality

The Group recognises the importance of achieving and maintaining high service and product quality standards for its sustainable growth.

To maintain high product quality, the Group attaches great importance to quality management. The Group has obtained the certificate of ISO 9001:2015 Quality Management System for its interior design and fit-out services. The Group conducts on-site quality checks and inspections at various stages of the fit-out services. Besides, to ensure the quality of the supplied materials and products, the Group requires suppliers and subcontractors to provide a product quality certification regularly.

The Group treasures the customer's perception of the Group's services and considers it an important essence of the Group's performance. The Group employs different methods to explore the customers' expectations and obtain their feedback.

The Group's designers collect all information about customers' requirements and expectations at the preliminary meeting for interior design development and associated works. The project designer closely communicates with the customers at the project design and site work stages and effectively responds to the customers' subsequent instructions in order to meet their requirements.

The Group has also established a customer service ("**CS**") section with assigned staff to take care of potential, existing and ex-customers. The independent CS section is headed by the Group's Director, who has adequate authority to make decisions for problem-solving. The duties of the CS section encompass enquiries from potential customers, complaints from third parties such as neighbours of project sites and customer surveys for existing and completed projects.

In addition, the Group has set up a communication networking platform to build connections with customers and the public and gather all enquiries and customer views. Useful information can also be broadcast to any interested parties in relation to the interior design and contracting work updates.

Furthermore, the Group has established hotline and email enquiry facilities on its website, which are manned by trained CS staff. Apart from taking care of the existing customers, the CS staff also handles enquiries or calls from interested parties. In addition, the CS staff carry out surveys with customers to collect their opinions about the Group's services and the extent of their satisfaction with its performance. The collected information is recorded and analysed to seek improvement opportunities.

Whenever there is any complaint from customers, the Group takes it as a learning lesson and an opportunity to demonstrate its responsibility and commitment to quality service. Moreover, the Group takes a fair attitude towards both the complaining party and internal staff. An investigation is initiated by senior management to determine the cause of the complaint. The administrative manager shall then determine the legitimacy of the complaint and proceed with the appropriate follow-up action. The Group aims at rectifying all shortfalls and turning the customer's disappointment into satisfaction by handling the customer's complaint properly. During the Reporting Period, the Group received 0 product and service-related complaints (2023: 0 complaints).

Privacy Protection

The Group recognises that the protection of confidential information is key to its success. Therefore, protecting confidential data and customers' privacy always remains a top priority for the Group. All employees must follow the obligations as stated in the Company Information Disclosure Policy as well as the Information Security, Trade Secrets and Confidential Information Policy and must not disclose any information, documents or materials comprising any data or information relating to corporate business activities that may come into their knowledge or possession during the term, in the course of their employment or after employment ends without the Group's consent. All confidential data relating to the Group's business and customer information is securely protected and used only for internal purposes. The Group regularly reviews the above policies and closely monitors relevant data protection laws and regulations to ensure the agreement adequately safeguards customer privacy.

Intellectual Property Protection

The Group protects intellectual property rights and regards it as an area of substantial importance. The Group would take active steps to protect its trademarks and other intellectual property rights by completing the necessary filing and registration. For any new trademark to be licensed, the Group shall take all appropriate actions to register and protect trademarks in the jurisdictions where its operations are carried out.

ANTI-CORRUPTION

The Group is committed to maintaining the integrity of its corporate culture. The Group's Anti-Corruption Policy, Employee Conflict of Interest Management Policy and Code of Conduct stipulated in the Employee Handbook have outlined the standards of behaviour on anti-corruption, handling of conflicts of interest and data privacy and confidentiality that employees shall abide by in its business dealings. The relevant policies and Code of Conduct provide a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest. Directors and employees are required to make a declaration to management through the reporting channels when an actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (e.g. customers, suppliers, contractors, etc.) unless approval is obtained from management.

The Group has established the Policy on Whistle Blowing to encourage employees to raise concerns about possible improprieties in financial reporting, compliance, and other malpractices at the earliest opportunity. If any employee reasonably believes in good faith that malpractice exists in the workplace, they should report immediately to their Department Manager. The Department Manager should raise any matter of concern with the Financial Controller. However, if the concern involves the Department Manager, or the employee would prefer the Department Manager not to be informed for any reason, the employee may raise the matter directly with the Financial Controller. In the case of a concern about senior management, the employee can raise the matter with the Director(s) or the Audit Committee. All reports should be treated confidentially, and every effort is made not to reveal the employee's identity. The Group is entitled to terminate the employment contract of any employee who accepts bribes in the form of money, gifts, commissions, etc., and reserves the right to take further legal action against such an individual.

To ensure that all employees can perform their duties with high ethical standards and professionalism, the Group regularly arranges internal and external anti-corruption and corporate governance training and encourages employees to actively learn about the latest developments and future trends in global anti-money laundering and the impact of corruption. During the Reporting Period, the Group's Directors and staff received a total of approximately 40.00 hours (2023: approximately 40.00 hours) and approximately 64.00 hours (2023: approximately 264.00 hours) of anti-corruption training respectively.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to anticorruption and money laundering, including but not limited to the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter Terrorist Financing Ordinance of Hong Kong, that would have a significant impact on the Group. Moreover, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees (2023: No cases).

COMMUNITY INVESTMENT

The Group devotes itself to the community in order to show love and care for those in need and encourages its employees to participate in in-house or external community activities. The Group has formulated the Community Investment Policy and is committed to being an active member of the community by supporting and participating in various charitable community activities, including serving the disadvantaged and protecting the environment.

The Group has established a voluntary team to offer free maintenance and repair services for households and people in need, particularly the elderly, children and handicapped. The 20-person team consists of interior designers and skilled workers from different fields, such as carpentry, wood working, painting, plastering, etc.

In addition, the Group always encourages the employees to participate in blood and organ donations and regularly organises company-wide campaigns for such activities, including joining the Organ Donation Promotion Charter by the Department of Health and becoming a partner and signatory of the charter.

Moreover, the Group gathers all used furniture from customers prior to the commencement of fitting-out work, most of which is still in good condition. A designated team notes the basic information about this furniture and posts it to the Group's Facebook page. Whenever someone is in need, the Group will distribute them for free.

The Group is committed to caring for the underprivileged in society and contributing to cultural development in local communities. During the Reporting Period, the Group donated approximately HK$1,004,000 to various non-profit organisations (2023: approximately HK$1,066,000). Going forward, the Group will expand its efforts in charity work to cater to the needs of its community as well as create a more favourable environment for its community and business.

TABLE OF ENVIRONMENTAL KPIS

Aspect A1: Emissions

KPIs	Unit	2024	2023	HKEX ESG Reporting Guide KPI
Air emissions				
NO_x	kg	17.31	11.56	KPI A1.1
SO_x	kg	0.20	0.13	KPI A1.1
PM	kg	1.27	0.85	KPI A1.1
GHG emissions				
Total GHG emissions	tCO_2e	83.50	81.85	KPI A1.2
Intensity of total GHG emissions	tCO_2e/million revenue (HK$)	0.82	0.74	KPI A1.2
	tCO_2e/project	0.24	0.21	KPI A1.2
	tCO_2e/square foot	0.03	0.02	KPI A1.2
Scope 1 – Direct GHG emissions • Fuel consumed by company vehicles	tCO_2e	35.83	23.29	KPI A1.2
Scope 2 – Energy indirect GHG emissions • Purchased electricity	tCO_2e	43.36	49.22	KPI A1.2
Scope 3 – Other indirect GHG emissions • Freshwater and wastewater processing • Business air travel	tCO_2e	4.31	9.34	KPI A1.2
Non-hazardous waste disposal				
Total non-hazardous waste disposal	tonnes	101.57	111.46	KPI A1.4
Intensity of total non-hazardous waste disposal	tonnes/million revenue (HK$)	0.99	1.00	KPI A1.4
	tonnes/project	0.29	0.29	KPI A1.4
	tonnes/square foot	0.03	0.03	KPI A1.4
Mixed C&D waste	tonnes	100.01	110.05	KPI A1.4
General waste	tonnes	0.80	0.76	KPI A1.4
Paper	tonnes	0.76	0.65	KPI A1.4

Aspect A2: Use of resources

KPIs	Unit	2024	2023	HKEX ESG Reporting Guide KPI
Energy consumption				
Total energy consumption	MWh	221.46	186.02	KPI A2.1
Intensity of total energy consumption	MWh/million revenue (HK$)	2.17	1.67	KPI A2.1
	MWh/project	0.63	0.48	KPI A2.1
	MWh/square foot	0.07	0.05	KPI A2.1
Direct energy consumption • Fuel consumed by company vehicles	MWh	133.57	86.83	KPI A2.1
Indirect energy consumption • Purchased electricity	MWh	87.89	99.19	KPI A2.1
Water consumption				
Total water consumption	cubic metres	171.30	260.00	KPI A2.2
Intensity of total water consumption	cubic metres/million revenue (HK$)	1.68	2.34	KPI A2.2
	cubic metres/project	0.49	0.68	KPI A2.2
	cubic metres/square foot	0.05	0.07	KPI A2.2

TABLE OF SOCIAL KPIS

Aspect B1: Employment

KPIs	Unit	2024	2023	HKEX ESG Reporting Guide KPI
Number of employees				
Total number of employees	people	26	38	KPI B1.1
By gender				
Male	people	14	24	KPI B1.1
Female	people	12	14	KPI B1.1
By age group				
Below 30	people	7	11	KPI B1.1
30-50	people	16	19	KPI B1.1
Over 50	people	3	8	KPI B1.1
By employment type				
Full-time	people	26	37	KPI B1.1
Contract/Short-term	people	–	1	KPI B1.1
By employee category				
Senior management level	people	3	1	KPI B1.1
Management level	people	4	9	KPI B1.1
General staff	people	19	28	KPI B1.1
By geographical region				
Hong Kong, China	people	26	38	KPI B1.1
Employee turnover rate				
Total turnover rate	%	37.50	23.68	KPI B1.2
By gender				
Male	%	52.63	25.53	KPI B1.2
Female	%	15.38	20.69	KPI B1.2
By age group				
Below 30	%	44.44	36.36	KPI B1.2
30-50	%	17.14	8.70	KPI B1.2
Over 50	%	90.91	–	KPI B1.2
By geographical region				
Hong Kong, China	%	37.50	23.68	KPI B1.2

Aspect B2: Health and Safety

KPIs	Unit	2024	2023	2022	HKEX ESG Reporting Guide KPI
Number of work-related fatalities	people	–	–	–	KPI B2.1
Work-related fatality rate	%	–	–	–	KPI B2.1
Number of work-related injuries	people	–	–	2	KPI B2.2
Number of lost days due to work injury	days	–	–	14	KPI B2.2

Aspect B3: Development and Training

KPIs	Unit	2024	2023	HKEX ESG Reporting Guide KPI
Breakdown of employees trained				
By gender				
Male	%	53.85	64.29	KPI B3.1
Female	%	46.15	35.71	KPI B3.1
By employee category				
Senior management level	%	11.54	3.57	KPI B3.1
Management level	%	15.38	32.14	KPI B3.1
General staff	%	73.08	64.29	KPI B3.1
Percentage of employees trained				
By gender				
Male	%	58.33	60.00	KPI B3.1
Female	%	85.71	58.82	KPI B3.1
By employee category				
Senior management level	%	100.00	100.00	KPI B3.1
Management level	%	57.14	100.00	KPI B3.1
General staff	%	67.86	48.65	KPI B3.1
Average training hours per employee				
By gender				
Male	hours	25.00	24.00	KPI B3.2
Female	hours	30.00	23.52	KPI B3.2
By employee category				
Senior management level	hours	40.00	40.00	KPI B3.2
Management level	hours	28.57	40.00	KPI B3.2
General staff	hours	25.00	19.46	KPI B3.2

Aspect B5: Supply Chain Management

KPIs	Unit	2024	2023	HKEX ESG Reporting Guide KPI
Number of suppliers				
Total number of suppliers	number	148	144	KPI B5.1
By geographical region				
Hong Kong, China	number	110	108	KPI B5.1
Mainland China	number	38	36	KPI B5.1

Aspect B6: Product Responsibility

KPIs	Unit	2024	2023	HKEX ESG Reporting Guide KPI
Number of product recalls	number	N/A	N/A	KPI B6.1
Number of products and service-related complaints	number	–	–	KPI B6.2

Aspect B7: Anti-corruption

KPIs	Unit	2024	2023	HKEX ESG Reporting Guide KPI
Number of concluded legal cases	case	–	–	KPI B7.1
Training hours of anti-corruption training				
Directors	hours	40.00	40.00	KPI B7.3
Staff	hours	64.00	264.00	KPI B7.3

Aspect B8: Community Investment

KPIs	Unit	2024	2023	HKEX ESG Reporting Guide KPI
Resources contributed	HK$	1,004,000	1,066,000	KPI B8.2

