# VISTAR HOLDINGS LIMITED
# 縈德控股有限公司

( Incorporated in the Cayman Islands with limited liability )
Stock code : 8535

# ANNUAL REPORT 2020/21

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the "**Directors**") of Vistar Holdings 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.*

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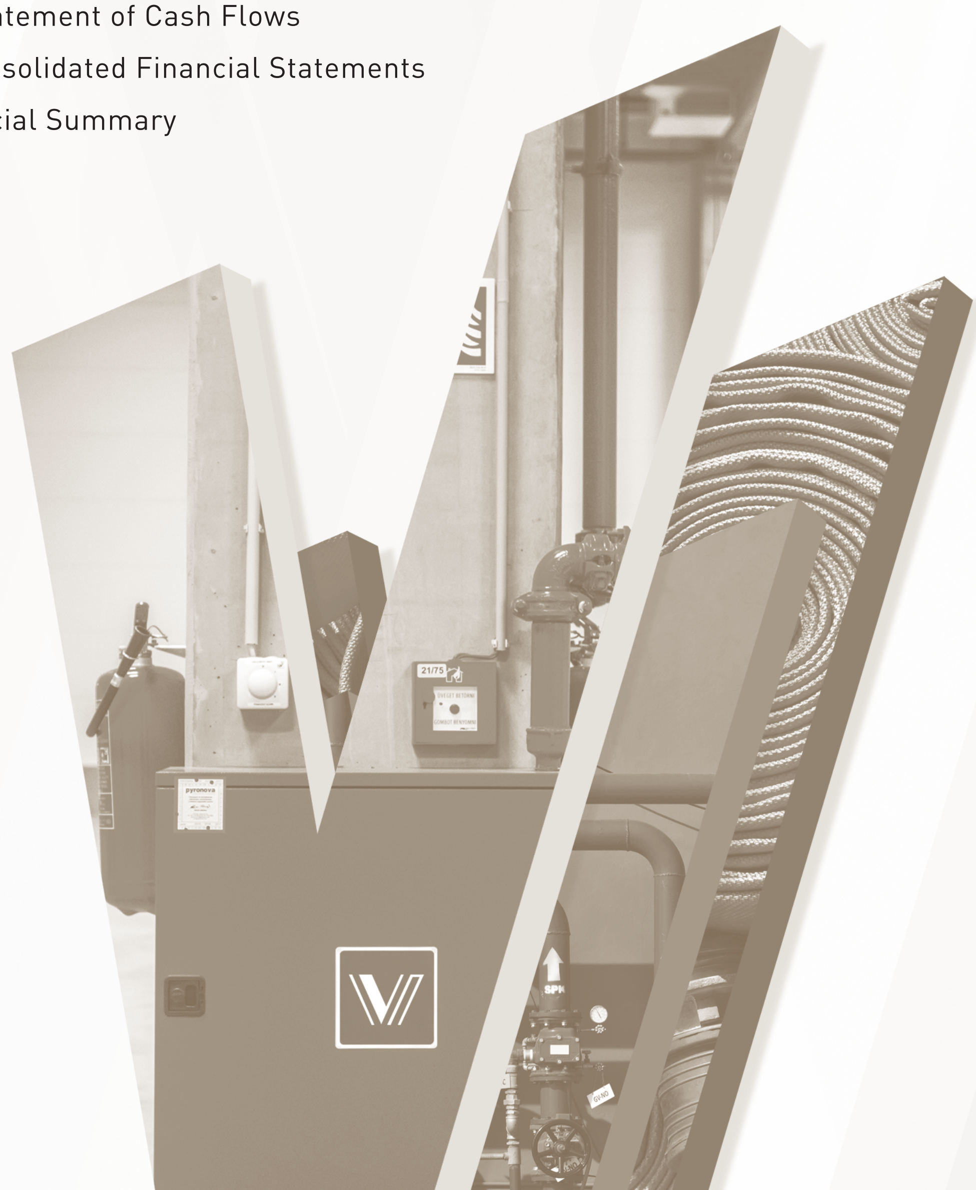

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Poon Ken Ching Keung
  *(Chairman and Chief Executive Officer)*
Mr. Ng Kwok Wai
Ms. Lee To Yin

### Non-Executive Director

Ms. Poon Kam Yee Odilia

### Independent Non-Executive Directors

Mr. Yung Chung Hing
Mr. Lam Chung Wai
Mr. Chan Shu Yan Stephen

## AUDIT COMMITTEE

Mr. Yung Chung Hing *(Chairman)*
Mr. Lam Chung Wai
Mr. Chan Shu Yan Stephen

## REMUNERATION COMMITTEE

Mr. Chan Shu Yan Stephen *(Chairman)*
Mr. Poon Ken Ching Keung
Mr. Yung Chung Hing

## NOMINATION COMMITTEE

Mr. Poon Ken Ching Keung *(Chairman)*
Mr. Lam Chung Wai
Mr. Chan Shu Yan Stephen

## COMPANY SECRETARY

Mr. Or Sek Hey Seky

## AUTHORISED REPRESENTATIVES

Mr. Poon Ken Ching Keung
Mr. Or Sek Hey Seky

## COMPLIANCE OFFICER

Mr. Poon Ken Ching Keung

## COMPLIANCE ADVISER

Innovax Capital Limited
Room 2002, 20/F,
Chinachem Century Tower 178
Gloucester Road,
Wanchai, Hong Kong
*(ended service on 30 June 2020)*

## REGISTERED OFFICE IN CAYMAN ISLANDS

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

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

Unit 2, 13/F., Tak King Industrial Building
27 Lee Chung Street
Chai Wan
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

## PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

## COMPANY WEBSITE ADDRESS

www.vistarholdings.com

## STOCK CODE

8535

# CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Vistar Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**We**") for the year ended 31 March 2021 (the "**Reporting Period**") to the shareholders of the Company ("**Shareholders**").

## BUSINESS AND FINANCIAL OVERVIEW

The Group's profit attributable to Shareholders was approximately HK$28.51 million for the Reporting Period (2020: HK$9.60 million). An increase of 196.98% of profit attributable to Shareholders was recorded as compared to the last year ended 31 March 2020.

During the Reporting Period, the revenue of the Group increased to approximately HK$305.16 million from approximately HK$235.03 million for the year ended 31 March 2020.

The Board considers that such profit increment for the Reporting Period was mainly attributable to (i) the increase in principal business revenue for the Reporting Period compared to the year ended 31 March 2020; (ii) the increase in gross profit contribution due to fully utilising the prefabrication technology operated at workshop leading to a reduction in cost of revenue in installation during the Reporting Period; and (iii) the subsidy received from the "Employment Support Scheme" of the Government of HKSAR.

## PROSPECT

Looking forward, the Directors are of the view that the general outlook of the industry and the business environment in which the Group operates remain difficult and challenging. The outbreak of the novel coronavirus ("**COVID-19**") has generated unprecedented disruptions in business operations on a global scale. With the recent implementation of vaccine programs for COVID-19, signs of recovery are shown and both business corporations and government bodies are taking assertive actions to ensure business activities are back on track.

Recently, the Government Policy Address indicated its top priorities including the Government of HKSAR's intent to speed up the construction process of public housing which will provide various opportunities to the construction industry. The Group will proactively participate in the tender or bidding of these projects on top of existing private projects in the pipeline.

The Directors will do their best to capitalise on these opportunities by leveraging on the Group's competitive advantages in installation work, alteration & addition, and maintenance services of fire servicing system including comprehensive range of licences and qualification in fire systems related services, experienced and well-trained workforce, and strong network and business relationships with its peers in the industry, to bid and negotiate higher contract prices and reduced materials and subcontracting cost to improve overall profitability performance.

In addition, the Group will continue to invest in infrastructure and technology such as the prefabrication workshop that is in full operation during the Reporting Period. The workshop strives to improve the flow and quality of its supply chain, by centrally procuring, managing and customizing input materials most significant to the projects. The Directors expect benefits from both profitability and environmentally friendly standpoint due to material cost savings and effective wastage control.

In the years to come, the Group will continue to improve its internal processes, workforce capabilities and technological infrastructure to maximize returns on existing business, and will identify suitable expansion opportunities in new project types, business sectors and market regions.

## APPRECIATION

On behalf of the Board, I wish to take this opportunity to thank our dedicated employees for their continued loyalty, diligence and contributions throughout the year. I would also like to express my sincere gratitude to my fellow board members, management team, staff members, business partners and most importantly, our shareholders and customers for their support to our Group.

**Vistar Holdings Limited**
**Poon Ken Ching Keung**
*Chairman and Chief Executive Officer*

Hong Kong, 8 June 2021

## BUSINESS REVIEW AND OUTLOOK

The Group is a registered fire service installation contractor in Hong Kong. With a full range of electrical and mechanical ("**E&M**") licenses and qualifications, the Group maintains its position as one of the leading E&M engineering companies in Hong Kong, focusing on installation, alteration and addition works and maintenance of fire service systems. The Group's services cover installation and design of fire service systems for buildings under construction or re-development; alteration and addition works on existing fire service systems; and repair and maintenance on fire service systems for built premises.

The Group implements effective and stringent tendering strategies in managing its risks and returns. With internal teams of skilled and qualified engineering staff, on top of a wide network of experienced suppliers and subcontractors maintained, the Group manages to meet the highest demands from its customers with quality and satisfaction. Riding on these strengths, foundation and reputation in the industry, the Group is confident in securing and undertaking sizable and challenging E&M engineering projects in Hong Kong.

The profit attributable to equity holders of the Company increased to HK$28.51 million for the Reporting Period as compared to the profit attributable to equity holders of the Company of HK$9.60 million for the year ended 31 March 2020.

The Board considers that such increase in profit was mainly due to several factors:

(i) the increase in principal business revenue for the Reporting Period compared to the year ended 31 March 2020;

(ii) the increase in gross profit contribution due to fully utilising the prefabrication technology operated at workshop leading to a reduction in cost of revenue in installation during the Reporting Period; and

(iii) the subsidy received under the "Employment Support Scheme" of the Government of HKSAR.

Looking forward, the Directors are of the view that the general outlook of the industry and the business environment in which the Group operates remain difficult and challenging. The outbreak of the novel coronavirus ("**COVID-19**") has generated unprecedented disruptions in business operations on a global scale. With the recent implementation of vaccine programs for COVID-19, signs of recovery are shown and both business corporations and government bodies are taking assertive actions to ensure business activities are back on track.

Recently, the Government Policy Address indicated its top priorities including the Government of HKSAR's intent to speed up the construction process of public housing which will provide various opportunities to the construction industry. The Group will proactively participate in the tender or bidding of these projects on top of existing private projects in the pipeline.

The Directors will do their best to capitalise on these opportunities by leveraging on the Group's competitive advantages in installation work, alteration & addition, and maintenance services of fire servicing system including comprehensive range of licences and qualification in fire systems related services, experienced and well-trained workforce, and strong network and business relationships with its peers in the industry, to bid and negotiate higher contract prices and reduced materials and subcontracting cost to improve overall profitability performance.

In addition, the Group will continue to invest in infrastructure and technology such as the prefabrication workshop that is in full operation during the Reporting Period. The workshop strives to improve the flow and quality of its supply chain, by centrally procuring, managing and customizing input materials most significant to the projects. The Directors expect benefits from both profitability and environmentally friendly standpoint due to material cost savings and effective wastage control.

In the years to come, the Group will continue to improve its internal processes, workforce capabilities and technological infrastructure to maximize returns on existing business, and will identify suitable expansion opportunities in new project types, business sectors and market regions.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the Reporting Period amounted to approximately HK$305.16 million which represented an increase of approximately HK$70.13 million or 29.84% from approximately HK$235.03 million for the last year ended 31 March 2020. The increase in total revenue was mainly due to an increase from installation work with its yearly revenue amounted to approximately HK$197.82 million. Such increase in revenue was mainly contributed by incremental revenue on installation work performed based on the volume of ongoing installation projects during the Reporting Period.

### Cost of Revenue

The Group's cost of revenue increased from approximately HK$198.59 million for the year ended 31 March 2020 to approximately HK$249.42 million for the Reporting Period, representing an increase of approximately HK$50.83 million or 25.60%.

Such increase in cost of revenue was in line with the increase in revenue but in a smaller proportional rate as a result of the savings in cost of revenue of installation projects by fully utilising the prefabrication technology operated at workshop since the beginning of the Reporting Period.

### Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK$19.30 million or 52.96% from approximately HK$36.44 million for the year ended 31 March 2020 to approximately HK$55.74 million for the Reporting Period. The gross profit margin was increased from 15.51% for the year ended 31 March 2020 to 18.27% for the Reporting Period.

The increase in overall gross profit contribution was mainly due to fully utilising the prefabrication technology operated at workshop since the beginning of the Reporting Period and thus resulting in the reduction of cost of revenue in installation projects during the Reporting period.

### Administrative and Other Operating Expenses

Administrative and other operating expenses mainly represented the salaries and benefits of the administrative and management staff, insurance, legal and professional fees, depreciation of plant and equipment and right-of-use assets.

The Group's administrative and other operating expenses were relatively stable and decreased by approximately HK$0.56 million or 2.15% from approximately HK$25.90 million for the year ended 31 March 2020 to approximately HK$25.34 million for the Reporting Period.

### Finance Costs

Finance costs of the Group are approximately HK$0.36 million for the Reporting Period (2020: HK$0.26 million). Finance costs consist of interest on bank borrowings and interest on lease liabilities. The increase in Group's finance costs for the Reporting Period was due to the additions of new lease contracts resulted in increase in the interest expenses on lease liabilities.

### Income Tax Expense

Income tax expense for the Group increased by approximately HK$2.17 million or 92.74% from approximately HK$2.34 million for the year ended 31 March 2020 to approximately HK$4.51 million for the Reporting Period. The increase was mainly due to the increase in taxable profit for the Reporting Period.

### Profit for the Year Attributable to Owners of the Company

Profit for the year attributable to owners of the Company increased by approximately HK$18.91 million or 196.98% from approximately HK$9.60 million for the year ended 31 March 2020 to approximately HK$28.51 million for the Reporting Period.

Such increase was primarily attributable to (i) the increase in principal business revenue for the Reporting Period compared to the year ended 31 March 2020; (ii) the increase in gross profit contribution due to fully utilising the prefabrication technology operated at workshop leading to a reduction in cost of revenue in installation during the Reporting Period; and (iii) the subsidy received under the "Employment Support Scheme" of the Government of HKSAR.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 31 March 2021, the Group had cash and bank balances of approximately HK$49.40 million (2020: HK$26.89 million).

As at 31 March 2021, the Group's total equity attributable to owners of the Company amounted to approximately HK$143.37 million (2020: HK$117.86 million). As of the same date, the Group's total debt, comprising bank borrowings and lease liabilities, amounted to approximately HK$14.51 million (2020: HK$4.86 million).

## BORROWINGS AND GEARING RATIO

As at 31 March 2021, the Group had borrowings of approximately HK$7.14 million which was denominated in Hong Kong Dollars (2020: HK$1.03 million). The Group's bank borrowings of approximately HK$7.06 million (2020: HK$0.86 million) were primarily used in financing the working capital requirement of its operations.

As at 31 March 2021, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 4.98% (2020: 0.87%).

## TREASURY POLICY

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

## FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong Dollars which is the presentation currency of the Group. 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.

## CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 12 February 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2021, the Company's issued share capital was HK$12 million and the number of its issued ordinary shares was 1,200,000,000 of HK$0.01 each.

## CAPITAL COMMITMENTS

As at 31 March 2021, the Group did not have any material capital commitments (2020: Nil).

## CHARGES ON THE GROUP'S ASSETS

As at 31 March 2021, the Group did not have any charges on group assets (2020: Nil).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 31 March 2021, the Group did not have other plans for material investments or capital assets.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures.

## CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any material contingent liabilities (2020: Nil).

## USE OF PROCEEDS FROM THE SHARE OFFER

The total net proceeds (the "**Net Proceeds**") from the share offer through the listing of the shares of the Company on GEM of the Stock Exchange on 12 February 2018 were approximately HK$24.12 million. As at 30 September 2020, the Net Proceeds were fully utilised in the same manner and proportions as described in the prospectus of the Company dated 31 January 2018 (the "**Prospectus**"). For details of the applications of the Net Proceeds, please refer to the interim report of the Company dated 12 November 2020.

## FINAL DIVIDENDS

An interim dividend of HK cents 0.25 per share in respect of the nine months ended 31 December 2020 was approved on 8 February 2021, and payments were made on 11 March 2021 for an amount of HK$3.0 million. The Directors recommend a final dividend of HK cents 0.60 per share in cash. The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "**2021 AGM**"). These, together with an interim dividend of HK cents 0.25 (2019: Nil) per share paid in March 2021, will make a total dividend of HK cents 0.85 (2020: Nil) per share for the current year. The proposed final dividend is expected to be distributed on or about Monday, 13 September 2021 to shareholders whose names appear on the Register of Members of the Company on Monday, 23 August 2021.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(a) from Wednesday, 11 August 2021 to Monday, 16 August 2021 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2021 AGM. In order to be entitled to attend and vote at the 2021 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Tuesday, 10 August 2021; and

(b) from Friday, 20 August 2021 to Monday, 23 August 2021 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to be qualified for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the address as set out in sub-paragraph (a) above no later than 4:30 p.m. (Hong Kong Time) on Thursday, 19 August 2021.

During the periods mentioned in sub-paragraphs (a) and (b) above, no transfer of shares will be registered.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group had 132 employees in total. The staff costs of the Group including directors' emoluments, and management, administrative and operational staff costs for the Reporting Period were approximately HK$11.76 million (2020: HK$13.33 million) in Hong Kong.

The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel were recruited for reviewing and restructuring the Group's existing business, as well as exploring potential investment opportunities.

Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice.

A remuneration committee was set up to review the Group's emolument policy and structure for all Directors and senior management of the Group.

## SHARE OPTION SCHEME

The Company has a share option scheme (the "**Share Option Scheme**") which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 24 January 2018.

The Share Option Scheme is effective for a period of 10 years commencing on 12 February 2018, the listing date of the Company. Under the Share Option Scheme, the Board may in its absolute discretion determine the subscription price at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the granting of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Share Option Scheme.

A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

The period as the Board may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall not be greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Share Option Scheme, a period of 10 years from the date of the granting of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. 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 schemes of the Company must not in aggregate exceed 10% of the shares in issue. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit. No share options were granted under the Share Option Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares under the Share Option Scheme:

(a) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of the subsidiaries or any entity (the "**Invested Entity**") in which the Company holds an equity interest;

(b) any non-executive Directors (including independent non-executive Directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to the Company or any of its subsidiaries or any Invested Entity;

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

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

(f) any shareholders of the Company or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity, and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

No share option has been granted under the Share Option Scheme since its adoption.

## EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the Reporting Period that requires disclosure.

## PRINCIPAL RISKS AND UNCERTAINTIES

Our Group faces several risk and uncertainty factors that may affect the operating results and business prospects. There may be other risks and uncertainties in addition to those listed below, which are not known to the Group or which may not be material under current business circumstances but might have an impact to the Group in the future.

– The state of economic, political and legal environment in Hong Kong may adversely affect our business, performance and financial condition;

– We operate in a highly competitive industry and face competition during project tendering process, and we may not be successful in competing against our competitors;

– As our revenue is mainly derived from projects which are not recurring in nature, a significant decrease in the number of our projects would affect our operations and financial results;

– We make estimations of our project costs in our tenders. Any failure to accurately estimate the costs involved in the implementation of any project and delay in completion of any project may lead to cost overruns or even result in losses in our projects;

– We rely on subcontractors in completing installation work and alternation and addition work. Any delay or defects on their part would adversely affect our operations and financial results;

– Our customers pay us by way of progress payment and hold retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us after the expiry of the defect liability period;

– We require various registrations, licences and qualifications to operate our business in Hong Kong. Any expiry, withdrawal, revocation, downgrading of and/or failure to renew such registrations, licences and qualifications would adversely affect our business, financial condition and results of operations; and

– Our business is susceptible to fluctuations of production costs including staff salaries, subcontracting cost, price of raw materials and utilities cost and such fluctuations may materially and adversely affect our profitability and results of operations.