CONTENT INDEX OF THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	BOARD STATEMENT – ESG Governance Structure
Reporting Principles	REPORTING FRAMEWORK
Reporting Boundary	REPORTING SCOPE

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	ENVIRONMENTAL PROTECTION
KPI A1.1	The types of emissions and respective emissions data.	ENVIRONMENTAL PROTECTION – Emissions – Air Emissions; Table of Environmental KPIs
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Emissions – GHG Emissions; Table of Environmental KPIs
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Emissions – Waste Management; Table of Environmental KPIs
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION – Emissions – GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION – Emissions – Waste Management

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	SOCIAL – Employment Practices
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	SOCIAL – Employment Practices; Table of Social KPIs
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	SOCIAL – Employment Practices – Remuneration and Benefits; Table of Social KPIs
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	SOCIAL – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	SOCIAL – Health and Safety; Table of Social KPIs
KPI B2.2	Lost days due to work injury.	SOCIAL – Health and Safety; Table of Social KPIs
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	SOCIAL – Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	SOCIAL – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	SOCIAL – Development and Training; Table of Social KPIs
KPI B3.2	The average training hours completed per employee by gender and employee category.	SOCIAL – Development and Training; Table of Social KPIs

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	SOCIAL – Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	SOCIAL – Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	SOCIAL – Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	SOCIAL – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	SOCIAL – Supply Chain Management; Table of Social KPIs
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	SOCIAL – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	SOCIAL – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	SOCIAL – Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	SOCIAL – Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	SOCIAL – Product Responsibility; Table of Social KPIs
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	SOCIAL – Product Responsibility – Products and Services Quality; Table of Social KPIs
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	SOCIAL – Product Responsibility – Intellectual Property Protection
KPI B6.4	Description of quality assurance process and recall procedures.	SOCIAL – Product Responsibility – Products and Services Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	SOCIAL – Product Responsibility – Privacy Protection

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	SOCIAL – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	SOCIAL – Anti-corruption; Table of Social KPIs
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	SOCIAL – Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	SOCIAL – Anti-corruption; Table of Social KPIs
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	SOCIAL – Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	SOCIAL – Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	SOCIAL – Community Investment; Table of Social KPIs

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

Dr. Chan Lai Sin (陳禮善) ("Dr. Chan"), aged 59, is the founder of the Group. He is responsible for the overall strategic management and development of the Group's business operations. Dr. Chan was appointed to the Board and designated as an executive Director and the Chairman of the Company on 6 May 2016.

Dr. Chan has over 26 years of experience in the interior design and furnishing industry. Prior to founding the Group, Dr. Chan began working as a clerk in MTR Corporation Limited from August 1981 to October 1982 and later joined the Hong Kong Police Force (formerly the Royal Hong Kong Police Force) as a policeman from June 1983 to November 1987. Dr. Chan joined Bellok Company Limited (also known as Chung Ngai Furniture Factory(中藝傢俬廠)) as a sales representative in May 1988 and left in July 1996 with his last position held as sales manager. He later founded the Group in August 1996.

Further, Dr. Chan obtained Registered Six Sigma Champion from Six Sigma Institute on October 2017. Dr. Chan was awarded as one of "2012-2013 Top 10 Most Influential Interior Designers (Residential) (2012-2013年度十大最具影響力設計師(住宅空間類))" at "The 8th China International Architectural Decoration and Design Art Fair (第八屆中國國際建築裝飾及設計博覽會)" in China.

Dr. Chan was a member of the 12th Hebei Provincial Committee of the Chinese People's Political Consultative Conference since June 2018.

Dr. Chan obtained a doctor degree of management from The Hong Kong Polytechnic University in September 2018, and a bachelor degree of general studies and a master degree of business administration from The Open University of Hong Kong in June 2011 and November 2015 respectively. He is currently the chairman of Hong Kong Famous Designers Association.

Ms. Wan Pui Chi (溫佩芝) ("Ms. Wan"), aged 41, was appointed as an executive Director on 20 September 2019. Ms. Wan is responsible for the day-to-day management and operation of the Group and is mainly in charge of human resources of the Group, namely the coordination and management of employees, maximising employee performance through the supervision of internal business operations and dealing with employee performance issues, and recruiting and training interior design and fit-out talent to support the development of the Group.

Ms. Wan has over 18 years of experience in administrative related matters. She joined the Group in October 2004 as administrative officer and was later promoted to administrative manager and human resources manager in January 2009 and March 2017 respectively. She was primarily responsible for human resources management including but not limited to recruitment, selection, interviewing process and execution of human resources polices.

Ms. Wan completed her secondary education from Delia Memorial School (Glee Path) in June 2003.

Ms. Wan is the spouse of Mr. Siu Ka Sing (蕭嘉星), the chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Lui Lai Chun (呂麗珍) ("Ms. Lui"), aged 41, was appointed as the independent non-executive Director on 24 March 2017. She is the chairman of the audit committee of the Company (the "**Audit Committee**") and the remuneration committee of the Company (the "**Remuneration Committee**") and a member of the nomination committee of the Company (the "**Nomination Committee**"). Ms. Lui is responsible for providing independent judgment and advices on the issue of strategy, performance, resources and standard of conduct of the Group and reviewing the financial information of the Group on a regular basis.

Ms. Lui has over 15 years of experience in auditing, accounting and company secretarial matters. She worked for Katon CPA Limited as an audit assistant from October 2006 to February 2008. She was employed by HLB Hodgson Impey Cheng Limited in March 2008 and worked until June 2011 with her last position held as senior accountant. She was a company secretary and accounting manager of Real Gold Mining Limited (stock code: 246) from October 2011 to March 2020, which was delisted in April 2020.

Ms. Lui obtained a bachelor degree of commerce in accountancy and applied finance from Griffith University, Australia in September 2005 and a master's degree in corporate governance from The Hong Kong Polytechnic University in September 2019. She has been a member and a fellow member of Certified Public Accountants of Australia since February 2014 and June 2022, respectively, and a member of The Hong Kong Institute of Certified Public Accountants since March 2015. Ms. Lui has been a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) since November 2019.

Dr. Chung Siu Kuen (鍾少權) ("Dr. Chung"), aged 60, was appointed as the independent non-executive Director on 6 August 2021. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Dr. Chung is responsible for providing independent judgment and advices on the issue of strategy, performance, resources and standard of conduct of the Group and reviewing the financial information of the Group on a regular basis.

Dr. Chung has over 38 years of experience in the banking industry, focusing on retail banking business, overseeing sales & distribution channels, cross-border business development & collaboration, customer segments, retail banking & wealth management products. Dr. Chung has been the founder and director of DR WMS Limited since March 2021. He has been the Professor of Practice (Finance) in the School of Accounting and Finance of The Hong Kong Polytechnic University since June 2021. He was the chairman of PolyU DBA Alumni Association Limited from December 2021 to December 2023; a director of Federation of The Hong Kong Polytechnic University Alumni Associations Limited from January 2022 to December 2023; and the vice president of Hong Kong Shue Yan University Alumni Association Limited from 2021 to December 2022.

Dr. Chung was a visiting lecturer (Part-time) in the School of Accounting and Finance of The Hong Kong Polytechnic University from August 2020 to January 2021. He worked as an executive vice president and head of personal banking division of Chong Hing Bank Limited from August 2018 to June 2020. He worked as an assistant general manager of Wing Lung Bank Limited from April 2013 to August 2018. He worked in DBS Bank (Hong Kong) Limited from October 2008 to March 2013 with his last position held as a managing director and treasures and distribution head. Prior to 2008, Dr. Chung worked in several companies in the banking industry.

Dr. Chung obtained Doctor of Business Administration from The Hong Kong Polytechnic University in 2018, Master of Business Administration from University of Birmingham in 2009, Bachelor of Laws from University of Wolverhampton in 2005, Bachelor of Business Administration (Honours) from University of Lincolnshire and Humberside in 2000, Diploma in Legal Studies from The University of Hong Kong in 1998 and Diploma in Business Administration from Hong Kong Shue Yan College in 1991.

Dr. Chu Kwan Siu Candace (朱群笑) ("Dr. Chu"), aged 57, was appointed as the independent non-executive Director on 1 October 2021. She is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Dr. Chu is responsible for providing independent judgment and advices on the issue of strategy, performance, resources and standard of conduct of the Group and reviewing the financial information of the Group on a regular basis.

Dr. Chu has over 32 years of working experience. She has been a senior management services officer of the Efficiency Office in the Government of the Hong Kong Special Administrative Region since February 1998. She worked as a personal data officer (promotion) of the Office of the Privacy Commissioner for Personal Data from November 1996 to March 1998.

Dr. Chu obtained a Doctor of Business Administration from The Hong Kong Polytechnic University in 2015, a Postgraduate Certificate in Public Policy and Management from University of York in United Kingdom in 2006, a Master of Business Administration from University of Warwick in United Kingdom in 1992, a Diploma in Marketing from The Chartered Institute of Marketing in 1992 and an Honours Diploma in Communication from Hong Kong Baptist College in 1989.

Dr. Chu has been an associate of The Chartered Institute of Marketing since 1994 and a member of Project Management Institute since 2012.

SENIOR MANAGEMENT

Mr. Siu Ka Sing (蕭嘉星) ("Mr. Siu"), aged 43, was appointed as chief executive officer of the Company in 24 March 2017. Mr. Siu initially joined the Group as an account officer in May 2004 and was promoted to administrative manager in January 2009. Mr. Siu is responsible for overseeing general operations and devising business strategies.

Mr. Siu has over 19 years of experience in administrative related matters. Before joining the Group, Mr. Siu had worked in Great Expect Development Limited as an accounting clerk from April 2002 to May 2004.

Mr. Siu obtained his business studies diploma from Hong Kong Young Women's Christian Association (Professional and Career Youth Department) in July 1999 and a diploma in accounting studies from Hong Kong School of Commerce in June 2001. Mr. Siu has been a Hong Kong accounting technician of The Hong Kong Institute of Accredited Accounting Technicians (formerly known as The Hong Kong Association of Accounting Technicians) since December 2002.

Mr. Siu is the spouse of Ms. Wan, the executive Director.

COMPANY SECRETARY

Ms. Ng Hoi Ying (吳愷盈) ("Ms. Ng"), aged 37, was appointed as the company secretary of the Company on 1 March 2019. She obtained a degree of Bachelor of Business Administration in Accountancy from The Hong Kong Polytechnic University in 2008. She is currently a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Ng has over 15 years of experience in auditing, accounting and financial reporting. She worked as a senior auditor of Deloitte Touche Tohmatsu. Subsequently Ms. Ng worked as senior accountant in Asia Maritime Pacific (Hong Kong) Limited, a private company engaged in fleet operation of both owned and chartered-in Handy-size and mini-MPP vessels, which operate internationally in China, West Africa, Australia, South America and intra-Asia. She was the finance manager of Ngai Shun Construction & Drilling Company Limited, which is a piling contractor for both private and public works in Hong Kong. Its holding company (Boill Healthcare Holdings Limited, formerly known as Ngai Shun Holdings Limited) has been listed on the Main Board of the Stock Exchange (stock code: 1246) in October 2013. Ms. Ng is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2024.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services including interior design provided by the Group's in-house design team, whom provides the Group's customers with creative and innovative designs that synergise with the latest market and design trends, to high quality fittings and furnishings and the implementation of the Group's designs performed by the subcontractors that the Group relies on to complete the projects. Details of the principal activities of the principal subsidiaries of the Company are set out in Note 37 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 70 of the annual report.

DIVIDEND POLICY

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

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

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

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

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 March 2024 are set out in the consolidated financial statements from pages 76 to 144 of this report. The Board does not recommend the payment of final dividend for the year ended 31 March 2024.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Tuesday, 27 August 2024 (the "**AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 22 August 2024 to Tuesday, 27 August 2024, both days inclusive, during which no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 21 August 2024.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 March 2024 and a discussion of the Group's future business development and a description of principal risks and uncertainties facing the Company are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the year ended 31 March 2024 using financial key performance indicators is set out in the Group's five-year Financial Summary on page 70 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2024 are set out in Note 14 to the consolidated financial statements.

DONATION

Charitable donations made by the Group during the year ended 31 March 2024 amounted to approximately HK$1,004,000 (2023: approximately HK$1,066,000).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 March 2024 are set out in Note 29 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme (the "**Share Option Scheme**") was conditionally adopted pursuant to the written resolution of the then sole shareholder of the Company passed on 24 March 2017.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

The Eligible Participants of the Share Option Scheme

The Board may, at its discretion and on such terms as it may think fit, grant any employee, Director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of the Group, options to subscribe for such number of shares it may determine in accordance with the terms of the Share Option Scheme.

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

Exercise Price of a Share Option

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

Total Number of Shares Available for Issue Under the Share Option Scheme

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, the shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 80,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 80,000,000 shares from time to time) to the participants under the Share Option Scheme.