## EXECUTIVE DIRECTORS

**Mr. Poon Ken Ching Keung (潘正強) ("Mr. Ken Poon")**, aged 63, being one of the controlling shareholders of the Company ("**Controlling Shareholders**"), was appointed as an executive Director on 27 June 2017, and was appointed as the chief executive officer of the Company and the Chairman of the Company on 17 July 2017. Mr. Ken Poon is responsible for our Group's overall management, corporate development, and strategic planning. He has also been a director of Guardian Fire Engineers and Consultants Limited ("**GFE**") since August 1991 and a director of Guardian Engineering Limited ("**GEL**") since May 2000, both companies are subsidiaries of the Company. He graduated from the University of Regina in Canada with a bachelor's degree in Administration in May 1981. He obtained his professional qualification as a certified management accountant in October 1985 from the Society of Management Accountants of Alberta, Canada. He has been a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department of Hong Kong since July 1981. He is a Licensed Plumber (Grade 1) licensed by the Water Supplies Department.

Mr. Ken Poon has over 32 years of experience in the fire services and water pump installation services. From 1981 to 1983, Mr. Ken Poon served as the assistant to deputy general manager of GFE, during which he was responsible for project planning and general management. He was regional financial controller of C.T.G. Inc., Alberta Canada (a company primarily engaged in telecommunication services) from 1987 to 1988. During both periods, he was responsible for operations and financial reporting. From January 1989 to March 1990, Mr. Ken Poon was employed as a controller of the Calgary Distribution Centre for Core – Mark Distributors, Inc. (a company primarily engaged in distribution of retail products), during which he was responsible for accounting and control procedures for improving the accuracy of financial information. From 1990 to 1991, he was responsible for corporate planning, marketing, and office administration as corporate controller of Liquidation World Inc. Canada (a company primarily engaged in the re-sell of discontinued products). As director and deputy general manager of GFE from 1991 to 2011, he was responsible for project management and office administration. From 2011 until present, he served as managing director, responsible for overall project management, administration, and internal control. Mr. Ken Poon is the elder brother of Mr. Poon Ching Tong Tommy, a project director of the Group, and Ms. Poon Kam Yee Odilia, the non-executive Director.

**Mr. Ng Kwok Wai (吳國威)**, aged 53, was appointed as our senior project manager on 1 April 2016 and appointed as an executive Director on 27 June 2017. He has been responsible for project management and project operations of the Group. He has also been a director of GFE since April 2016. Mr. Ng Kwok Wai obtained his high school diploma in Yu Chun Keung Memorial College in December 1985.

Mr. Ng Kwok Wai has over 23 years of experience of engineering work in Fire Services and Water Pump Installation. Mr. Ng Kwok Wai was appointed as assistant project manager for General Engineering (China) Co. Ltd. (a company primarily engaged in engineering services) in December 1996 which he was responsible for the supervision of site works.

From July 1997, Mr. Ng Kwok Wai was appointed as project manager of Mansion Fire Engineering Company Ltd. (a company primarily engaged in fire engineering). Since 10 March 1998, he has been project manager of GFE, where he has also been responsible for the supervision of projects.

**Ms. Lee To Yin (李桃賢)**, aged 61, was appointed as an executive Director on 31 October 2019. She is mainly responsible for tendering, general office administration and human resources. She is a director of GEL since May 2004. She is also a director of GFE, the principal operating subsidiary of the Group, since 1 February 2005. She has over 41 years of experience in accounting, administration and human resources management attained from previous posts in her career history. She joined GFE in April 1982 and since then has held different posts within the company. It ranges from overseeing the financials for the whole company to general administrative management.

Ms. Lee obtained the General Certificate of Education Examination in Principles of Accounts from the University of London in June 1980 and further obtained the Higher Stage Certificate in Accounting from The London Chamber of Commerce and Industry in 1980. She has also received the General Certificate of Education in Accounting from The Associated Examining Board in June 1983 and obtained the Higher Stage Certificate in Costing from The London Chamber of Commerce and Industry in 1984 and the Certificate in Accountancy from the Vocational Training Council Hong Kong in June 1984.

## NON-EXECUTIVE DIRECTOR

**Ms. Poon Kam Yee Odilia (潘錦儀) ("Ms. Odilia Poon")**, aged 60, was appointed as a non-executive Director on 27 June 2017 and is responsible for the strategic planning of the Group. She has also been a director of GFE since December 1986. She graduated from the University of East Asia Macau, Macau, with a bachelor's degree in Business Administration in September 1985. She later received a master degree of Science, majoring in Business Studies, from the University of Salford, United Kingdom in July 1987. In June 1990, she obtained a diploma in marketing from the Chartered Institute of Marketing, United Kingdom.

Ms. Odilia Poon has over 33 years of experience in marketing and promotion as well as in human resources management and consultancy. From April 1988 to January 1994, she served with Rothmans (Far East) Limited (a company primarily engaged in the tobacco business) with her last position as the marketing manager. She then joined Tait (HK) Limited (a company primarily engaged in marketing and distribution) from February 1994 to August 1996 as a sales and marketing director. From September 1996 to July 1997, she served as a promotion and packaging director in Pepsico. Inc. (a company primarily engaged in the sale of soft drinks) and during August 1997 to December 1998, she worked as a marketing director for Carlsberg Brewery Hong Kong Limited (a company primarily engaged in selling of beer). From May 1999 to April 2005, she served Hudson Global Resources (HK) Limited (a company primarily engaged in recruitment) with her last role as a country manager. From April 2005 to October 2005, she was with Agilent Technologies Hong Kong Limited (a company primarily engaged in distribution of professional equipment) as the staffing manager. She then joined Talent2 Shanghai Co., Limited (a company primarily engaged in human resources business process outsourcing) and held the positions of operations director of the recruitment managing services division and the managing director in China from November 2005 to July 2013. From January 2014 to June 2017, she has been serving as a director in Motiva Consulting Limited (a company primarily engaged in recruitment) where she has been overseeing the overall management of the company. She has been a non-executive director of Luk Hing Entertainment Group Holdings Limited (a company primarily engaged in entertainment services), which is listed on GEM (stock code: 8052), since 2 March 2016, and director of The Chapman Consulting Group Limited (a company primarily engaged in human resources) since 3 August 2015 and the title was changed to executive advisor since January 2019. Ms. Odilia Poon is the sister of Mr. Ken Poon and Mr. Poon Ching Tong Tommy, our Project Director.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yung Chung Hing (翁宗興)**, aged 60, was appointed as an independent non-executive Director on 24 January 2018. Mr. Yung Chung Hing obtained a Professional Diploma in Management Accountancy from Hong Kong Polytechnic (now Hong Kong Polytechnic University) in November 1984 and a Master degree of Business Administration from University of Hong Kong in November 1991. Mr. Yung Chung Hing has been an associate member of the Chartered Institute of Management Accountant since 27 January 1988 in the United Kingdom and an associate member of the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants) in Hong Kong since 19 April 1988.

Mr. Yung Chung Hing has over 30 years of experience in financial management. He served at The Hongkong Land Property Company Limited (a company primarily engaged in property development) from April 1986 to June 1995, with his last position as the Group's Cash Manager and Chief Money Dealer of the company. From 1995 to 2012, Mr. Yung Chung Hing served with The Hongkong Land Group Limited (a company primarily engaged in property development) as assistant treasurer. During January 2013 to January 2015, he was the corporate finance manager (treasury) with the Hospital Authority. Within this period, he was the deputizing senior manager of financial control and operations for six months. From June 2016 to June 2017, he has been the general manager of Technic Essential Insurance and Reinsurance Brokers Ltd (a company primarily engaged in insurance brokerage). Since June 2017, he has been serving as a Technical Representative of AMG Wealth Management Limited (a company primarily engaged in private wealth management services).

**Mr. Lam Chung Wai (林仲煒)**, aged 41, was appointed as an independent non-executive Director on 24 January 2018. Mr. Lam Chung Wai graduated from the University of Hong Kong with a bachelor's degree in Laws in July 2001. He then obtained his Postgraduate Certificate in Laws in July 2002. Mr. Lam Chung Wai has qualified as a Barrister-at-law since September 2002.

Mr. Lam Chung Wai has been practicing as a Barrister-at-law since September 2002. He has been serving as a part time lecturer at the Department of Professional Legal Education intermittently during 2016 to 2021.

**Mr. Chan Shu Yan Stephen (陳樹仁)**, aged 38, was appointed as an independent non-executive Director on 2 September 2019. Mr. Chan Shu Yan Stephen is a registered architect in the Netherlands. He graduated from the University of Hong Kong with Bachelor of Arts in Architectural Studies, and Delft University of Technology, The Netherlands with Master of Science in Architecture, Urbanism and Sciences, respectively. Since 2015, Mr. Chan co-founded a design services studio in Hong Kong named AaaM Limited, to provide services on architecture, interior design, and master planning projects, and to promote architectural culture by engaging with the public as curator and columnist on both online and paper media platforms. Mr. Chan is currently a serving Director of AaaM Limited. Prior to this, Mr. Chan served with UNStudio Hong Kong Limited as an associate director/senior architect from January 2015 to March 2017. Mr. Chan was employed by UNStudio (Shanghai) Limited from February 2011 to December 2014 with his last position as an associate director/senior architect.

## SENIOR MANAGEMENT

**Mr. Poon Ching Tong Tommy (潘正棠) ("Mr. Tommy Poon")**, aged 54, being one of our Controlling Shareholders, was appointed our executive Director on 27 June 2017 and resigned on 31 October 2019. He is now the project director of the Group and is responsible for overseeing and managing the projects of our Group. He has also been a director of GFE since July 1991. He graduated from the University of Toronto in Canada with a bachelor's degree in Applied Science in June 1989.

He then graduated from the University of London's external program with a Master of Science in Financial Management in December 1998. Mr. Tommy Poon is a Hong Kong Registered Professional Engineer, and has been registered as a Chartered Engineer of the United Kingdom. He has been a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department. He is a Licensed Plumber (Grade 1) licensed by the Water Supplies Department and an electrical worker (Grade C) registered with Electrical and Mechanical Services Department.