The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the shareholders in a general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may seek separate approval of the shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.

The aggregate number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

As of the date of the annual report, the total number of share options available for grant under the Share Option Scheme is 80,000,000 and the total number of shares available for issue under the Share Option Scheme is 80,000,000, which represents 10.00% of the total issued shares of the Company as at the date of this annual report.

The Maximum Entitlement of Each Participant under the Share Option Scheme

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share schemes of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in a general meeting with such grantee and his associates abstaining from voting.

Time of Exercise of Share Option under the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of an option is HK$1.

The Share Option Scheme is valid and effective for a period of ten years from 24 March 2017, after which no further options will be granted or offered. The remaining life of the Share Option Scheme is approximately two years and nine months.

For the year ended 31 March 2024, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

PRE-EMPTIVE RIGHTS

There is no provision of pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands which obliges the Company to offer new shares on a pro rata basis to existing shareholders.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2024.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2024.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the year ended 31 March 2024 and as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float of 25% in the issued share capital of the Company pursuant to the GEM Listing Rules.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 March 2024 are set out in Note 36 to the consolidated financial statements and in the consolidated statement of changes in equity on page 79.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders comprised contribution surplus and retained profit, if any. The Company had no reserves available for distribution as at 31 March 2024.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2024, revenue generated from the Group's five largest customers accounted for approximately 12.54% of the total revenue for the year and revenue generated from the largest customer included therein amounted to approximately 3.80%. Subcontracting charges and materials costs incurred from the Group's five largest subcontractors and suppliers accounted for approximately 51.99% of the total sub-contracting charges and material costs for the year and the subcontracting charges and materials costs incurred from the largest subcontractor included therein amounted to approximately 20.85%.

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

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors
Dr. Chan Lai Sin *(Chairman)*
Ms. Wan Pui Chi

Independent Non-Executive Directors
Ms. Lui Lai Chun
Dr. Chung Siu Kuen
Dr. Chu Kwan Siu Candace

In accordance with the Company's memorandum and articles of association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first annual general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Accordingly, Ms. Wan, an executive Director, and Dr. Chung, an independent non-executive Director, shall retire at the forthcoming annual general meeting and, all being eligible, will offer themselves for re-election at the said meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 42 to 44 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

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 ended 31 March 2024.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the year ended 31 March 2024 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2024, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "**SFO**") which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long positions in the ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Dr. Chan (Note)	Interest of a controlled corporation	408,370,000	51.05%

Note: Dr. Chan legally and beneficially owns the entire issued share capital of Chun Wah Limited ("**Chun Wah**"). Therefore, Dr. Chan is deemed, or taken to be, interested in all the shares held by Chun Wah for the purpose of the SFO. Dr. Chan is the sole director of Chun Wah.

Save as disclosed above, as at 31 March 2024, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executive of the Company, as at 31 March 2024, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying share of the Company

Name	Capacity/Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Chun Wah	Beneficial owner	408,370,000	51.05%
Ms. Wong Ting Nuen (Note)	Interest of spouse	408,370,000	51.05%
Ms. Cai Hui Ting	Beneficial owner	84,230,000	10.53%
Mr. Sun Xincai	Beneficial owner	44,000,000	5.50%

Note: Ms. Wong Ting Nuen ("**Ms. Wong**") is the spouse of Dr. Chan. Ms. Wong is deemed, or taken to be, interested in the same number of shares in which Dr. Chan is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2024, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to rate in all circumstances at a general meeting of the Company or any other member of the Group.

PERMITTED INDEMNITY PROVISION

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

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules), engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interests with the Group for the year ended 31 March 2024.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the controlling shareholders, namely Dr. Chan and Chun Wah (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition (the "**Deed of Non-competition**") with the Company (for itself and for the benefit of each other member of the Group) on 24 March 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/her/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

During the year ended 31 March 2024, the Company had not received any information in writing from any of the controlling shareholders namely, Dr. Chan and Chun Wah (the "**Controlling Shareholders**") in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-competition.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

The remuneration of the senior management of the Group for the year ended 31 March 2024 falls within the following band:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	1
HK$1,000,001 to up to HK$2,000,000	–
Above HK$2,000,000	–

EMOLUMENT POLICY

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

The Remuneration Committee will meet at least once each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the remuneration policy of the Group. The principal duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the remuneration package of the Directors and Senior Management, including benefits in kind, pension rights and compensation payments and on the Group's policy and structure for all Directors' and senior management's remuneration.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2024 are set out in Note 33 to the consolidated financial statements.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as disclosed in Notes 21, 34 and 35 to the consolidated financial statements, no Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2024.

MANAGEMENT CONTRACTS

Save for the service agreements the Company entered into with each of the Directors, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The related party transactions of the Group as set out in Note 35 to the consolidated financial statements constituted fully exempted connected transactions under Chapter 20 of the GEM Listing Rules. Save as disclosed in this annual report, there was no other transactions which would need to be disclosed as connected transactions in compliance with the disclosure requirements in Chapter 20 of the GEM Listing Rules.

DISCLOSEABLE TRANSACTIONS

1. **Subscription of Key Man Insurance Policy**

On 18 August 2022, Faith Flying, a then indirect wholly-owned subsidiary of the Company, took out the Policy with the Hang Seng Insurance and placed an initial single premium of US$950,000 (equivalent to approximately HK$7,470,000) thereunder with Hang Seng Life Insurance, which became effective on 28 September 2022. Dr. Chan is the insured person and Faith Flying is both the policy holder and the beneficiary of the Policy.

The amount of the initial single premium was agreed between Faith Flying and Hang Seng Insurance after arm's length negotiation with reference to, amongst other things, Dr. Chan's age, sex, and the sum at risk and amount of death benefit payable to Faith Flying in the event of the death of Dr. Chan.

In the event that Dr. Chan resigns from his office as the chairman of the Board and an executive Director and is otherwise no longer employed or engaged with the Group in future, Faith Flying may apply for a change of the insured person under the Hang Seng Life Insurance to, including without limitation, such person of comparable importance to the management to the Group, subject to Hang Seng Insurance's discretion.

The Board expects that the Hang Seng Life Insurance may offer timely financial benefit and security to the Group and confidence to the Group's stakeholders and business partners in the Group's prospect in the unfortunate event of death of Dr. Chan as a key person to the Group's management. The Directors are of the view that the terms of the Hang Seng Life Insurance and the transaction contemplated thereunder are fair and reasonable and the entering into the Hang Seng Life Insurance is in the interests of the Company and the shareholders as a whole.

For details of the Policy and the particulars of the guaranteed insured sum and guaranteed cash value of Hang Seng Life Insurance, please refer to the announcement of the Company dated 21 October 2022.

2. **Disposal of Subsidiaries**

On 7 February 2024, Kingsky Group Limited ("**Kingsky**" or the "**Vendor**"), a directly wholly-owned subsidiary of the Company, and Dr. Chan (the "**Purchaser**") entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to acquire the entired issued share capital of the Golden Catch Group Limited ("**Golden Catch**" or the "**Target Group**"), at the consideration of HK$1,050,000 (the "**Disposal**"). The Target Group consists of Golden Catch and its subsidiary, Faith Flying, and the major assets held by the Target Group is the Hang Seng Life Insurance. The Directors consider that the terms and conditions of the Disposal are fair and reasonable and are in the interests of the Company and the shareholders as a whole. Following the Disposal on 7 February 2024, Faith Flying ceased to be a subsidiary of the Company and became a company indirectly wholly owned by Dr. Chan through Golden Catch.

Dr. Chan, the Purchaser, is the chairman of the Board, an executive Director and the controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the Disposal also constitutes a connected transaction of the Company under the GEM Listing Rules.

For details of the Disposal, please refer to the announcements of the Company dated 8 February 2024 and 1 March 2024.

3. **Entering into Tenancy Agreement**

On 16 March 2023, Smart Will Engineering Limited ("**Smart Will**"), an indirect wholly-owned subsidiary of the Company, as tenant, entered into a tenancy agreement with the landlord, an independent third party, in relation to the lease of a premise in Tsuen Wan (the "**Premise**") for a term of three years commencing on 27 March 2023 (the "**Tenancy Agreement**").

The monthly rental of the Premise shall be approximately HK$54,810 (inclusive of rates, government rent and management fee, but exclusive of other outgoings, which are payable by Smart Will).

The Premise is intended for the replacement of the outlet in Yuen Long, which the tenancy agreement was expired in April 2023. The Directors believe that the Premise is located at a high pedestrian flow area and could capture business opportunities around the Tsuen Wan areas. The Directors considered that the terms of the tenancy agreement are entered into on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interest of the Group and the shareholders as a whole.

For details of the Tenancy Agreement, please refer to the announcement of the Company dated 4 May 2023.

TAX RELIEF AND EXEMPTION

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance as a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 56 to 69 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITORS

Asian Alliance (HK) CPA Limited was appointed as the auditors of the Company on 7 April 2022 to fill the casual vacancy following the resignation of HLB Hodgson Impey Cheng Limited on 7 April 2022. Details of the change of auditors were set out in the announcement of the Company dated 7 April 2022.

The consolidated financial statements of the Company for the year ended 31 March 2024 were audited by Asian Alliance (HK) CPA Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Asian Alliance (HK) CPA Limited as the auditors of the Company. Save as disclosed above, the Company has not changed its external auditors in any of the preceding three years.

On behalf of the Board
Chan Lai Sin
Chairman and Executive Director

Hong Kong
24 June 2024

CORPORATE GOVERNANCE PRACTICES

We are committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are the key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to promote the interests of its shareholders of the Company.

Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

The Company has applied the principles and code provisions ("**Code Provisions**") in the CG Code set out in Appendix C1 to the GEM Listing Rules. In the opinion of the Board, the Company has fully complied with the CG Code throughout the year.

In December 2021, the Stock Exchange published the conclusions to its consultation on Review of Corporate Governance Code, Appendix C1 to the GEM Listing Rules and the associated GEM Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. A good part of the new requirements under the amended CG Code have long been adopted by the Group as our corporate governance practices over the years. These are highlighted in the following table:

New Requirements	**Group's practices**
Align the company's culture with its purpose, values and strategy (Code Provision A.1.1)	A healthy corporate culture across the Group is vital for the Group to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with two core principles to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it. For details, please refer to "Cultures and Values" section of this Corporate Governance Report.
Establish policy(ies) and system(s) that promote and support anticorruption laws and regulations (Code Provision D.2.7)	The Group's Anti-bribery and Anti-corruption Policy (as defined below) has been adopted since 2017. The policy covers aspects such as corruption, code of conduct, guidance on gifts, entertainment and gratuities, the Group's expectations and requirements of business ethics, as well as investigation and reporting mechanism of suspected corruption practices. Any convicted cases will be reported to the Board and the Audit Committee. For details, please refer to "Risk Management and Internal Control – Anti-bribery and Anti-corruption Policy" section of this Corporate Governance Report.
Establish whistleblowing policy and system (Code Provision D.2.6)	The Group has adopted the Whistleblowing Policy (as defined below) since 2017. Any convicted cases will be reported to the Board and the Audit Committee. For details, please refer to "Internal Controls and Risk Assessment – Whistleblowing Policy" section of this Corporate Governance Report.

New Requirements	Group's practices
Communications with shareholders and annual review (Paragraph L of the Mandatory Disclosure Requirement)	The Shareholders' Communication Policy (as defined below) has been adopted since 2017. It sets out the Group's commitment of maintaining an effective ongoing dialogue with shareholders. The Shareholders' Communication Policy is reviewed by the Board on a regular basis. For details, please refer to "Communication with shareholders and investor relations" section of this Corporate Governance Report.
Equity-based remuneration (e.g. share options or grants) with performance related elements should not be granted to independent non-executive directors (Recommended Best Practice E.1.9)	We have a benchmarked approach in determining our non-executive Directors' remuneration, which does not involve equity-based remuneration with performance-related elements. The level of remuneration payable to non-executive Directors (including independent non-executive Directors) is also subject to shareholders' approval.
(i) Annually review the implementation and effectiveness of the board diversity policy; and (ii) disclose the mechanism(s) to ensure independent views and input are available to the Board, and annually review of the implementation and effectiveness of such mechanism(s) (Code Provisions B.1.3 and B.1.4)	The Group's Board Diversity Policy (as defined below) has been adopted was adopted since 2018 and is subject to annual review by the Nomination Committee. The Board Diversity Policy formally recognises the practice of ensuring that independent views and input are made available to the Board; details of which are explained in the "Independent non-executive Directors" section of this Corporate Governance Report. The Board is committed to assessing the independence of the independent non-executive Directors annually and ensuring that independent views and input are made available to the Board.
Gender diversity targets at board level and across workforce	Current female representation at Board level is approximately 60.0%.
Board level – to set and disclose numerical targets and timelines for achieving gender diversity. Workforce level – to disclose and explain the gender ratio (including senior management), any plans or measurable objectives the company has set for achieving gender diversity. (Paragraph J of the Mandatory Disclosure Requirement)	Gender diversity at Board and workforce levels (including our senior management) is disclosed in the "Board Diversity Policy" and "Gender Ratio in Workforce" sections of this Corporate Governance Report and in 'Employment Practices' section in the ESG Report.
Establish a Nomination Committee chaired by the Chairman or an independent non-executive director and comprising a majority of independent non-executive directors (GEM Listing Rule 5.36A)	The Nomination Committee, which comprises a majority of independent non-executive Directors, is chaired by an independent non-executive Director. For details, please refer to "Board Committee – Nomination Committee" section of this Corporate Governance Report.
Elaborate the linkage between corporate governance and Environmental, Social and Governance (the "**ESG**") (Introductory paragraph in the CG Code, Principle D.2, Code Provisions D.2.2 and D.2.3)	The linkage is shown in "ESG Governance Structure" section of the ESG Report.
Publish ESG reports at the same time as publication of annual reports (GEM Listing Rule 17.103(5)(d) and paragraph 4(2)(d) of the ESG Reporting Guide)	The ESG Report is published at the same time as this annual report for the year ended 31 March 2024.

CULTURES AND VALUES

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

1. Integrity and code of conduct

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

2. Commitment

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "**Code of Conduct**"). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the year.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties which include (i) developing, reviewing and approving the Company's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the CG code and disclosure in the corporate governance report.

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The statement of the external auditors of the Company, Asian Alliance (HK) CPA Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the section headed "Independent Auditors' Report" in this annual report. The Directors confirm that, to the best of their knowledge, information and belief, having made all appropriate enquiries, they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Liability insurance for Directors and senior management of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior management. They report periodically to the Board their work and business decisions.

Board Composition

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

Executive Directors

Dr. Chan Lai Sin *(Chairman)*
Ms. Wan Pui Chi

Independent non-executive Directors

Ms. Lui Lai Chun
Dr. Chung Siu Kuen
Dr. Chu Kwan Siu Candace

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 42 to 44 of this annual report. Save as disclosed therein, none of the members of the Board has any financial, business, family or other material/relevant relationships with each other.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

As at 31 March 2024, no independent non-executive Director had served more than nine years on the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Dr. Chan, the executive Director, has entered into a service contract with the Company on 6 May 2016 and the service contact has been renewed on 11 April 2023. Ms. Wan, the executive Director, has entered into a service contract with the Company on 20 September 2019 and the service contract has been renewed on 20 September 2022. The Company has signed a letter of appointment with Ms. Lui, the independent non-executive Directors, on 24 March 2017 and the letter of appointment has been renewed on 11 April 2023. The Company signed letters of appointment with each of Dr. Chung and Dr. Chu, the independent non-executive Directors, on 6 August 2021 and 1 October 2021, respectively.

The service contracts with the executive Directors and the letters of appointment with each of the independent non-executive Directors are for an initial fixed term of three years. 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 memorandum and articles of association of the Company and the applicable GEM Listing Rules.

According to the article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Articles 111 and 112 of the Company's memorandum and articles of association provides that any Directors who are appointed to fill casual vacancies shall hold office only until the first general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Accordingly, Ms. Wan, an executive Director, and Dr. Chung, an independent non-executive Director, shall retire at the forthcoming annual general meeting to be held on Tuesday, 27 August 2024.

At the forthcoming annual general meeting of the Company, ordinary resolution will be put forward to the shareholders of the Company in relation to the proposed re-election of Ms. Wan as an executive Director and Dr. Chung as an independent non-executive Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Dr. Chan was the chairman of the Board throughout the year. Mr. Siu is the chief executive officer of the Company.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the memorandum and the articles of association of the Company.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the year ended 31 March 2024, the Company has provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

The individual training record of each Director received during the year ended 31 March 2024 is as follows:

Name of Directors	Attending seminars and trainings/reading materials relevant to director's duties
Dr. Chan Lai Sin	✓
Ms. Wan Pui Chi	✓
Ms. Lui Lai Chun	✓
Dr. Chung Siu Kuen	✓
Dr. Chu Kwan Siu Candace	✓

BOARD COMMITTEES

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

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

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 included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 24 March 2017. The chairman of the Remuneration Committee is Ms. Lui, an independent non-executive Director, and other members includes Dr. Chan, the chairman and an executive Director, Dr. Chung, and Dr. Chu, the independent non-executive Directors. The written terms of reference of the Remuneration Committee have been revised on 30 December 2022 and are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration committee also reviews and/or approves matters relating to share schemes under Chapter 23 of the GEM Listing Rules.

The Remuneration Committee held one meeting to review the remuneration packages and emoluments of the Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2024. No Director or any of his or her associates is involved in deciding his or her own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 24 March 2017. The chairman of the Nomination Committee is Dr. Chu, an independent non-executive Director, and other members included Dr. Chan, the chairman and an executive Director, Dr. Chung and Ms. Lui, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and 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, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

During the year ended 31 March 2024, the Nomination Committee held one meeting to review and recommend the re-election of the Directors.

NOMINATION POLICY

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

Summary of the Nomination Policy

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

Measurable Objectives

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

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximize shareholders' value.

Re-election of Director at General Meeting

The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the Criteria including but not limited to:

(a) the overall contribution and service to the Company of the retiring Director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and

(b) whether the retiring Director(s) continue(s) to satisfy the Criteria.

The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

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

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

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

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

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

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

Monitoring and Reporting

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

Review of Nomination Policy

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

Disclosure of Nomination Policy

A summary of the Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report. In the circular to shareholders for proposing a candidate as an independent non-executive Director, it should also set out:

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

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

- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

AUDIT COMMITTEE

The Audit Committee was established on 24 March 2017. The chairman of the Audit Committee is Ms. Lui, an independent non-executive Director, and other members included Dr. Chung and Dr. Chu, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information, oversee the financial controls, internal control procedures and risk management systems and relationship with the external auditors and review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 March 2024, the Audit Committee held four meetings to review and comment on the Company's 2023 annual results, 2023 interim results and quarterly results as well as the Company's internal control procedures and risk management systems.

The Group's consolidated financial statements for the year ended 31 March 2024 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2024 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of other executive Directors.

Details of all Directors' attendance at the Board meeting, Board committees' meeting held during the year are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2023 Annual General Meeting
			Number of Meetings Attended/Held		
Executive Directors					
Dr. Chan Lai Sin	4/4		1/1	1/1	1/1
Ms. Wan Pui Chi	4/4				1/1
Independent non-executive Directors					
Ms. Lui Lai Chun	4/4	4/4	1/1	1/1	1/1
Dr. Chung Siu Kuen	4/4	4/4	1/1	1/1	1/1
Dr. Chu Kwan Siu Candace	4/4	4/4	1/1	1/1	1/1

COMPANY SECRETARY

The company secretary of the Company (the **"Company Secretary"**) assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

The Company engages an external service provider, which assigned Ms. Ng as the Company Secretary. Ms. Ng possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Dr. Chan, an executive Director, is the primary contact person who Ms. Ng contacts.

During the year ended 31 March 2024, Ms. Ng confirmed that she had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules. The biographies of Ms. Ng is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

BOARD DIVERSITY POLICY

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

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how. The Nomination Committee will adhere to the Board Diversity Policy to ensure that there is at least one female Director in the Board such that a robust pipeline of female successors to the Board can be established in the near future.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy. The Board currently has three female Directors, and as such, the Company has achieved gender diversity on the Board level. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

GENDER RATIO IN WORKFORCE

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

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

INDEPENDENT AUDITORS' REMUNERATION

The Company has engaged Asian Alliance (HK) CPA Limited as its external auditors for the year ended 31 March 2024 until the conclusion of the forthcoming annual general meeting. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. During the year ended 31 March 2024, the fee paid/payable to Asian Alliance (HK) CPA Limited in respect of its services relating to the audit of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2024 was approximately HK$565,000 (2023: HK$550,000). Asian Alliance (HK) CPA Limited did not perform any non-audit services during the year ended 31 March 2024.

SHAREHOLDERS' RIGHT

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

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding, at the date of deposit of the requisition, not less than 10% of the voting rights, on a one vote per share basis, in the share capital of the Company. (the "**Requisitionists**") (as the case may be) pursuant to article 64 of the memorandum and 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. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

INTERNAL CONTROLS AND RISK ASSESSMENT

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aiming to provide reasonable assurance against material errors, losses or fraud, the Company has established a set of risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and
- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and management for reviews.

The Group's risk management and internal control systems are, however, 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.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2024 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 March 2024 as required under Code Provision D.2.5. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the consolidated financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

Whistleblowing Policy

The Board has set up a whistleblowing policy (the "**Whistleblowing Policy**") since 2017. The purpose of the Whistleblowing Policy is to (i) provide a trusted avenue for employees, vendors, customers and other stakeholders to report serious wrongdoing or concerns, particularly in relation to fraud, controls or ethics, without fear of reprisals when whistleblowing in good faith; and (ii) ensure that robust arrangements are in place to facilitate independent investigation of the reported concern and for the appropriate follow up actions to be taken.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the chairman of the Audit Committee or the human resource manager of the Group. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 March 2024 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

Anti-bribery and Anti-corruption Policy

The Board has adopted an anti-bribery and anti-corruption policy (the "**Anti-bribery and Anti-corruption Policy**") since 2017. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business. The Anti-bribery and Anti-corruption Policy forms an integral part of the Group's corporate governance framework. The Anti-bribery and Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, this Anti-Bribery and Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

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

DISCLOSURE OF INSIDE INFORMATION

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

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

Key procedures in place include:

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

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

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

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

The Company has reviewed the implementation and effectiveness of its Shareholders' Communication Policy for the year ended 31 March 2024. Having considered that effective shareholders communication channels are in place and shareholders are provided with regular updates of the Group's financial performance, strategic direction and material business development, the Board is of view that the Company has established an effective communication channel with its shareholders and considers that the Company's Shareholders' Communication Policy and its implementation are effective.

During the year ended 31 March 2024, there was no change in the Company's memorandum and articles of association.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**102,076**	111,256	138,327	140,615	108,659
Gross Profit	**20,984**	19,149	30,205	29,442	27,968
Loss before income tax	**(11,928)**	(17,904)	(3,550)	(1,002)	(3,765)
Loss for the year	**(12,091)**	(17,908)	(3,613)	(1,336)	(3,821)
Other comprehensive (expense)/income for the year	**(3)**	3	(3)	(2)	–
Total comprehensive expense for the year	**(12,094)**	(17,905)	(3,616)	(1,338)	(3,821)

	As at 31 March				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**36,811**	52,632	74,860	75,652	65,796
Total liabilities	**28,208**	31,935	36,258	32,784	21,590
Total equity and liabilities	**36,811**	52,632	74,860	75,652	65,796

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE SHAREHOLDERS OF LAI GROUP HOLDING COMPANY LIMITED
禮建德集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Lai Group Holding Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 76 to 144, which comprise the consolidated statement of financial position as at 31 March 2024, 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 and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (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 the HKICPA. Our responsibilities under those standards are further described in the *Auditors' 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 matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and contract assets Refer to details in Notes 5 and 19 and the accounting policies in Note 3 to the consolidated financial statements. We identified recognition of revenue and costs from construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management to check the contract terms including scope of work and total consideration. • Obtaining an understanding from management about how the budgets were prepared and respective progress towards completion of construction works were determined. • Evaluating the reasonableness of progress towards completion of construction works by obtaining and reviewing invoices issued by suppliers and subcontractors. • In relation to the input method of revenue recognition, agreeing the progress towards complete satisfaction of performance obligation with reference to the proportion of inputs incurred for work performed at year end to the estimated total expected inputs by tracing to progress payment applications submitted by the Group to the customer, on a sample basis. • Testing the actual costs incurred on construction works, inspecting supporting documents on a sampling basis, including supplier invoices, invoices or payment applications from subcontractors and payroll records on staff costs incurred, to validate the actual construction costs incurred on the construction works. • Assessing the reliability of the budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis. • Assessing the appropriateness and accuracy of the disclosures made in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment and right-of-use assets	Our audit procedures in relation to evaluating the impairment assessment of property, plant and equipment and right-of-use assets included:
As disclosed in Notes 14, 15 and 17 to the consolidated financial statements, as at 31 March 2024, the carrying amounts of property, plant and equipment and right-of-use assets of the Group were approximately HK$8,549,000 and HK$Nil, respectively. An impairment loss of approximately HK$54,000 and HK$505,000 has been recognised against the carrying amounts of property, plant and equipment and right-of-use assets, respectively, during the year ended 31 March 2024. The Group's management performed an impairment assessment of property, plant and equipment and right-of-use assets of the Group by estimating the recoverable amounts of their property, plant and equipment and right-of-use assets with reference to valuations performed by independent professional external valuers. The valuations included a value in use calculation for the Group's only cash generating unit of provision of interior design and fit-out services in Hong Kong and an estimation of fair value less costs of disposal for the land and building included in property, plant and equipment for provision of interior design and fit-out services in Hong Kong. Relevant disclosures of property, plant and equipment and right-of-use assets and the impairment assessment are set out in Notes 14, 15 and 17 to the consolidated financial statements. We consider impairment assessment of property, plant and equipment and right-of-use assets as a key audit matter because of its significance to the consolidated financial statements and the significant estimates and judgement involved in assessing the recoverable amount of property, plant and equipment and right-of-use assets.	• Understanding the impairment assessment process of the Group with involvement of the independent professional external valuer engaged by the management; • evaluating the competence, capability and objectivity of the independent professional external valuer engaged by the management, and the scope of the valuer's work; • assessing the reasonableness and appropriateness of the valuation methodologies with the relevant accounting requirements and industry norms; and • evaluating the reasonableness of the operating cash flows forecast and the key assumptions used, including evaluating the reasonableness of the budgeted revenue, budgeted gross margins and expected growth rates, and evaluating the suitability of the discount rate used and market unit rate adopted.