Mr. Tommy Poon has over 29 years of experience in electrical, mechanical, and building services engineering work. As of 2006, Mr. Tommy Poon was a technical director of our Group responsible for managing and overseeing our projects. Prior to 2007, Mr. Tommy Poon served as project manager, senior engineer, and engineer in construction and maintenance projects of our Group during which he was responsible for on-site coordination, since he joined the Group in July 2001 as engineer. Mr. Tommy Poon is the youngest brother of Mr. Ken Poon, an executive Director, and Ms. Odilia Poon, the non-executive Director.

**Mr. Ng Kam Por, Garry (吳錦波)**, aged 58, is the financial controller of the Group. He is principally responsible for supervision of the Group's financial reporting, financial control, treasury and company secretarial matters. Mr. Ng joined the Group in December 2017.

Mr. Ng has about 33 years of experience in the areas of auditing, taxation, financial management and company secretarial. Prior to joining the Company, Mr. Ng worked in an international audit firm, Inland Revenue Department, and held senior financial position as financial controller in several companies including listed companies. Before joining the Company, Mr. Ng is a company secretary of a Main Board listed company from November 2015 to March 2017.

Mr. Ng obtained a Master Degree of Corporate Governance from The Open University of Hong Kong in November 2014. He is a member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants.

**Mr. Or Sek Hey Seky (柯錫熙)**, aged 40, was appointed as our company secretary on 24 January 2018 and the authorised representative of our Company. He graduated from The University of Western Ontario with a Degree of Bachelor of Administrative and Commercial Studies in June 2003 and a Diploma in Accounting in October 2003. He was admitted as Chartered Accountant of the Institute of Chartered Accountants of Ontario in May 2009 and admitted as Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in May 2017.

Mr. Or Sek Hey Seky has more than 16 years of experience in the accounting and finance industry. He is currently the Vice President of AEM Capital Limited (a company principally engaged in corporate finance advisory). From July 2011 to May 2016, he worked at Goldman Sachs (Asia) L.L.C. (a company primarily engaged in financial services) with his last position being Associate in the Controllers Department. From August 2009 to April 2011, Mr. Or Sek Hey Seky worked at Excelsior Capital Asia (HK) Limited (a company primarily engaged in direct investment) as fund accountant, and from September 2004 to March 2009, he worked at Deloitte Touche Tohmatsu (a company primarily engaged in the provision of auditing services) in Toronto with his last position being a senior staff accountant in the Assurance & Advisory Practice.

# *BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT*

**Mr. Lee Siu Ki (李兆琪)**, aged 35, was appointed as our project manager on 1 April 2016. He obtained a higher diploma in Building Services Engineering from the Hong Kong Institute of Vocational Education in July 2007. He then obtained a training certificate in Safe Use of Abrasive Wheels in April 2008 from the Occupational Safety and Health Council of Hong Kong, and further obtained a certificate of completion of a 42-hour Construction Safety Supervisor Course in August 2008 from the Construction Industry Council Training Academy of Hong Kong. Mr. Lee Siu Ki then graduated from the City University of Hong Kong in February 2012 with a bachelor's degree in Engineering in Building Services Engineering.

Mr. Lee Siu Ki has over 14 years of experience for engineering work in Fire Services and Water Pump Installation. On 1 June 2007, he joined GFE as assistant engineer, where he was responsible for on-site coordination and inspection until 31 March 2012. From 1 April 2012 to 31 March 2016, he was responsible for progress monitoring and site supervision. He has been project manager since 1 April 2016 and has been responsible for overall management, checking, and supervision of contract works.

**Mr. Lo Chi Kok (盧自覺)**, aged 56, has been appointed as our drafting department manager since 18 April 1988. He obtained his Diploma in Electrical Engineering in July 1986 from the Haking Wong Technical Institute of the Vocational Training Council. He is an electrical worker (Grade B) registered with the Electrical and Mechanical Services Department.

Mr. Lo Chi Kok has over 33 years of experience in engineering, design, and technical hardware production. As our drafting department manager, he has been responsible for overseeing the preparation and design of fire services layout shop drawings and details, progress programmes, and submission schedules. From October 1986 to March 1988, he served as a technician with Micro Electronics Limited (a company primarily engaged in semi-conductor manufacturing), where he was responsible for the repair and maintenance of semi-conductor bonder equipment of the production line.

The Directors present their report together with the audited consolidated financial statements of the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is a registered E&M engineering service contractor in Hong Kong with a full range of E&M licenses including installation, alteration and addition works, inspection, testing and maintenance qualifications of fire prevention systems, water and plumbing systems, ventilating systems and certain electrical works. With extensive experience and expertise in the provision of fire prevention system services, majority of the Group's revenue for the Reporting Period can be accounted to this business stream.

The business review of the Group for the Reporting Period is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this report.

## RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income of this report. The state of affairs of the Group as at 31 March 2021 are set out in the consolidated statement of financial position. An interim dividend of HK cents 0.25 per share in respect of the nine months ended 31 December 2020 was approved on 8 February 2021, and payments were made on 11 March 2021 for an amount of HK$3.0 million. The Directors recommend a final dividend of HK cents 0.60 per share in cash. The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "**2021 AGM**"). These, together with an interim dividend of HK cents 0.25 (2019: Nil) per share paid in March 2021, will make a total dividend of HK cents 0.85 (2020: Nil) per share for the current year. The proposed final dividend is expected to be distributed on or about Monday, 13 September 2021 to shareholders whose names appear on the Register of Members of the Company on Monday, 23 August 2021.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Group for the Reporting Period are set out in page 128 of this report.

## SHARE CAPITAL

Details of movements of the share capital of the Company during the Reporting Period are set out in note 25 to the consolidated financial statements of this report.

## RESERVES

Details of movements of the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 28 to the consolidated financial statements of this report, respectively.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of our Group during the Reporting Period are set out in note 15 to the consolidated financial statements of this report.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2021, the Company's distributable reserves, subject to solvent test, amounted to HK$3,116,000.

## MANAGEMENT CONTRACTS

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

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out in note 26 to the consolidated financial statements, no equity-linked agreements were entered into by our Group, or existed during the Reporting Period.

## KEY RELATIONSHIPS WITH STAKEHOLDERS

### Employees

Our Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve our Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

### Customers

Our five largest customers have long-standing business relationship with us for over ten years and we therefore endeavor to accommodate their demands with our services to capture more opportunities for larger scale projects in the future. Our Group's experience as a quality subcontractor for handling civil engineering projects ensures projects are executive in accordance with standardised quality.

### Suppliers and subcontractors

Our Group encompasses working relationships with suppliers and subcontractors to meet customers' needs in an effective and efficient manner. Our Group has set up an approved list of suppliers. We select our suppliers based on the listed prices, quality, past performances and timeliness of delivery.

Subject to our capacity, resources level, types of civil engineering works, cost effectiveness, complexity of the projects and customers' requirement, we may subcontract our works to other subcontractors. We maintain an internal list of approved subcontractors and carefully evaluate the performance of our subcontractors for selection. It is based on their background, technical capability, experience, fee quotation, service quality, labour resources, timeliness of delivery, reputation and safety performance.

## MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the Reporting Period, our largest customer accounted for approximately 15.30% (2020: 16.92%) of our total revenue, while the percentage of our total revenue is attributable to our five largest customers in aggregate which was approximately 55.44% (2020: 51.23%).

For the Reporting Period, our largest supplier accounted for approximately 16.18% (2020: 20.24%) of our total purchases incurred (excluding subcontracting charges incurred), while the percentage of our total purchases incurred (excluding subcontracting charges incurred) is attributable to our five largest suppliers in aggregate which was approximately 47.53% (2020: 51.44%).

For the Reporting Period, our largest subcontractor amounted to approximately 19.50% (2020: 13.33%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred is attributable to our five largest subcontractors in aggregate which was approximately 52.04% (2020: 50.61%).

None of the Directors, their close associates, or any shareholders, with the knowledge of the Directors, owned more than 5% of the issued Shares while possessing any interest in any of the five largest customers, suppliers and subcontractors during the Reporting Period.

## ENVIRONMENTAL POLICY

Our Group's operations are subject to certain environmental requirements pursuant to the laws in Hong Kong. In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection, compliance of environmental laws and regulations by both subcontractors and our employees among air pollution, noise control and waste disposal.

During the year ended 31 March 2021, our Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

## COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the Reporting Period.

## ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming Annual General Meeting of the Company will be held on 16 August 2021 at 24/F, Admiralty Centre I, 18 Harbour Road, Hong Kong. For the purpose of determining entitlement to attend and vote at the forthcoming Annual General Meeting, the register of member of the Company will be closed during the following periods.

(a) from Wednesday, 11 August 2021 to Monday, 16 August 2021 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2021 AGM. In order to be entitled to attend and vote at the 2021 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Tuesday, 10 August 2021; and

(b) from Friday, 20 August 2021 to Monday, 23 August 2021 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to be qualified for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the address as set out in sub-paragraph (a) above no later than 4:30 p.m. (Hong Kong Time) on Thursday, 19 August 2021.

During the periods mentioned in sub-paragraphs (a) and (b) above, no transfer of shares will be registered.

## TAX ALLOWANCES

The Company is not aware of any particular tax allowances granted to the Company's shareholders due to their interests in its securities.

## DIRECTORS

The composition of the Board during the year and up to the date of this report is set out as follow:

### Executive Directors

Mr. Poon Ken Ching Keung *(Chairman)*
Mr. Ng Kwok Wai
Ms. Lee To Yin

### Non-Executive Director

Ms. Poon Kam Yee Odilia

### Independent Non-Executive Directors

Mr. Yung Chung Hing
Mr. Lam Chung Wai
Mr. Chan Shu Yan Stephen

In accordance with Article 108(a) of the Articles of Association at each annual general meeting (the "AGM"), one-third of the Directors for the time being, (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third), shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Particulars of Directors seeking re-election at the forthcoming AGM are set out in the related circular to shareholders.