OTHER INFORMATION

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

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

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

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

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

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

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

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Chung Chi Chiu
Practising Certificate Number: P06610

8/F, Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

24 June 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Notes	**2024** **HK$'000**	2023 HK$'000
Revenue	5	**102,076**	111,256
Direct costs		**(81,092)**	(92,107)
Gross profit		**20,984**	19,149
Other income, other gains and losses, net	6	**1,712**	3,231
Impairment loss recognised, net	7	**(537)**	(4,176)
Administrative and other operating expenses		**(33,724)**	(34,545)
Loss on disposal of subsidiaries	34	**(38)**	–
Gain (loss) on investment in a life insurance contract	16	**89**	(1,311)
Operating loss	7	**(11,514)**	(17,652)
Finance costs	8	**(414)**	(252)
Loss before income tax		**(11,928)**	(17,904)
Income tax expense	9	**(163)**	(4)
Loss for the year		**(12,091)**	(17,908)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3)**	3
Other comprehensive (expense) income for the year, net of income tax		**(3)**	3
Total comprehensive expense for the year		**(12,094)**	(17,905)
Loss per share	13		
– Basic (HK cents)		**(1.51)**	(2.24)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,549**	8,775
Right-of-use assets	15	**–**	–
Investment in a life insurance contract	16	**–**	6,540
Deferred tax assets	18	**–**	155
		8,549	15,470
CURRENT ASSETS			
Contract assets	19	**1,113**	593
Trade and other receivables	20	**2,781**	1,985
Amounts due from related companies	21	**–**	–
Tax recoverable		**42**	69
Time deposit	22	**–**	10,203
Cash and cash equivalents	23	**24,326**	24,312
		28,262	37,162
CURRENT LIABILITIES			
Contract liabilities	19	**8,145**	10,777
Trade and other payables	24	**11,807**	10,613
Amount due to a director	25	**35**	21
Provision for warranties	26	**783**	878
Bank borrowings	27	**4,964**	6,409
Lease liabilities	28	**1,683**	1,282
		27,417	29,980
NET CURRENT ASSETS		**845**	7,182
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,394**	22,652
NON-CURRENT LIABILITIES			
Lease liabilities	28	**752**	1,921
Deferred tax liabilities	18	**39**	34
		791	1,955
NET ASSETS		**8,603**	20,697

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	Note	2024 HK$'000	2023 HK$'000
CAPITAL AND RESERVES			
Share capital	29	**8,000**	8,000
Reserves		**603**	12,697
TOTAL EQUITY		**8,603**	20,697

The consolidated financial statements on pages 76 to 144 were approved and authorised for issue by the Board of Directors on 24 June 2024 and are signed on its behalf by:

Dr. Chan Lai Sin
Director

Ms. Wan Pui Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 29)	Share premium HK$'000 (Note a)	Translation reserve HK$'000	Other reserve HK$'000 (Note b)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2022	8,000	44,419	(5)	(5,829)	(7,983)	38,602
Loss for the year	–	–	–	–	(17,908)	(17,908)
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations	–	–	3	–	–	3
Total comprehensive expense for the year	–	–	3	–	(17,908)	(17,905)
At 31 March 2023	**8,000**	**44,419**	**(2)**	**(5,829)**	**(25,891)**	**20,697**
Loss for the year	**–**	**–**	**–**	**–**	**(12,091)**	**(12,091)**
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Total comprehensive expense for the year	**–**	**–**	**(3)**	**–**	**(12,091)**	**(12,094)**
At 31 March 2024	**8,000**	**44,419**	**(5)**	**(5,829)**	**(37,982)**	**8,603**

Notes:

(a) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by Lai Group Holding Company Limited (the "**Company**") subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

(b) Other reserve

Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the corporate reorganisation undertaken in preparation for the listing of the Company's shares. Further, it includes the amount recognised in accordance with the accounting policies for the change in ownership interests in a subsidiary that does not result in a change of control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	2024 HK$'000	2023 HK$'000
OPERATING ACTIVITIES		
Loss before income tax	(11,928)	(17,904)
Adjustments for:		
Depreciation of property, plant and equipment	235	689
Depreciation of right-of-use assets	437	1,881
Interest expense	414	252
Impairment loss, net of reversal		
– property, plant and equipment	54	1,043
– right-of-use assets	505	3,173
– trade and other receivables	(22)	(21)
– contract assets	–	(19)
Provision for warranties	400	866
Derecognition of unutilised warranties upon expiration	(68)	–
(Gain) loss on investment in a life insurance contract	(89)	1,311
Loss on disposal of subsidiaries	38	–
Gain on disposal of property, plant and equipment	(79)	–
Exchange difference in respect of investment in a life insurance contract	24	(381)
Interest income	(634)	(710)
Operating cash flows before movements in working capital	(10,713)	(9,820)
(Increase) decrease in contract assets	(520)	2,703
Increase in trade and other receivables	(774)	(407)
Decrease in contract liabilities	(2,632)	(1,474)
Increase (decrease) in trade and other payables	1,196	(7,285)
Increase (decrease) in amount due to a director	14	(12)
Decrease in provision for warranties	(427)	(869)
Cash used in operations	(13,856)	(17,164)
Interest received	634	710
Income tax paid	–	(22)
Income tax refunded	24	9
NET CASH USED IN OPERATING ACTIVITIES	(13,198)	(16,467)
INVESTING ACTIVITIES		
Purchase of an investment in life insurance contract	–	(1,913)
Purchase of property, plant and equipment	(63)	(700)
Proceeds from disposal of property, plant and equipment	79	–
Placement of time deposits	–	(60,299)
Withdrawal of time deposits	10,203	50,096
Net cash inflow on disposal of subsidiaries	1,008	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	11,227	(12,816)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	2024 HK$'000	2023 HK$'000
FINANCING ACTIVITIES		
New bank loan raised	5,000	–
Interest paid on bank borrowings	(255)	(197)
Repayment of bank borrowings	(888)	(2,004)
Repayment of lease liabilities	(1,869)	(1,942)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,988	(4,143)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17	(33,426)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	24,312	57,735
Effect of foreign exchange rate changes	(3)	3
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	24,326	24,312

1. GENERAL INFORMATION

Lai Group Holding Company Limited (the "**Company**") is a public exempted company with limited liability incorporated in Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and ultimate holding company is Chun Wah Limited ("**Chun Wah**"), a company incorporated in the Republic of Seychelles ("**Seychelles**"). Its ultimate controlling party is Dr. Chan Lai Sin ("**Dr. Chan**"), who is also the chairman and executive director of the Company. The address of the registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is Office H, 19/F, Phase 01, Kings Wing Plaza, 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "**Group**") are provision of interior design and fit-out services in Hong Kong.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

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

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

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

2.2 Impacts on application of Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

2.3 Impacts on application of Amendments to HKAS 12 *Income Taxes International Tax Reform – Pillar Two model Rules*

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 April 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3.2 to the consolidated financial statements.

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

As disclosed in Note 33 to the consolidated financial statements, the Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the Hong Kong Special Administrative Region gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

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

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

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

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

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

The application of the amendments did not have a material impact on the Group's profit or loss for the years ended 31 March 2024 and 31 March 2023 and the Group's and the Company's financial position as at 31 March 2024 and 31 March 2023.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]

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

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

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

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

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

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

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

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

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

Based on the Group's outstanding liabilities as at 31 March 2024, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for investment in a life insurance contract that are measured at guaranteed cash value at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

Profit or loss and each item 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.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers

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

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

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

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. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments*. 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 asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

Input method

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

Investment in a life insurance contract

The Group acquired a key man life insurance contract, which includes both investment and insurance elements. The investment in a life insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the insurance contract (guaranteed cash value) at end of each reporting period, with changes in value recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases

Definition of a lease

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 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 recognised 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. 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of 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).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

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

For defined benefit retirement benefit plans including the LSP under the Hong Kong Employment Ordinance, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Employee benefits (Continued)

Retirement benefit costs (Continued)

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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.

Property, plant and equipment

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

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

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

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to assets on a pro-rata basis based on the carrying amount of each assets 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 a 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Cash and cash equivalents

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

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Provisions

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

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

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for provision of interior design and fit-out services are recognised at the date of completion of the service, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

i) Amortised cost and interest income

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

Impairment of financial assets subject to impairment assessment under HKFRS 9 Financial Instruments

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 Financial Instruments (Continued)

The Group applies the simplified approach and always recognises lifetime ECL for trade receivables and contract assets.

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

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 Financial Instruments (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 Financial Instruments (Continued)

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

The Group recognises an impairment gains or losses in profit or loss for financial instruments through loss allowance accounts.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a director, bank borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the Directors 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 accounting policies

The Directors have not come across any significant areas where critical judgements are involved in applying the Group's accounting policies.

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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

As at 31 March 2024, no deferred tax asset has been recognised on the tax losses of approximately HK$22,282,000 (2023: approximately HK$13,597,000) due to the unpredictability of future profit streams. The realisability of the deferred tax assets mainly depend 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 more or less 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.

Provision of ECL for financial assets and contract assets

The Group uses practical expedient in estimating ECL on trade receivables using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to change in estimates. The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

Key sources of estimation uncertainty (Continued)

Revenue recognition from construction contracts for sales of interior design and fit-out services over time

The provision of design and fit-out services is considered to be performance obligation satisfied over time as the terms of the relevant construction contracts create an enforceable right to payment for the Group for performance completed to date. The contract revenue and profit of the contracts are based on the management's estimation of the total outcome of the construction contract as well as the progress towards completion of the contracts. 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 and profit recognised.

Provision for warranties

The Group offers a 1-year warranty for commercial interior design and fit-out services and a 3-year warranty for residential interior design and fit-out services, during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The calculation of the amount of the provision requires assumptions to be made with regard to the probability of liability, the amount of claims and the duration with reference to the historical pattern. The estimation basis is reviewed on an on-going basis and revised where appropriate. Notwithstanding that the management reviews and revises the estimates of the provision for warranties where appropriate, the actual claims may be higher or lower than the estimates and this will affect the profit or loss recognised. As at 31 March 2024, the carrying amount of provision for warranties was approximately HK$783,000 (2023: approximately HK$878,000).

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 property, plant and equipment and right-of-use assets are impaired, the Group has to exercise judgement and make estimation, particularly in assessing (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 March 2024, the carrying amount of property, plant and equipment and right-of-use assets subject to impairment assessment were approximately HK$8,549,000 and HK$Nil (2023: approximately HK$8,775,000 and HK$Nil) respectively. During the year ended 31 March 2024, impairment loss of approximately HK$54,000 and HK$505,000 (2023: approximately HK$1,043,000 and HK$3,173,000) were recognised on property, plant and equipment and right-of-use assets, respectively. Details of the impairment testing on property, plant and equipment and right-of-use assets are disclosed in Note 17.

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	2024	2023
	HK$'000	HK$'000
Types of goods and services		
Interior design and fit-out services		
Residential interior design and fit-out services	**95,755**	101,868
Commercial interior design and fit-out services	**6,321**	9,388
Total	**102,076**	111,256
Timing of revenue recognition		
Over-time	**102,076**	111,256

(ii) Performance obligations for contracts with customers

The Group provides interior design and fit-out 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 for these works is recognised based on the stage of completion of the contract using input method.

The Group's services contracts include payment schedules which require stage payments over the services period once certain specified milestones are reached. The Group typically requires customers to provide non-refundable upfront deposits range from 60% to 70% of total contract sum, when the Group receives a deposit before service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the 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. The Group typically bills the customers when the specified milestones are reached (i.e. when the rights become unconditional) and the contract assets will be transferred to trade receivables. The normal credit term is 0 to 30 days upon service provided.

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

All contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the board of Directors (the "**Board**"), being the chief operating decision maker ("**CODM**"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segment under HKFRS 8 Operating Segments is provision of interior design and fit-out services in Hong Kong.

Since this is the only reportable and operating segment of the Group, no further analysis thereof is presented. All the revenue of the Group are generated from provision of interior design and fit-out services for the years ended 31 March 2024 and 2023.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operation is located in Hong Kong. All the non-current assets of the Group are located in Hong Kong.

Information about major customers

For the years ended 31 March 2024 and 2023, as no revenue derived from an individual customer of the Group has accounted for over 10% of the Group's total revenues, no information about major customers is presented.

6. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2024 **HK$'000**	2023 HK$'000
Other income		
Interest income	**634**	710
Government grants (Note)	**–**	768
Management fee income	**1,003**	1,372
Referral income	**17**	–
Gain on disposal of property, plant and equipment	**79**	–
Others	**3**	–
	1,736	2,850
Other gains and losses, net		
Exchange difference in respect of investment in a life insurance contract	**(24)**	381
	1,712	3,231

Note: During the year ended 31 March 2023, the Group recognised government grants related to Employment Support Scheme provided by the Hong Kong government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

7. OPERATING LOSS

	2024 HK$'000	2023 HK$'000
Operating loss has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments (Note 10))		
Salaries and other benefits in kind	17,177	17,485
Contributions to retirement benefit scheme	454	485
Total staff costs (Note)	17,631	17,970
Impairment losses recognised on:		
– property, plant and equipment	54	1,043
– right-of-use assets	505	3,173
	559	4,216
Impairment loss recognised under expected credit loss model, net of reversal, on:		
– trade receivables	(19)	(37)
– other receivables	(3)	16
– contract assets	–	(19)
	(22)	(40)
Total impairment losses recognised, net	537	4,176
Auditors' remuneration	565	550
Cost of inventories recognised as an expense	14,676	17,532
Depreciation of property, plant and equipment	235	689
Depreciation of right-of-use assets	437	1,881

Note: Staff costs amounted to approximately HK$7,126,000 (2023: approximately HK$7,893,000) was included in direct costs and approximately HK$10,505,000 (2023: approximately HK$10,077,000) was included in administrative and other operating expenses.

8. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest on bank borrowings	255	197
Interest on lease liabilities	159	55
	414	252

9. INCOME TAX EXPENSE

	2024 HK$'000	2023 HK$'000
Hong Kong Profits tax:		
Current tax	3	–
Deferred income tax (Note 18)	160	4
Income tax expense	163	4

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000.

Under the Law of the People's Republic of China (the "**PRC**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2024 HK$'000	2023 HK$'000
Loss before income tax	(11,928)	(17,904)
Tax at the domestic income tax rate of 16.5% (2023: 16.5%)	(1,968)	(2,954)
Tax effects of temporary differences previously not recognised	153	620
Tax effect of income not taxable for tax purpose	(118)	(308)
Tax effect of expenses not deductible for tax purpose	664	559
Tax effect of tax losses not recognised	1,433	2,094
Tax effect of tax reduction	(3)	(7)
Effect of two-tiered profits tax rates regime	2	–
Income tax expense	163	4

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and the chief executive's remuneration for the year disclosed pursuant to the applicable GEM Listing Rules and CO are set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
Year ended 31 March 2024				
Executive directors:				
Dr. Chan (Chairman)	–	4,190	18	4,208
Ms. Wan Pui Chi ("**Ms. Wan**")	–	633	18	651
Independent non-executive directors:				
Ms. Lui Lai Chun ("**Ms. Lui**")	120	–	–	120
Dr. Chung Siu Kuen ("**Dr. Chung**")	120	–	–	120
Dr. Chu Kwan Siu Candace ("**Dr. Chu**")	120	–	–	120
Chief executive officer:				
Mr. Siu Ka Sing ("**Mr. Siu**")	–	882	18	900
	360	5,705	54	6,119
Year ended 31 March 2023				
Executive directors:				
Dr. Chan (Chairman)	–	4,204	18	4,222
Ms. Wan	–	633	18	651
Independent non-executive directors:				
Ms. Lui	120	–	–	120
Dr. Chung	120	–	–	120
Dr. Chu	120	–	–	120
Chief executive officer				
Mr. Siu	–	881	18	899
	360	5,718	54	6,132

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the years ended 31 March 2024 and 2023, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the Directors waived or agreed to waive any emoluments during the years ended 31 March 2024 and 2023.

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, two (2023: two) of them are Directors and chief executive for the year ended 31 March 2024 whose emoluments are disclosed above. The emoluments in respect of the remaining three (2023: three) individuals for the years ended 31 March 2024 and 2023 is as follows:

	2024	2023
	HK$'000	HK$'000
Salaries and other benefits in kind	**2,141**	2,203
Contributions to retirement benefit scheme	**54**	54
	2,195	2,257

The number of the highest paid employees who are non-director and non-chief executive, whose remuneration fell within the following bands is as follows:

	2024	2023
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**–**	–

During the years ended 31 March 2024 and 2023, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

12. DIVIDENDS

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

13. LOSS PER SHARE

The calculation of the basic and diluted 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 year attributable to owners of the Company	**(12,091)**	(17,908)

Number of shares

	2024	2023
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**800,000**	800,000

No diluted loss per share for the years ended 31 March 2024 and 2023 were presented as there were no potential ordinary shares in issue for the years ended 31 March 2024 and 2023.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000	Computer equipment HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 April 2022	10,320	2,821	795	507	657	3,561	18,661
Additions	–	177	–	–	41	482	700
At 31 March 2023 and 1 April 2023	**10,320**	**2,998**	**795**	**507**	**698**	**4,043**	**19,361**
Additions	**–**	**63**	**–**	**–**	**–**	**–**	**63**
Disposal	**–**	**–**	**–**	**–**	**–**	**(430)**	**(430)**
At 31 March 2024	**10,320**	**3,061**	**795**	**507**	**698**	**3,613**	**18,994**
Accumulated depreciation and impairment							
At 1 April 2022	1,319	2,552	795	507	610	3,071	8,854
Charge for the year	226	109	–	–	26	328	689
Impairment loss recognised in profit or loss	–	337	–	–	62	644	1,043
At 31 March 2023 and 1 April 2023	**1,545**	**2,998**	**795**	**507**	**698**	**4,043**	**10,586**
Charge for the year	**226**	**9**	**–**	**–**	**–**	**–**	**235**
Impairment loss recognised in profit or loss	**–**	**54**	**–**	**–**	**–**	**–**	**54**
Disposal	**–**	**–**	**–**	**–**	**–**	**(430)**	**(430)**
At 31 March 2024	**1,771**	**3,061**	**795**	**507**	**698**	**3,613**	**10,445**
Carrying values							
At 31 March 2024	**8,549**	**–**	**–**	**–**	**–**	**–**	**8,549**
At 31 March 2023	8,775	–	–	–	–	–	8,775

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Land and building	Over the lease term of 50 years
Computer equipment	20%
Leasehold improvements	Over the shorter of the term of the lease, or 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

15. RIGHT-OF-USE ASSETS

	Office equipment HK$'000	Office premises HK$'000	Total HK$'000
Carrying amount as at 1 April 2022	395	1,853	2,248
Addition upon new leases	–	1,757	1,757
Adjustment upon lease modifications	–	1,049	1,049
Depreciation charge	(103)	(1,778)	(1,881)
Impairment loss recognised in profit or loss	(292)	(2,881)	(3,173)
Carrying amount as at 31 March 2023 and 1 April 2023	–	–	–
Adjustment upon lease modifications	–	942	942
Depreciation charge	–	(437)	(437)
Impairment loss recognised in profit or loss	–	(505)	(505)
Carrying amount as at 31 March 2024	–	–	–

15. RIGHT-OF-USE ASSETS (CONTINUED)

	2024 HK$'000	2023 HK$'000
Expense relating to short-term leases	186	382
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	12	9
Total cash outflow for leases		
– within operating cash flows	198	391
– within financing cash flows	1,869	1,942

For the years ended 31 March 2024 and 31 March 2023, the Group leases various offices, retail stores, carpark and office equipment for its operations. Lease contracts are entered into for fixed term of two to five years (2023: fixed term of two to five years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16. INVESTMENT IN A LIFE INSURANCE CONTRACT

	2024 HK$'000	2023 HK$'000
As at 1 April	6,540	–
Addition	–	7,470
Exchange realignment	(24)	381
Gain (loss) on investment in a life insurance contract	89	(1,311)
Disposal of subsidiaries (Note 34)	(6,605)	–
As at 31 March	–	6,540

On 18 August 2022, the Group entered into a life insurance policy (the "**Life Insurance Contract**") with an insurance company to insure a member of key management, Dr. Chan, being the chairman, an executive director and substantial shareholder of the Company. Under the Life Insurance Contract, the Group is the beneficiary and the policy holder. The Group paid upfront premiums of USD950,000 for the Life Insurance Contract and may surrender the policy any time by making a written request and receive cash back based on the net cash value plus special dividend and policy value management balance at the date of surrender request, which is calculated by the insurance company.

As at 31 March 2023, the Life Insurance Contract was pledged as collateral for the Group's banking facilities, details of which are set out in Note 27(a). Changes in value of the investment in Life Insurance Contract are recorded in profit or loss.

As at 31 March 2023, in the opinion of the Directors, the Group's life insurance policy would not be surrendered within the next 12 months and was therefore classified as a non-current asset.

On 7 February 2024, the Life Insurance Contract was disposed upon the disposal of subsidiaries as disclosed in Note 34.

17. IMPAIRMENT TESTING ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

For the year ended 31 March 2024, as a result of the recurring operating losses of the Group, the management of the Group concluded that there was an indication of impairment and conducted an impairment assessment on property, plant and equipment and right-of-use assets with carrying amounts of approximately HK$8,549,000 and HK$Nil, respectively (2023: approximately HK$8,775,000 and HK$Nil, respectively), which belong to the Group's only cash generating unit of provision of interior design and fit-out services in Hong Kong.

The recoverable amount of land and building is estimated individually. The Group estimates the recoverable amount of the land and building based on higher of fair value less costs of disposal and value in use. The carrying amount of the land and building does not exceed the recoverable amount based on fair value less costs of disposal and no impairment has been recognised.

In addition, the Group estimates the recoverable amount of the cash generating unit of provision of interior design and fit-out services in Hong Kong to which the property, plant and equipment and right-of-use assets belong.

The recoverable amount of that cash generating unit has been determined based on the value-in-use calculation by reference to a valuation carried out by Adachi Global Advisory Limited (2023: Pretium Advisory Services Limited ("**Pretium**"), an independent qualified professional valuer. The calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following five years with a pre-tax discount rate of 12.83% (2023: 11.9%) as at 31 March 2024. The annual growth rate used is ranging from 3.0% to 7.0% (2023: 4.0% to 8.0%), which is based on the cash-generating unit's past performance and management expectations for the market development. The cash flows beyond the five-year period are extrapolated using 3% growth rate (2023: 3%). Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the cash-generating unit's past performance and management expectations for the market development.

For the year ended 31 March 2024, based on the result of the assessment, the management of the Group determined that the recoverable amount of the cash generating unit is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation, impairment loss of approximately HK$54,000 and HK$505,000 (2023: impairment loss of approximately HK$1,043,000 and HK$3,173,000) has been recognised against the carrying amounts of property, plant and equipment and right-of-use assets respectively for the year ended 31 March 2024.

The carrying amount of the land and building has not been reduced since the fair value less cost of disposal is higher than the carrying amount. The land and building were measured at fair value based on Level 3 hierarchy using direct comparison approach.

Fair value measurement of the Group's land and building

The Group's land and building was valued on 31 March 2024 by Ascent Partners Valuation Service Limited ("**Ascent Partners**") (2023: Ascent Partners), an independent qualified professional valuer. The management of the Group works closely with Ascent Partners to establish the appropriate valuation techniques and inputs to the model.

The fair value of the land and building was determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the land under review. There has been no change to the valuation technique during the year.

17. IMPAIRMENT TESTING ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

Fair value measurement of the Group's land and building (Continued)

In estimating the fair value of the land and building, the highest and best use of the properties is realising them in the property market.

One of the key unobservable inputs used in valuing the land and building was the adjusted unit rate per square feet, which amounted to approximately HK$13,000 per square feet (2023: approximately HK$13,000 per square feet). A 5% increase in the adjusted unit rate per square feet used would result in an increase of approximately HK$600,000 (2023: approximately HK$600,000) in the fair value measurement of the land and building, and vice versa.

There were no transfers into or out of Level 3 during the year.