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

The Company has received an annual confirmation of independence from each INED pursuant to the requirements under Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at date of this report.

## DIRECTORS' SERVICE CONTRACT

None of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by our Group within one year without payment compensation, other than the statutory compensation.

## PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, each Directors 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 in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Since the Listing Date on 12 February 2018, the Company has arranged appropriate insurance cover in respect of claims and legal actions against the Directors and its officers.

## DIRECTORS' INTERESTS IN CONTRACT

Apart from the contracts relating to the reorganisation of our Group in relation to the Listing and save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to our Group's business to which the Company or any of its subsidiaries were a party and in which the Directors or an entity connected the Directors had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

## DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of our Group are set out in note 14 to the consolidated financial statements in this report.

## RETIREMENT BENEFITS PLANS

The Group contributes to defined contribution retirement schemes which are available to all employees. For forfeited contributions that are not vest fully, if any, may be used to reduce the existing level of contributions. At 31 March 2021, there were no forfeited contributions available to reduce future obligations (2020: Nil). The Group does not have defined benefit plans.

## REMUNERATION POLICY

The remuneration committee of the Company will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the Scheme.

## DIRECTORS' INTEREST IN COMPETING INTERESTS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

## INTEREST OF CONTROLLING SHAREHOLDERS

Save as disclosed in this report, the Directors are not aware of any business or interest of the Controlling Shareholders nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

Save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to our Group's business to which the Company, or any of its subsidiaries was a party and in which the Director or an entity connected the Directors, the Controlling Shareholders, the substantial shareholders had a material interests, whether directly or indirectly, subsisted at any time during the Reporting Period.

## COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETITION UNDERTAKINGS FROM CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus of the Company since upon Listing on GEM on 12 February 2018, all Controlling Shareholders have entered into the deed of non-competition undertakings ("**Deed of Non-competition Undertakings**") in favour of the Company (for its own and on behalf of all members of the Group) on 26 January 2018, pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, undertakes and covenants with the Company that during the period that the Deed of Non- competition Undertakings remains effective, each of the Controlling Shareholders shall not, and shall procure that none of his/her/its associates (except any member of the Group), directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved, whether as a shareholder, director, employee, partner, agent or otherwise (as the case may be), in any business in competition with or likely to be in competition with the Group's existing business activity and any business activities which may be undertaken by the Group from time to time and/ or which any member of the Group may undertake in Hong Kong from time to time. Details of the Deed of Non-competition Undertakings have been set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in the Prospectus.

The Company received an annual confirmation in writing from each of the Controlling Shareholders confirming that he/it had complied with the non-competition undertakings provided to the Company under the Deed of Non-competition Undertakings. The INEDs have reviewed and confirmed that they were not aware of any non-compliance of the undertakings under the Deed of Non-competition Undertakings by the Controlling Shareholders for the Reporting Period.

As at the date of this report, the Company is not aware of any other matters regarding the compliance of the Deed of Non-competition Undertakings and there has not been any change in the terms of the Deed of Non-competition Undertakings since the Listing.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

## INTEREST OF COMPLIANCE ADVISER

Innovax Capital Limited was appointed as compliance adviser of the Company from 31 August 2019. None of the compliance adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules. Pursuant to the Compliance Adviser Agreement dated 20 August 2019, services of Innovax Capital Limited as compliance adviser have ended on 30 June 2020.

## CONNECTED TRANSACTIONS

Pursuant to the lease agreement (the "**Lease Agreement**") entered into between Vistar Alliance Limited owned as to 50% by Mr. Ken Poon and 50% by Mr. Tommy Poon, respectively (the "**Lessor**") and GFE (the "**Lessee**") dated 20 February 2020, the Lessor has agreed to lease Workshop 2 on 13th Floor, Tak King Industrial Building, No. 27 Lee Chung Street, Chai Wan, Hong Kong (the "**Premises**") of approximately 2,937 square feet to the Lessee for a term of not more than three years commencing from 1 April 2020 and up to 31 March 2022 at a monthly rental of HK$48,000.

The related party transactions entered into by our Group are set out in note 30 to the consolidated financial statements of this report.

The related party transactions do not constitute connected transactions of the Company for the Reporting Period. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 27 to 39 of this report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% as required under the GEM Listing Rules as at the date of this report.

## DONATIONS

Total donations made by our Group for charitable and other purposes during the year amounted to HK$5,000 (2020: HK$20,000).

## AUDITOR

The consolidated financial statements for the Reporting Period have been audited by BDO Limited ("**BDO**"). BDO shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment as auditor of the Company will be proposed at the forthcoming AGM. There is no change in auditor since the date of the Listing.

## DISCLOSURE OF INTERESTS

### A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 March 2021, the interests and short positions of the Directors and chief executive 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 Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were 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 are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the shares

| Name of Director/ Chief Executive | Capacity/Nature of Interest | Number of Shares Held (Note 1) | Percentage of Issued Share Capital (Note 2) |
|---|---|---|---|
| Mr. Poon Ken Ching Keung ("**Mr. Ken Poon**") (Notes 3 and 5) | Interest in a controlled corporation | 508,500,000 | 42.37% |
| Mr. Ng Kwok Wai (Notes 4 and 5) | Interest in a controlled corporation | 90,000,000 | 7.50% |
| Ms. Lee To Yin (Notes 4 and 5) | Interest in a controlled corporation | 90,000,000 | 7.50% |
| Ms. Poon Kam Yee Odilia ("**Ms. Odilia Poon**") (Notes 4 and 5) | Interest in a controlled corporation | 90,000,000 | 7.50% |

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at 31 March 2021.

(3) Mr. Ken Poon holds the entire issued share capital of Success Step Management Limited ("**Success Step**"). Success Step, in turn, directly holds 418,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced Limited ("**Legend Advanced**") as described in note 5 below.

Accordingly, Mr. Ken Poon is deemed to be interested in the 508,500,000 shares of the Company which Success Step is deemed to be interested in.

(4) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 shares of the Company.

(5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital Concept Limited ("**Noble Capital**"). For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in the Prospectus.

Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, and Mr. Poon Ching Tong Tommy ("**Mr. Tommy Poon**") is deemed to be interested in the 90,000,000 shares of the Company held by Legend Advanced.

Save as disclosed above, as at 31 March 2021, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2021, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interests 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 position in the shares

| Name of Shareholder | Capacity/Nature of Interest | Number of Shares Held (Note 1) | Percentage of Issued Share Capital (Note 2) |
|---|---|---|---|
| Success Step (Notes 3 and 5) | Beneficial owner | 418,500,000 | 34.87% |
| | Holder of equity derivative | 90,000,000 | 7.50% |
| | | 508,500,000 | 42.37% |
| Noble Capital (Notes 4 and 5) | Beneficial owner | 391,500,000 | 32.63% |
| | Holder of equity derivative | 90,000,000 | 7.50% |
| | | 481,500,000 | 40.13% |
| Mr. Tommy Poon (Notes 4 and 5) | Interest in a controlled corporation | 481,500,000 | 40.13% |
| Legend Advanced (Note 6) | Beneficial owner | 90,000,000 | 7.50% |
| Ms. Deng Anna Man Li (Note 7) | Interest of spouse | 508,500,000 | 42.37% |
| Mr. Roberts Christopher John (Note 8) | Interest of spouse | 90,000,000 | 7.50% |

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at 31 March 2021.

(3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, directly holds 418,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced as described in note 5 below.

Accordingly, Mr. Ken Poon is deemed to be interested in the 508,500,000 shares of the Company which Success Step is deemed to be interested in.

(4) Mr. Tommy Poon holds the entire issued share capital of Noble Capital. Noble Capital, in turn, directly holds 391,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced as described in note 5 below. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 shares of the Company which Noble Capital is deemed to be interested in.

(5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in the Prospectus. Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, and Mr. Tommy Poon is deemed to be interested in the 90,000,000 shares of the Company held by Legend Advanced.

(6) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 shares of the Company.

(7) Ms. Deng Anna Man Li is the spouse of Mr. Ken Poon. By virtue of the SFO, Ms. Deng Anna Man Li is deemed to be interested in the shares of the Company held by Mr. Ken Poon.

(8) Mr. Roberts Christopher John is the spouse of Ms. Odilia Poon. By virtue of the SFO, Mr. Roberts Christopher John is deemed to be interested in the shares of the Company held by Ms. Odilia Poon.

Save as disclosed above, as at 31 March 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register 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.

On behalf of the Board
**Vistar Holdings Limited**
**Poon Ken Ching Keung**
*Chairman and Chief Executive Officer*

Hong Kong, 8 June 2021

## INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rule, the Board is pleased to present hereby the corporate governance report of the Company for the Reporting Period.

The Directors and the management of our Group recognise the significance of sound corporate governance to the long-term and continuing development of our Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the Shareholders.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in Appendix 15 of the GEM Listing Rules. Save as disclosed below, the Directors consider that for the Reporting Period, the Company has complied with all the applicable code provisions set out in the CG Code.

The Board will review and monitor the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices.

## BOARD OF DIRECTORS

### Responsibilities of the Board

The key responsibilities of the Board include formulation of our Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of our Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

### Corporate Governance Functions

The Board is responsible for, among others, performing the corporate governance duties as set out in code provision D.3.1 of the CG Code, which include:

(a) to develop and review our Group's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

(e) to review our Group's compliance with the CG Code and disclosure in the corporate governance report.

## COMPOSITION OF THE BOARD

As at 31 March 2021, our Board consisted of seven Directors, comprising three executive Directors, namely Mr. Ken Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin, one non-executive Director, namely Ms. Odilia Poon and three INEDs, namely Mr. Yung Chung Hing, Mr. Lam Chung Wai and Mr. Chan Shu Yan Stephen.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of our Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This board diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

### Relationships between members of the Board

Ms. Odilia Poon was appointed as a non-executive Director and she is also the sister of Mr. Ken Poon, our executive Director. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Save as disclosed above, the Directors have no financial, business, family or other material or relevant relationship with each other.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ken Poon has been managing our Group's overall management, corporate development, and strategic planning since August 1991. Our Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Ken Poon is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three INEDs, our Board considers that no one individual has unfettered power of decision. Accordingly, our Company has not segregated the roles of its chairman and chief executive officer as required by code provision A.2.1 of the CG Code.