18. DEFERRED TAX ASSETS (LIABILITIES)

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the reporting period are as follows:

Deferred tax assets arising from:

	Accelerated tax depreciation HK$'000	Provision for warranties HK$'000	Total HK$'000
As at 1 April 2022 and 31 March 2023	10	145	155
Charged to profit or loss (Note 9)	(10)	(145)	(155)
As 31 March 2024	–	–	–

Deferred tax liabilities arising from:

	Tax depreciation HK$'000
As at 1 April 2022	30
Charged to profit or loss (Note 9)	4
As at 31 March 2023 and 1 April 2023	34
Charged to profit or loss (Note 9)	5
As at 31 March 2024	**39**

As at 31 March 2024, the Group has unused tax losses of approximately HK$22,282,000 (2023: approximately HK$13,597,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

19. CONTRACT ASSETS (LIABILITIES)

	2024 **HK$'000**	2023 HK$'000
Contract assets	**1,113**	593
Less: Allowance for credit losses	**–**	–
	1,113	593
Contract liabilities	**8,145**	10,777

Contract assets

As at 1 April 2022, contract assets amounted to approximately HK$3,277,000 (net of allowance for credit losses of approximately HK$19,000) and contract liabilities amounted to approximately HK$12,251,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

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

The significant increase (2023: decrease) in contract assets in the current year is the result of the increase (2023: decrease) in ongoing design and fit-out services at the end of the year.

Details of the impairment assessment of contract assets are set out in Note 31(b).

The Group's service contracts include payment schedules which require stage payments over the service period once certain specified milestones are reached. The Group typically requires certain customers to provide non-refundable upfront deposits range from 60% to 70% of total contract sum as part of its credit risk management policies.

Contract liabilities

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current liabilities based on the Group's earliest obligation to transfer goods or services to the customers.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	2024 **HK$'000**	2023 HK$'000
Provision of interior design and fit-out services	**10,419**	12,124

20. TRADE AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables	296	158
Less: Allowance for credit losses	(23)	(42)
	273	116
Other receivables, deposits and prepayments	2,524	1,888
Less: Allowance for credit losses	(16)	(19)
	2,508	1,869
Total trade and other receivables	2,781	1,985

As at 1 April 2022, trade receivables from contracts with customers amounted to approximately HK$177,000 (net of allowance for credit losses of approximately HK$79,000).

The following is an aged analysis of trade receivables presented based on the invoice dates.

	2024 HK$'000	2023 HK$'000
0-30 days	243	6
31-60 days	30	–
61-90 days	–	110
Over 90 days	–	–
	273	116

As at 31 March 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$30,000 (2023: approximately HK$110,000) which are past due as at the reporting date.

Details of impairment assessment of trade and other receivables are set out in Note 31(b).

21. AMOUNTS DUE FROM RELATED COMPANIES

	Maximum balance outstanding during the year HK$'000	**2024 HK$'000**	2023 HK$'000
Rising Wing Enterprises Limited ("**Rising Wing**")	23	**–**	–

Dr. Chan, being the chairman, an executive director and substantial shareholder of the Company, is the common director of Rising Wing and the Company. During the years ended 31 March 2024 and 2023, the above balances were assigned to the amount due to the director. The amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

22. TIME DEPOSIT

	2024 HK$'000	2023 HK$'000
Time deposit	**–**	10,203

Time deposit represents deposit over three months but less than one year. As at 31 March 2023, time deposit carried fixed interest rates at 4.61% per annum with maturity in February 2024.

Details of impairment assessment of time deposit are set out in Note 31(b).

23. CASH AND CASH EQUIVALENTS

	2024 HK$'000	2023 HK$'000
Cash at banks	24,034	23,825
Cash on hand	292	487
Cash and cash equivalents	24,326	24,312

Cash and cash equivalents include demand deposits and short-term fixed bank deposits with original maturities of three months or less. Demand deposits earn interest at floating rates based on daily bank deposit rates. Short-term fixed bank deposits are made for various periods ranging from one to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The interest rates for short-term fixed bank deposits during the year ended 31 March 2024 ranged approximately from 4.00% to 4.88% per annum (31 March 2023: range from 4.00% to 4.88% per annum). There were no short-term fixed bank deposits as at 31 March 2024.

Details of impairment assessment of bank balances are set out in Note 31(b).

24. TRADE AND OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	9,122	8,293
Other payables and accruals	2,685	2,320
	11,807	10,613

The following is an aged analysis of trade payables presented based on the invoice date.

	2024 HK$'000	2023 HK$'000
0-30 days	5,007	738
31-60 days	167	957
61-90 days	1,681	389
Over 90 days	2,267	6,209
	9,122	8,293

Payment terms granted by suppliers and subcontractors are generally 30 days (2023: 30 days) from the invoice date of the relevant purchases and services provided.

25. AMOUNT DUE TO A DIRECTOR

Name of director:	2024 HK$'000	2023 HK$'000
Dr. Chan	35	21

Dr. Chan is an executive director and the chairman of the Company. The balance is denominated in HK$. The amount due to a director is non-trade in nature, unsecured, interest-free and repayable on demand.

26. PROVISION FOR WARRANTIES

	2024 HK$'000	2023 HK$'000
At 1 April	878	881
Provision for the year	400	866
Utilisation during the year	(427)	(869)
Derecognition of unutilised amounts expired during the year	(68)	–
At 31 March	783	878

The Company provides warranties to its customers which typically run for initial periods ranging from one year to three years on the services provided. The amount of the provision for the warranties is estimated based on sales amounts and past experience of the level of warranty utilisation. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

27. BANK BORROWINGS

	Notes	2024 HK$'000	2023 HK$'000
Secured	(a)	–	5,557
Unsecured	(b)	4,964	852
		4,964	6,409
The carrying amount of the above bank loan that contains a repayment on demand clause (shown under current liabilities) but repayable:			
Within one year		424	6,409
Within a period of more than one year but not exceeding two years		439	–
Within a period of more than two year but not exceeding five years		1,418	–
Over five years		2,683	–
		4,964	6,409

27. BANK BORROWINGS (CONTINUED)

Notes:

(a) The secured bank loan of approximately HK$5,557,000 is denominated in HK$, interest bearing at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1% per annum. The bank loan is secured by (i) personal guarantee given by Dr. Chan; and (ii) the investment in a life insurance contract with carrying amount of approximately HK$6,540,000 as at 31 March 2023. The range of effective interest rates during the year ended 31 March 2023 is between 4.74% to 6.03% per annum. The maturity date of the bank loan was due on 28 September 2023. The range of effective interest rates between 1 April 2023 to 28 September 2023 is between 4.51% to 5.89% per annum.

The bank loan has been renewed and is due on 28 September 2024, with interest bearing at 1.5% per annum Hong Kong Dollars Best Lending Rate quoted by the bank (the "**Prime Rate**"). The renewed secured bank loan is secured by (i) personal guarantee given by Dr. Chan; and (ii) the investment in a life insurance contract with carrying amount of approximately HK$6,605,000 as at 7 February 2024 (the date of disposal as disclosed in Note 34).

On 7 February 2024, the secured bank loan was derecognised upon the disposal of subsidiaries as disclosed in Note 34. The range of effective interest rates between 29 September 2023 to 7 February 2024 is between 2.81% to 4.44% per annum.

(b) The unsecured bank loan of HK$4,000,000 is denominated in HK$, interest-bearing at Prime Rate minus 2.25% per annum. The bank loan is secured by personal guarantee given by Dr. Chan. The range of effective interest rates during the year ended 31 March 2023 is between 2.75% to 2.88% per annum. The loan has been fully repaid on 2 August 2023. The range of effective interest rates between 1 April 2023 to 2 August 2023 is between 2.71% to 2.8% per annum.

On 4 February 2024, the Group has obtained a bank loan under the SME Financing Guarantee Scheme by a bank for a 120-month instalment loan with principal amount of HK$5,000,000. The new unsecured bank loan is denominated in HK$, interest-bearing at Prime Rate minus 2.25% per annum. The bank loan is secured by personal guarantee given by Dr. Chan. The effective interest rate during the year ended 31 March 2024 is 3.33% per annum.

As at 31 March 2024, the Group has unutilised credit facilities of HK$14,000,000 from a financial institution (2023: has unutilised credit facilities of approximately HK$306,000 from bank).

28. LEASE LIABILITIES

	2024 **HK$'000**	2023 HK$'000
Lease liabilities payable:		
Within one year	**1,683**	1,282
Within a period of more than one year but not exceeding two years	**752**	1,236
Within a period of more than two years but not exceeding five years	**–**	685
	2,435	3,203
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,683)**	(1,282)
Amount due for settlement after 12 months shown under non-current liabilities	**752**	1,921

The incremental borrowing rates applied to lease liabilities range from 2.41% to 6.56% (2023: 2.41% to 6.56%).

29. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares '000	**Share capital HK$'000**
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2022, 31 March 2023 and **31 March 2024**	**1,000,000**	**10,000**
Issued and fully paid:		
At 1 April 2022, 31 March 2023 and **31 March 2024**	**800,000**	**8,000**

30. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings and lease liabilities disclosed in Notes 27 and 28, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and other reserves. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total of interest-bearing bank borrowing (Note 27) and lease liabilities (Note 28) divided by the total equity as at the end of each reporting period.

The gearing ratios of the Group are as follows:

	2024 HK$'000	2023 HK$'000
Total interest-bearing bank borrowing and lease liabilities	**7,399**	9,612
Total equity	**8,603**	20,697
Gearing ratio	**86.0%**	46.4%

31. FINANCIAL INSTRUMENTS

Financial instruments by category

	2024 HK$'000	2023 HK$'000
Financial assets at amortised cost:		
Trade receivables	273	116
Deposit and other receivables (excluded prepayment)	1,928	1,299
Time deposit	–	10,203
Cash and cash equivalents	24,326	24,312
	26,527	35,930
Financial liabilities at amortised cost:		
Trade payables	9,122	8,293
Other payables and accruals	2,685	2,320
Amount due to a director	35	21
Bank borrowings	4,964	6,409
Lease liabilities	2,435	3,203
	19,241	20,246

Financial risk management objective and policies

The Group's major financial instruments include trade and other receivables, time deposit, cash and cash equivalents, trade and other payables, amount due to a director, bank borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies (Continued)

(a) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate time deposit (see Note 22 for details), fixed rate short-term fixed bank deposits (see Note 23 for details) and lease liabilities (see Note 28 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 23 for details) and variable-rate bank borrowings (see Note 27 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Prime Rate and HIBOR arising from the Group's borrowings. The Group aims at keeping borrowings at variable rates. The Group currently does not hedge its exposure to interest rate risks. However, the management monitors the interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

Total interest income from financial assets that are measured at amortised cost:

	2024 **HK$'000**	2023 HK$'000
Financial assets at amortised cost	**634**	710

Interest expense on financial liabilities not measured at FVTPL:

	2024 **HK$'000**	2023 HK$'000
Financial liabilities at amortised cost	**414**	252

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for 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. A 100 basis points increase or decrease in variable-rate bank borrowings is used and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If the interest rate on bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the Group's loss before income tax for the year ended 31 March 2024 would increase/decrease by approximately HK$50,000 (2023: approximately HK$64,000).

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies (Continued)

(b) Credit risk and impairment assessment

Credit risk arises mainly from contract assets, trade and other receivables, time deposits and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Trade receivables and contract assets arising from contracts with customers

In respect of trade receivables and contract assets, collective credit evaluations are performed on all customers. These evaluations focus on the customer's financial position, past history of making payments and take into account information specific to the customer as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under the ECL model on its financial assets and contract assets. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk. As at 31 March 2024, 4 customers (2023: 3 customers) which individually contributed over 10% of the Group's aggregate trade receivables and contract assets. The aggregate amounts of trade receivables and contract assets from these customers amounted to approximately 66% (2023: approximately 89%) of the Group's total trade receivables and contract assets as at 31 March 2024.

Deposits and other receivables

The management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk since initial recognition and the Group provided impairment based on 12m ECL.

For the year ended 31 March 2024, reversal of ECL on deposits and other receivables, net, amounted to approximately HK$3,000 (2023: ECL of approximately HK$16,000).

Time deposits and bank balances

Credit risk on time deposit and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for time deposit and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on time deposit and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies (Continued)

(b) Credit risk and impairment assessment (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL General approach	Basis for recognising ECL Simplified approach
Performing	The counterparty has a low risk of default and does not have any past-due amounts or frequently repays after due dates but usually settle in full	12m ECL	Lifetime ECL – not credit-impaired
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2024 Gross carrying amount HK$'000	2023 Gross carrying amount HK$'000
Financial assets at amortised cost						
Trade receivables	20	N/A	(Note 2)	Lifetime ECL (not credit-impaired)	**273**	116
				Lifetime ECL (credit-impaired)	**23**	42
					296	158
Other receivables	20	N/A	(Note 1)	12m ECL	**1,944**	1,318
Time deposit	22	Aa2	N/A	12m ECL	**–**	10,203
Bank balances and short-term bank deposits	23	A1 – Aa2	N/A	12m ECL	**24,034**	23,825
Other item						
Contract assets	19	N/A	(Note 2)	Lifetime ECL (not credit-impaired)	**1,113**	593

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies (Continued)

(b) Credit risk and impairment assessment (Continued)

Notes:

1) For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Not past due/no fixed repayment terms HK$'000	Total HK$'000
As at 31 March 2024		
Other receivables and deposits	**1,944**	**1,944**
As at 31 March 2023		
Other receivable and deposits	1,318	1,318

2) 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 Group determines the ECL on these items on a collective basis, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix with lifetime ECL.

Gross carrying amount:

	2024		2023	
	Average loss rate	**Trade receivable HK$'000**	Average loss rate	Trade receivable HK$'000
Current to 30 days past due	**0%**	**243**	0%	6
31-60 days past due	**0%**	**30**	0%	110
More than 90 days past due	**100%**	**23**	100%	42
		296		158

	2024		2023	
	Average loss rate	**Contract assets HK$'000**	Average loss rate	Contract assets HK$'000
Current	**0%**	**1,113**	0%	593

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2024, reversal of ECL on trade receivables and contract assets, net, amounted to approximately HK$19,000 and HK$Nil respectively (2023: HK$37,000 and HK$19,000 respectively), based on collective assessment.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies (Continued)

(b) Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit- impaired) HK$'000	Total HK$'000
As at 1 April 2022	2	77	79
Change due to financial instruments recognised as at 1 April 2022:			
– impairment losses reversed	(2)	(77)	(79)
New financial asset originated	–	42	42
As at 31 March 2023 and 1 April 2023	–	42	42
Change due to financial instruments recognised as at 1 April 2023:			
– impairment losses reversed	–	(42)	(42)
New financial asset originated	–	23	23
At 31 March 2024	**–**	**23**	**23**

Changes in the loss allowances of trade receivables are mainly due to:

	2024 **(Decrease) increase in lifetime ECL**	
	Not credit-impaired HK$'000	**Credit-impaired HK$'000**
Settlement of trade receivables with gross amount of approximately HK$116,000 and HK$42,000 respectively	**–**	**(42)**
New trade receivables with gross amount of approximately HK$273,000 and HK$23,000 respectively	**–**	**23**

	2023 (Decrease) increase in lifetime ECL	
	Not credit-impaired HK$'000	Credit-impaired HK$'000
Settlement of trade receivables with gross amount of approximately HK$42,000 and HK$214,000 respectively	(2)	(77)
New trade receivables with gross amount of approximately HK$116,000 and HK$42,000 respectively	–	42

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies (Continued)

(b) Credit risk and impairment assessment (Continued)

The following table show reconciliation of loss allowances that has been recognised for contract assets:

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 April 2022	19
Change due to financial instruments recognised as at 1 April 2022:	
– impairment losses reversed	(19)
At 31 March 2023 and 1 April 2023 and 31 March 2024	**–**

Changes in the loss allowances of contract assets are mainly due to:

	2023 Decrease in lifetime ECL (not credit-impaired) HK$'000
Transfer to trade receivables with gross amount of approximately HK$3,296,000	(19)

The following table show reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL HK$'000
As at 1 April 2022	3
New financial asset originated	16
At 31 March 2023 and 1 April 2023	19
Change due to financial instruments recognised as at 1 April 2023:	
– impairment losses reversed	(8)
New financial asset originated	5
At 31 March 2024	**16**

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000	Carrying amount HK$'000
As at 31 March 2024					
Trade and other payables	**11,807**	**–**	**–**	**11,807**	**11,807**
Amount due to a director	**35**	**–**	**–**	**35**	**35**
Bank borrowing	**4,964**	**–**	**–**	**4,964**	**4,964**
Lease liabilities	**1,739**	**771**	**–**	**2,510**	**2,435**
	18,545	**771**	**–**	**19,316**	**19,241**
As at 31 March 2023					
Trade and other payables	10,613	–	–	10,613	10,613
Amount due to a director	21	–	–	21	21
Bank borrowing	6,409	–	–	6,409	6,409
Lease liabilities	1,344	1,276	702	3,322	3,203
	18,387	1,276	702	20,365	20,246

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies (Continued)

(c) Liquidity risk (Continued)

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 aggregate carrying amount of the bank borrowing amounted to approximately HK$4,964,000 (2023: approximately HK$6,409,000). Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowing will be repaid within ten years (2023: one year) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis – Bank borrowing with a repayment on demand clause based on scheduled repayments					
	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
At 31 March 2024	**597**	**597**	**1,791**	**2,933**	**5,918**	**4,964**
At 31 March 2023	6,524	–	–	–	6,524	6,409

32. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 24 March 2017. The Scheme is to attract and retain the best available personnel, to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the Directors may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the Directors (or as the case maybe, the independent non-executive directors of the Company) from time to time on the basis of the directors' opinion as to their contribution or potential to the development and growth of the Group.

The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 20% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded. The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

32. SHARE OPTION SCHEME (CONTINUED)

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 24 March 2017, subject to early termination provisions contained in the Scheme.

No share option was granted, exercised, cancelled or lapsed during the years ended 31 March 2024 and 2023 and there was no share option outstanding as at 31 March 2024 (2023: Nil).

33. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund ("**MPF**") scheme established under the Mandatory Provident Fund Scheme Ordinance for all qualifying employees in Hong Kong. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs for each employee, which the contribution is matched by employees.

The total expense recognised in profit or loss of approximately HK$454,000 (2023: approximately HK$485,000) represents contributions paid and payable to the MPF scheme by the Group at rates specified in the rules of the scheme. As at 31 March 2024, HK$32,000 contributions (2023: Nil) due in respect of the year ended 31 March 2024 had not been paid over to the MPF Schemes. The amounts were paid subsequent to the end of the reporting period. At 31 March 2024 and 2023, the Group had no forfeited contribution available to reduce its contributions to the retirement benefit schemes in future years.

34. DISPOSAL OF SUBSIDIARIES

On 7 February 2024 (the "**Disposal Date**"), Kingsky Group Limited, a direct wholly-owned subsidiary of the Company (the "**Vendor**"), and Dr. Chan, the chairman of the Board, an executive Director and a controlling shareholder of the Company (the "**Purchaser**") entered into the sale and purchase agreement to dispose of the entire issued share capital of Golden Catch Group Limited, a direct wholly-owned subsidiary of the Vendor (the "**Target Company**") and its subsidiary, Faith Flying Limited (the "**Target Group**"), at the consideration of HK$1,050,000. As at the Disposal Date, the major assets held by the Target Group is the Life Insurance Contract.

The disposal was completed on 7 February 2024, the Company will no longer have any interest in the Target Company and the Target Group will cease to be the subsidiaries of the Company.

Consideration received:	**HK$'000**
Cash received	**1,050**

34. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Analysis of assets and liabilities over which control was lost:	**On 7 February 2024 HK$'000**
Investment in a life insurance contract (Note 16)	6,605
Cash and cash equivalents	42
Amounts due to the Group companies	(2,428)
Other payables	(2)
Bank borrowings (Note 27)	(5,557)
Net liabilities disposed of	(1,340)

Loss on disposal of subsidiaries:	**On 7 February 2024 HK$'000**
Net liabilities disposed of	(1,340)
Assignment of the Group companies balances	2,428
	1,088
Loss of disposal	(38)
Total consideration	1,050
Satisfied by:	
Cash	1,050

Net cash inflow arising on disposal:	**On 7 February 2024 HK$'000**
Cash consideration	1,050
Less: Cash and cash equivalents disposed of	(42)
Total consideration received	1,008

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management of the Group includes the Directors and senior executives. Details of their remuneration are disclosed in Note 10. The remuneration of the Directors and senior executives is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2024	2023
	HK$'000	HK$'000
Non-current asset		
Investment in a subsidiary	**–**	–
Current assets		
Other receivables and prepayments	**130**	510
Time deposits	**–**	10,203
Amount due from subsidiaries	**17,918**	–
Cash and cash equivalents	**11,759**	22,865
	29,807	33,578
Current liabilities		
Accruals	**228**	214
Amount due to a subsidiary	**2,475**	4,440
	2,703	4,654
Net current assets	**27,104**	28,924
Net assets	**27,104**	28,924
Capital and reserves		
Share capital	**8,000**	8,000
Reserves (Note a)	**19,104**	20,924
Total equity	**27,104**	28,924

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 24 June 2024 and are signed on its behalf by:

Dr. Chan Lai Sin	**Ms. Wan Pui Chi**
Director	*Director*

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

(a) Reserves movement of the Company

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2022	44,419	(4,755)	(15,822)	23,842
Loss and total comprehensive expense for the year	–	–	(2,918)	(2,918)
At 31 March 2023 and 1 April 2023	**44,419**	**(4,755)**	**(18,740)**	**20,924**
Loss and total comprehensive expense for the year	**–**	**–**	**(1,820)**	**(1,820)**
At 31 March 2024	**44,419**	**(4,755)**	**(20,560)**	**19,104**

37. PARTICULARS OF SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 March 2024 and 2023:

Name of subsidiary	Place of incorporation/ operations	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
			Directly 2024	Directly 2023	**Indirectly 2024**	Indirectly 2023	
Kingsky Group Limited ("**Kingsky**")	Seychelles	Ordinary share of United States dollars ("**US$**")100	**100%**	100%	**–**	–	Investment holding
Fame Protector Limited	Seychelles	Ordinary share of US$100	**–**	–	**100%**	100%	Property and investment holding
Globe Sense Limited	Hong Kong	Ordinary share of HK$1,000	**–**	–	**100%**	100%	Provision of interior design and fit-out services
Smart Will Engineering Limited	Hong Kong	Ordinary share of HK$100,000	**–**	–	**100%**	100%	Provision of interior design and fit-out services
Best Famous Engineering Limited	Hong Kong	Ordinary share of HK$100	**–**	–	**100%**	100%	Provision of interior design and fit-out services
New Base	Hong Kong	Ordinary share of HK$100	**–**	–	**100%**	100%	Provision of interior design and fit-out services
迪愛仕家私裝飾設計(深圳)有限公司*	The PRC	Registered capital of HK$5,000,000 (Note a)	**–**	–	**100%**	100%	Inactive
Faith Flying Limited ("**Faith Flying**") (Note b)	Hong Kong	Ordinary share of HK$1	**–**	–	**–**	100%	Investment holding

* Wholly foreign owned enterprise

37. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Notes:

(a) The registered capital has not been paid up at 31 March 2024 and 2023.

(b) Faith Flying was disposed during the year ended 31 March 2024.

38. CAPITAL COMMITMENT

	2024 **HK$'000**	2023 HK$'000
Contracted for but not provided in the consolidated financial statements:		
Unpaid registered capital of a subsidiary (Note 37(a))	**5,000**	5,000

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowing HK$'000	**Lease liabilities HK$'000**	**Total HK$'000**
At 1 April 2022	2,856	2,284	5,140
Financing cash flows			
– Interest paid on bank borrowings	(197)	–	(197)
– Repayment of bank borrowings	(2,004)	–	(2,004)
– Repayment of lease liabilities	–	(1,942)	(1,942)
	(2,201)	(1,942)	(4,143)
Non-cash changes			
– New bank loan raised (Note 40(b))	5,557	–	5,557
– New leases entered/lease modified (Note 40(a))	–	2,806	2,806
– Interest expenses (Note 8)	197	55	252
	5,754	2,861	8,615
At 31 March 2023 and 1 April 2024	**6,409**	**3,203**	**9,612**
Financing cash flows			
– Interest paid on bank borrowings	**(255)**	**–**	**(255)**
– New bank loan raised	**5,000**	**–**	**5,000**
– Repayment of bank borrowings	**(888)**	**–**	**(888)**
– Repayment of lease liabilities	**–**	**(1,869)**	**(1,869)**
	3,857	**(1,869)**	**1,988**
Non-cash changes			
– Lease modified (Note 40(a))	**–**	**942**	**942**
– Interest expenses (Note 8)	**255**	**159**	**414**
– Disposal of subsidiaries	**(5,557)**	**–**	**(5,557)**
	(5,302)	**1,101**	**(4,201)**
At 31 March 2024	**4,964**	**2,435**	**7,399**

40. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 March 2024, the Group renewed two lease agreements (2023: two new lease agreements for the use of a leased property and a carpark and renewed a lease agreement) for the use of a leased property for lease term for two years (2023: two to three years). Upon the lease commencement/modification, the Group recognised right-of-use assets and lease liabilities of approximately HK$942,000 and approximately HK$942,000 (2023: approximately HK$2,806,000 and approximately HK$2,806,000) respectively.

(b) During the year ended 31 March 2023, the Group has paid upfront premiums of the Life Insurance Contract (Note 16) of US$950,000 (equivalent to approximately HK$7,470,000) which was partially settled by a bank borrowing of approximately HK$5,557,000 (Note 27(a)) and the remaining balance was settled by the Group's internal fund.