## BOARD MEETINGS

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting. During the Reporting Period, six Board meetings were held on 22 June 2020, 10 August 2020, 9 November 2020, 13 November 2020, 8 February 2021 and 25 March 2021 and an AGM was held on 26 August 2020. The individual attendance record of the Board meetings and the AGM is set out as follows:

### Number of Meetings and Directors' Attendance

| Name of Directors | Meetings attended/ Eligible to attend Board meetings | Annual General Meeting |
|---|---|---|
| **Executive Directors** | | |
| Mr. Poon Ken Ching Keung | 6/6 | 1/1 |
| Mr. Ng Kwok Wai | 6/6 | 1/1 |
| Ms. Lee To Yin | 6/6 | 1/1 |
| **Non-Executive Director** | | |
| Ms. Poon Kam Yee Odilia | 6/6 | 1/1 |
| **Independent Non-Executive Directors** | | |
| Mr. Yung Chung Hing | 6/6 | 1/1 |
| Mr. Lam Chung Wai | 6/6 | N/A |
| Mr. Chan Shu Yan Stephen | 6/6 | N/A |

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Reporting Period and up to the date of this report.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company established its nomination committee. The nomination committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of our Group. Each of the executive Directors and the non-executive Director has entered into a service contract with the Company for three years. Each INED was appointed under a letter of appointment for a fixed term of three years.

In accordance with Article 108(a) of the Articles of Association, at each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. In accordance with Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Particulars of Directors seeking re-election at the forthcoming AGM are set out in the related circular to Shareholders.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

Our Group acknowledges the importance of continuing professional development for the Directors for better corporate governance and internal control system. In this regard and in compliance with code provision A.6.5 of the CG Code, our Group has provided funding to all Directors to participate in continuous professional development organised in the form of in-house training and seminars to keep them refreshed of their knowledge and skills and understanding of our Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the GEM Listing Rules and corporate governance practices.

Pursuant to the code provision A.6.5 of the CG Code, during the Reporting Period, all Directors had participated in continuous professional development in the following manner:

| Name of Directors | Attending training on Director's responsibilities provided by the Company's legal consultant | Reading materials issued during the training session |
|---|---|---|
| **Executive Directors** | | |
| Mr. Poon Ken Ching Keung | ✓ | ✓ |
| Mr. Ng Kwok Wai | ✓ | ✓ |
| Ms. Lee To Yin | ✓ | ✓ |
| **Non-executive Director** | | |
| Ms. Poon Kam Yee Odilia | ✓ | ✓ |
| **Independent non-executive Directors** | | |
| Mr. Yung Chung Hing | ✓ | ✓ |
| Mr. Lam Chung Wai | ✓ | ✓ |
| Mr. Chan Shu Yan Stephen | ✓ | ✓ |

## BOARD COMMITTEES

Our Group has established three committees, namely audit committee, remuneration committee and nomination committee on 24 January 2018 in compliance with the GEM Listing Rules and to assist the Board to discharge its duties. The relevant terms of reference of each of the three committees can be found on our Group's website (www.vistarholdings.com) and the website of the Stock Exchange.

## AUDIT COMMITTEE

An audit committee of the Company ("**Audit Committee**") has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions C.3.3 and C.3.7 of the CG Code. As at 31 March 2021, the Audit Committee comprises three members, namely Mr. Yung Chung Hing, Mr. Lam Chung Wai and Mr. Chan Shu Yan Stephen, all being INEDs. Mr. Yung Chung Hing currently serves as the chairman of the Audit Committee.

The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal audits.

With reference to the terms of reference, the primary duties of the Audit Committee, among others, are as follow:

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services;

(d) to monitor the integrity of financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them;

(e) to discuss the internal control system with management of our Group to ensure that the management of our Group has performed its duty to have an effective internal control system; and

(f) to develop and review our Group's policies and practices on corporate governance and make recommendations to the Board and monitor our Group's policies and practices on compliance with legal and regulatory requirements.

The members of the Audit Committee should meet at least twice a year. During the Reporting Period, four meetings of the Audit Committee were held on 22 June 2020, 10 August 2020, 9 November 2020 and 8 February 2021.

The attendance of each member at the Audit Committee meetings during the Reporting Period is set out as follows:

| **Name of Audit Committee members** | **Meeting attended/ Eligible to attend** |
|---|---|
| Mr. Yung Chung Hing *(Chairman)* | 4/4 |
| Mr. Lam Chung Wai | 4/4 |
| Mr. Chan Shu Yan Stephen | 4/4 |

During the Reporting Period, the Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the senior management regarding the auditing, internal control and financial reporting matters.

The Group's audited annual results in respect of the Reporting Period have been reviewed by the Audit Committee and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made. There was no disagreement between the Board and the Audit Committee regarding selection and appointment of the external auditors during the Reporting Period.

## REMUNERATION COMMITTEE

A remuneration committee of the Company ("**Remuneration Committee**") has been established with its terms of reference in compliance with code provision B.1.2 of the CG Code. As at 31 March 2021, the Remuneration Committee comprised three members, namely Mr. Ken Poon, the executive Director, chairman and chief executive officer of the Company, Mr. Yung Chung Hing and Mr. Chan Shu Yan Stephen, being the INEDs. Mr. Chan Shu Yan Stephen currently serves as the chairman of the Remuneration Committee.

The Remuneration Committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of Remuneration Committee, the primary duties, among others, are as follow:

(a) to formulate remuneration policy for the approval of the Board;

(b) to make recommendations to the Board on our Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(d) to determine, with delegated responsibility or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of our Group;

(e) to make recommendations to the Board on the remuneration of non-executive Directors;

(f) to review and approve compensation payable to executive Directors and senior management of our Group for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to consider the performance bonus for executive Directors, senior management and general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendations to the Board.

The members of the Remuneration Committee should meet at least once a year. A meeting of the Remuneration Committee was held on 9 November 2020 during the Reporting Period. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the Reporting Period.

The attendance of each member at the Remuneration Committee meetings during the Reporting Period is set out as follows:

| Name of Remuneration Committee members | Meetings attended/ Eligible to attend |
|---|---|
| Mr. Chan Shu Yan Stephen *(Chairman)* | 1/1 |
| Mr. Poon Ken Ching Keung | 1/1 |
| Mr. Yung Chung Hing | 1/1 |

## NOMINATION COMMITTEE

A nomination committee of the Company ("**Nomination Committee**") has been established with its terms of reference in compliance with paragraph A.5.2 of the CG Code. As at 31 March 2021, the Nomination Committee comprises three members, namely Mr. Ken Poon, the executive Director, chairman and chief executive officer of the Company, Mr. Lam Chung Wai and Mr. Chan Shu Yan Stephen, the INEDs. Mr. Ken Poon currently serves as the chairman of the Nomination Committee.

The Nomination Committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of Nomination Committee, the primary duties, among others, are as follow:

(a) to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;

(b) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Group's corporate strategy;

(c) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) to receive nominations from Shareholders or Directors when such are tendered and to make recommendations to the Board on the candidacy of the nominees, having regard to the Board's compositional requirements and suitability of the nominees;

(e) to assess the independence of INEDs and review the INEDs' confirmations on their independence; and make disclosure of its review results in the corporate governance report;

(f) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer of our Group; and

(g) regularly review the contribution required from a Director to perform his/her responsibilities to our Group, and whether he/she is spending sufficient time performing them.

### Board Nomination Policy

Selection and appointment of new directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background, educational background, ethnicity, professional ethnicity, skills, knowledge, length of services and such qualities and attributes that may be required by the Board. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

In assessing the suitability of the candidate to the Board regarding the appointment or re-appointment of any existing Director(s), the Nomination Committee will consider the following factors:

(a) commitment for responsibilities of the Board in respect of available time and effort;

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

(c) reputation for integrity;

(d) experience in the Company's principal business and/or the industry in which the Company operates;

(e) in the case of an INED, the independence requirements set out in the GEM Listing Rules; and

(f) diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and the number of directorships in other listed/public companies, and in the case of INEDs, the length of service, where an INED serving more than nine years could be relevant to the determination of a non-executive Director's independence.

### Director Nomination Procedures

The Nomination Committee shall convene a meeting to invite nominations of candidates from Directors (if any) or it may also nominate candidates for its consideration. 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. 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. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The members of the Nomination Committee should meet at least once a year. A meeting of the Nomination Committee was held on 22 June 2020 during the Reporting Period. The Nomination Committee has reviewed the board diversity policy including its purpose, vision, policy statement, measurable objectives, monitoring and reporting procedures. The Nomination Committee has also reviewed the structure, size and composition of the Board and made according recommendations related to its re-election.

The attendance of each member at the Nomination Committee meeting during the year ended 31 March 2021 is set out as follows:

| Name of Nomination Committee members | Meeting attended/ Eligible to attend |
|---|---|
| Mr. Poon Ken Ching Keung *(Chairman)* | 1/1 |
| Mr. Lam Chung Wai | 1/1 |
| Mr. Chan Shu Yan Stephen | 1/1 |

## AUDITORS' REMUNERATION

BDO Limited is appointed as the external auditor of the Group.

For the year ended 31 March 2021, the remuneration paid or payable to BDO in respect of audit and non-audit services provided is set out below:

| Services rendered | Remuneration paid/payable (HK$'000) | |
|---|---|---|
| | **2021** | 2020 |
| **Audit services:** | | |
| Annual audit | **830** | 800 |
| Less: over provision in prior year | **–** | 50 |
| Total | **830** | 750 |

## COMPANY SECRETARY

Mr. Or Sek Hey Seky was appointed as the company secretary of the Company on 24 January 2018. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information. During the Reporting Period, Mr. Or Sek Hey Seky has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

## COMPLIANCE OFFICER

Mr. Ken Poon, an executive Director, chief executive officer, chairman and one of the Controlling Shareholders of our Group, was appointed as the compliance officer of the Company on 27 June 2017. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness on an annual basis. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems, which are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

Under the enterprise risk management framework, policies and procedures are in place to identify, assess, manage, control and report risks. Such risks include strategic, credit, operational (administrative, system, human resources, tangible and reputation), market, liquidity, legal and regulatory risks. Exposure to these risks is continuously monitored by the Board through the Audit Committee.

In specific, the risk management process of the Group is described as follows:

- Risk identification – identify the current risks confronted.
- Risk analysis – conduct analysis on the risks including the impact extent and possibility of occurrence. The risk scoring and prioritisation process is then performed.
- Risk response – choose proper risk response methods and develop risk mitigation plans.
- Control measures – propose up-to-date internal control measures and policy and process.
- Risk control – continuously monitor the risks identified and implement relevant internal control measures to ensure the effective operation of the risk mitigation plans.
- Risk monitoring and reporting – enable the Board, the Audit Committee and division head to determine whether the risk mitigation plans are functioning properly. It is to ensure the plans are properly communicated to those responsible for taking actions to address them effectively.

The risk management and internal control mechanisms also include a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The captioned mechanisms have been designed to safeguard the Group's assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for producing reliable financial information, and to ensure compliance with applicable laws, regulations and industry standards.

In addition, the Company's Internal Audit Function monitors the Group's internal governance and strives to provide objective assurance to the Board that appropriate, adequate and effective risk management and internal control systems are in place. It has unrestricted access to review all aspects of the Group's activities and internal controls. It also conducts special audits of areas of concern identified by management or the Audit Committee. The Internal Audit Function adopts a risk-based audit approach. All audit reports are brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. The recommendations will be properly followed up to ensure they are implemented within a reasonable period of time. The Internal Audit Function will also responsible for following up the implementation of recommendations and corrective actions.

For the year ended 31 March 2021, the Audit Committee, as delegated by the Board, discussed the risk management and internal control systems with management to ensure that management has performed its duty to have effective risk management and internal control systems in place. The Board has also ensured the resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions were adequate.

The Group has engaged independent professionals, for the year ended 31 March 2021, to assess and review its overall risk management system, internal controls and operation processes and have given recommendations to make any enhancement. It has been reported that there were no material deficiencies found. The Board concluded that in general, the Group had set up control environment and installed necessary control mechanisms to monitor and correct noncompliance or material internal control defects, if any. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified.

### Procedures and internal controls for the handling and dissemination of inside information

The Group has developed an inside information policy for the handling and dissemination of inside information. The policy is compiled with the relevant applicable requirements of the SFO and the GEM Listing Rules in respect of dissemination of inside information. The Group has disclosed inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided for in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements and other public disclosures are not false or misleading as to a material fact or as a result of the omission of a material fact by presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

## DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of our Group that give a true and fair view of the state of affairs, results and cash flows of our Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 March 2021, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditor, BDO, about their reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditor's report on pages 56 to 61 of this report.

## DIVIDEND POLICY

The Board had adopted and established a set of dividend policy. The Company currently does not have a pre-determined dividend payout ratio. Any declaration, payment and amount of dividend in the future are subject to the Board's sole discretion having regard to the Group's actual and expected financial performance, working capital requirements and future expansion plans, general economic and market conditions and other factors that the Board deems appropriate.

## SHAREHOLDERS' RIGHTS

The Annual General Meeting is an opportunity for the Board and the Shareholders to communicate directly and exchange views concerning the affairs and overall performance of our Group, and its future developments.

At the Annual General Meeting, the Directors (including the INEDs) are available to attend to questions raised by the Shareholders. The external auditors of the Company are also invited to be present at the AGM to address the queries of the Shareholders concerning the audit procedures and the auditors' report.

Enquiries to the Board or the Company may be sent by post to the Company's head office and principal place of business in Hong Kong. Information about the head office and principal place of business in Hong Kong of the Company is set out in the section headed "Corporate Information".

## PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

The following procedures for the Shareholders to convene an extraordinary general meeting are subject to the Article 64 of the Articles of Association, and the applicable legislation and regulation, in particular the GEM Listing Rules:

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the 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. 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 also use this same method to put forward proposals for the general meeting.

## PROCEDURES FOR RAISING ENQUIRIES

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

Should there are any enquiries and concerns from Shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit 2, 13/F., Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong, by post for the attention of the Board and/or the Company Secretary. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

### Investor Relations

The Company has established a range of communication channels between itself and its Shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.vistarholdings.com and meetings with investors and Shareholders. News update of our Group's business development and operation are also available on the Company's website.

### Significant Changes in Constitutional Documents

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company. A copy of the latest consolidated version of memorandum and articles of association of the Company is available on the websites of the Company and the Stock Exchange.

## INTRODUCTION OF REPORTING

Vistar Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**" or "**We**") is an established electrical and mechanical ("**E&M**") engineering service provider in Hong Kong, specialising in installation, maintenance, alteration and addition works of fire service systems. Unless specified, this Environmental, Social and Governance Report (the "**ESG Report**") encompasses the most significant environmental, social and governance ("**ESG**") impacts contributed by the Group operations in Hong Kong.

This ESG Report summarises the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainability development.

The Group adheres to the management policies of sustainable ESG development. The Group is also committed to handling its ESG affairs effectively and responsibly, which is integrated as one of the core components of its business strategy as the Group believes that this is the key to its continuous success in the future.

### The ESG Governance Structure

The Group conducts a top-down management approach regarding its ESG issues. The board of directors oversees and sets out ESG strategies for the Group. It is also responsible for ensuring the effectiveness of the Group's risk management and internal controls.

In order to have a systematic management of the Group's ESG issues, the Group has set up an ESG working taskforce (the "**Taskforce**") composed of staff from relevant departments. The Taskforce is responsible to collect relevant ESG data and compile the ESG Report. It periodically reports to the Board, assists in the assessment and identification of the Group's ESG risk management, and evaluates the implementation and effectiveness of the internal control system. It also reviews the Group's ESG performance, including environmental aspects, employment and labour practices and other ESG issues.

## SCOPE OF REPORTING

This ESG Report covers the Group's business activities in E&M engineering service, specialising in installation, maintenance, alteration and addition works of fire service systems. The ESG key performance indicators ("**KPIs**") data are gathered and included the Group's offices at Chai Wan, Tsim Sha Tsui and a workshop at Yuen Long. The Group will extend the scope of disclosures when and where applicable. The KPIs are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks.

## REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") contained in Appendix 20 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("**HKEX**").

For the Group's corporate governance practices, please refer to the section "Corporate Governance Report" contained in the Group's annual report 2020/21.

## REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2021 (the "**Reporting Period**" or "**FY2021**").

## STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. In order to understand and address their key concerns, the Group has maintained close communication with our key stakeholders, including but not limited to shareholders and investors, the Board, customers and business partners, employees, suppliers and subcontractors, regulatory bodies and government authorities, as well as media, nongovernmental organisations ("**NGOs**") and the public.

The Group takes stakeholders' expectations into consideration in formulating its businesses and ESG strategies by utilising diversified engagement methods and communication channels, shown as below:

| Stakeholders | Expectations and Concerns | Communication Channels |
|---|---|---|
| Shareholders and investors | • Return on investment<br>• Corporate governance<br>• Business compliance | • General meeting and other shareholder meetings<br>• Financial reports<br>• Announcements and circulars<br>• Company website |
| The Board | • Corporate governance<br>• Financial performance<br>• Strategic development | • Board meetings<br>• Board committee meetings |
| Customers and business partners | • High quality products and services<br>• Protect the rights of customers | • Service Improving Team<br>• Customer support hotline and email |
| Employees | • Employees' compensation and benefits<br>• Career development<br>• Health and safety working environment | • Training, seminars and briefing sessions<br>• Regular performance reviews<br>• Emails and notice boards |
| Suppliers and subcontractors | • Sustainable supply chain<br>• Fair and open procurement<br>• Stable business relationship | • Subcontractors management<br>• Supplier audit<br>• Regular meetings<br>• Vendor evaluations |
| Regulatory bodies and government authorities | • Compliance with laws and regulations<br>• Environmental protection<br>• Contribution to society | • Company secretary<br>• Compliance manager<br>• On-site inspections<br>• IT Audit manager<br>• Project Manager of regulatory bodies<br>• Regulatory newsletters |
| Media, NGOs and the public | • Involvement in communities<br>• Environmental protection awareness | • Community Investment Activities and Partner Programs<br>• Public welfare events<br>• ESG reports<br>• Media |

The Group aims to collaborate with its stakeholders to improve its ESG performance and create greater value for the wider community on a continuous basis.

## CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG Report or the Group's performances in sustainable development by email to info@vistarholdings.com.

## MATERIALITY ASSESSMENT

The Group has considered feedback from the relevant stakeholders in identifying relevant ESG issues and assessing the importance of related matters to its businesses and stakeholders. These are shown in the table below, together with the aspects of the ESG Reporting Guide to which they relate:

| **ESG Index** | **Possible Material ESG Issues** | **Importance to the Group** | | |
|---|---|---|---|---|
| **A. Environmental** | | **Low** | **Medium** | **High** |
| A1. Emission | Exhaust Gas Emissions | ☒ | ☐ | ☐ |
| | Greenhouse Gas ("**GHG**") Emissions | ☐ | ☒ | ☐ |
| | Waste Management | ☐ | ☒ | ☐ |
| A2. Use of Resources | Energy Conservation | ☐ | ☒ | ☐ |
| | Water Conservation | ☐ | ☒ | ☐ |
| A3. The Environment and Natural Resources | Indoor Air Quality | ☐ | ☐ | ☒ |
| | Green Procurement Strategies | ☐ | ☒ | ☐ |
| **B. Social** | | **Low** | **Medium** | **High** |
| B1. Employment | Recruitment, Promotion and Dismissal | ☐ | ☒ | ☐ |
| | Compensation and Remuneration | ☐ | ☒ | ☐ |
| | Working Hours and Rest Periods | ☐ | ☒ | ☐ |
| | Diversity, Equal Opportunity and Anti-discrimination | ☐ | ☒ | ☐ |
| | Communication with Employees | ☐ | ☒ | ☐ |
| B2. Health and Safety | Risk Assessment | ☐ | ☐ | ☒ |
| | Occupational Safety and Health Inspection | ☐ | ☐ | ☒ |
| | Safety Training | ☐ | ☐ | ☒ |
| B3. Development and Training | Professional Training and Skill Development | ☐ | ☒ | ☐ |
| | Orientation and Induction Training | ☐ | ☒ | ☐ |
| B4. Labour Standards | Prevention of Child and Forced Labour | ☐ | ☒ | ☐ |
| B5. Supply Chain Management | Supplier Appointment | ☐ | ☒ | ☐ |
| | Fair and Open Procurement | ☐ | ☐ | ☒ |
| B6. Product Responsibility | Quality Assurance | ☐ | ☐ | ☒ |
| | Protection of Customers' Information and Privacy | ☐ | ☐ | ☒ |
| | Advertising and Labelling | ☒ | ☐ | ☐ |
| B7. Anti-corruption | Anti-corruption | ☐ | ☒ | ☐ |
| | Whistle-blowing Mechanism | ☐ | ☐ | ☒ |
| B8. Social Investment | Community Participation | ☐ | ☒ | ☐ |

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

SUSTAINABILITY PERFORMANCE OVERVIEW

| **Emissions** | **Unit** | **FY2021** | FY2020 |
|---|---|---|---|
| **Environmental** | | | |
| **Solid Waste** | | | |
| Hazardous Waste | kg | **–** | – |
| Hazardous Waste Intensity[1] | kg per employee | **–** | – |
| Non-hazardous Waste | kg | **1,980.88** | 2,029.68 |
| Non-hazardous Waste Intensity | kg per employee | **15.01** | 17.50 |
| **Exhaust Gas Emissions** | | | |
| Nitrogen oxides ($NO_x$) | kg | **244.67** | Data not collected |
| Sulphur oxide ($SO_x$) | kg | **0.38** | Data not collected |
| Respirable suspended particulates (PM) | kg | **18.25** | Data not collected |
| **GHG Emissions[2]** | | | |
| Direct GHG Emissions (Scope 1) | tonnes $CO_2e$ | **65.66** | 54.86 |
| Energy Indirect GHG Emissions (Scope 2) | tonnes $CO_2e$ | **39.09** | 37.74 |
| Total GHG Emissions | tonnes $CO_2e$ | **104.75** | 92.60 |
| Emission Intensity | tonnes $CO_2e$ per employee | **0.79** | 0.80 |
| **Energy Consumption** | | | |
| **Indirect energy consumption** | | | |
| Electricity | kWh | **76,671.00** | 55,059.82 |
| **Direct energy consumption** | | | |
| Unleaded Petrol | kWh | **96,941.88** | 115,205.34 |
| Diesel Oil | kWh | **157,140.29** | 93,004.48 |
| Total Energy Consumption | kWh | **330,753.17** | 263,269.64 |
| Energy Intensity | kWh per employee | **2,505.71** | 2,269.57 |
| **Water Consumption** | | | |
| Water[3] | $m^3$ | **80.00** | 387.33 |
| Water Intensity | $m^3$ per employee | **0.61** | 3.34 |

Remarks:

1. As at 31 March 2021, the Group had a total of 132 employees (FY2020: 116 employees). The data is also used for calculating other intensity data.

2. GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the "Sustainability Report 2020" published by the Hong Kong Electric Investments Limited, the "2020 Sustainability Report" published by the CLP Power Hong Kong, and "Global Warming Potential Values" from the IPCC Fifth Assessment Report (AR5), 2014.

3. During the Reporting Period, the water consumption data of new workshop at Yuen Long and office at Tsim Sha Tsui were not available since water usage was included in the monthly rental payment. Water consumption data in FY2020 and FY2021 are therefore not comparable.

## A. ENVIRONMENTAL

### A1. Emissions

General Disclosure and KPIs

The Group recognises its responsibilities towards the potential direct and indirect negative environmental impacts associated with its business operations.

By integrating environmental considerations into the Group's decision-making processes, the Group embraces its responsibilities to create an environmentally sustainable business. This is achieved through implementing measures that promote energy conservation, waste reduction and any other green initiatives across sourcing fire service systems and provide E&M engineering service. The Group is also committed to educating its employees to raise their awareness on environmental protection and complying with the relevant environmental laws and regulations.

In order to enhance the environmental governance practice and mitigate the environmental impacts produced by the Group's operations, the Group has adopted and implemented relevant environmental policies and has communicated such policies to its employees. These policies apply the waste management principle of "Reduce", "Reuse", "Recycle" and "Replace" ("**4Rs**") as well as emission mitigation principle, with an objective of minimising the adverse environmental impacts and ensure the waste disposal or emission generated is conducted in an environmentally responsible manner.

The Group has obtained the certification of ISO 14001 Environmental Management System since 2010, which manifested the Group's efforts dedicated to the green operation. Apart from the regular review and adjustment made to existing measures, the Group also appointed external consultants to assess the relevant environmental matters for ensuring the compliance of the Group's environmental management strategy.

In conclusion, related to emission and waste management, the Group has adopted various carbon reduction measures during the Reporting Period to effectively manage the impact from emissions and waste management.

The Group strictly complies with the relevant laws and regulations including but not limited to the Air Pollution Control Ordinance, the Water Pollution Control Ordinance and the Building (Demolition Works) Regulations. During the Reporting Period, the Group was not aware of any material non-compliance of environmental laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

*Exhaust Gas and GHG Emissions (KPI A1.1, KPI A1.2, KPI A1.5)*

Exhaust Gas Emissions

Due to the Group's business nature, the Group considers the relevant air emission generated during the business operation is limited. However, the Group still strives to mitigate the exhaust gas generated from its operation as much as possible.

GHG Emissions (KPI A1.2, KPI A1.5)

Electricity consumed in offices and workshop and petrol and diesel consumed by vehicles remained as the major sources of GHG emissions of the Group. The Group has adopted the following measures in order to reduce the emissions:

- Consider using local suppliers first so as to reduce the unnecessary travel and transportation;

- Engage the majority of the Group's construction projects in "BEAM Plus" certification to minimise the impact to the environment;

- Change the car type from full fuel-type to petrol electric hybrid type which have significantly lowered the petrol usage; and

- Apply biodegradable engine oil which can increase the life span of vehicles as well as reducing the parts of repairment required.

The Group's employees are more aware on GHG's impact to the environment through these GHG emissions reduction measures.

The GHG emissions increased by about 13.12% from approximately 92.60 tonnes $CO_2e$ in FY2020 to approximately 104.75 tonnes $CO_2e$ in FY2021. Both direct and energy indirect GHG emissions increased due to the new workshop at Yuen Long. Consumption of electricity is accounted as the major source of energy indirect GHG emissions. The Group has implemented measures as stated in "Energy Conservation" of aspect A2 below in order to reduce energy consumption, and thereby minimising GHG emissions.

*Waste Management (KPI A1.1, KPI A1.3, KPI A1.4, KPI A1.5, KPI A1.6)*

Hazardous Waste Handling Method (KPI A1.3, KPI A1.6)

As the Group is providing installation, alteration and addition works as well as maintenance of fire services system, it did not generate hazardous wastes (such as medical wastes) during its operations. The Group has established guidelines in governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group is required to use government waste disposal facilities, which is complied with the relevant environmental regulations and rules.

Non-hazardous Waste Handling Method (KPI A1.4, KPI A1.6)

The Group adheres to the 4Rs waste management principle and strives to properly manage and dispose wastes produced by its business activities as per established guidelines. The waste management practice has complied with the relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper.

The Group strictly abides by the laws and regulations from the Environmental Protection Department of Hong Kong Special Administration Region regarding the construction projects. The Project Environmental Plan is set by the Group to persists the 4Rs waste management principle and has established guidelines for classifying hazardous and non-hazardous wastes, as well as the guideline for handling of hazardous wastes, we also request the Group's employees to strictly follow and implement such plan. The Group has also conducted the inspection monthly through the Environmental Monthly Office Inspection Checklist.

The Group's staff and the assigned administrative staff collectively take the responsibilities for waste management in our offices and have conducted measures such as:

- Encourage staff to communicate via electronic means;

- Promote upcycling, recycling and the use of recycled paper and toner or environmentally friendly materials by putting recycling bins in offices;

- Provide waste classification boxes for processing the recyclables;
- Use both sides of paper in printers, faxes, photocopiers and collection box for one-side-used papers;
- Reduce the frequency of printing by using the Enterprise Resource Planning ("**ERP**") system and review before printing out;
- Minimise wastes wherever feasible; and
- Sort recycled wastes into appropriate receptacles, educating employees in sorting methods if needed.

The employee's awareness of waste management has been increased through these waste management reduction measures evidenced by the decrease in non-hazardous wastes (i.e. paper) of about 2.40% from approximately 2,029.68 kg in FY2020 to approximately 1,980.88 kg in FY2021.

*Sewage Discharge*
The Group has subcontracted out the construction projects to its main contractors, therefore it does not generate material portion of sewage.

## A2. Use of Resources

General Disclosure and KPIs
The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business operations.

During the operations, electricity and water are consumed, and the Group has established relevant policies and procedures in governing the efficient use of resources, in reference to the objective of achieving higher energy and water efficiency as well as reducing the unnecessary use of materials.

*Energy Conservation (KPI A2.1, KPI A2.3)*
The Group has set a role model for corporate social responsibility through the adherence to the business philosophy of "Green Construction and Energy Conservation". The Group pledged to maintain the indoor temperature between 24-26°C so as to reduce energy consumption and electricity cost. The Group also continues to access and evaluate the latest environmental news and trends for optimising existing services, and thereby reducing environmental pollution. The Group's offices have taken the following energy conservation measures to reduce energy consumption:

- Control the air-conditioning systems and maintain offices indoor temperature at 24-26°C;
- Turn off unnecessary air-conditioners, lightings, computers, printers, photocopiers and electrical appliances during non-office hours;
- Post signage such as "Please turn off all lights after work", etc. in the offices; and
- Turn on energy saving mode when computers are idled for 20 minutes or more.

In the long run, the Group will enhance its energy saving management in minimising the usage of lightings, air conditioning and electronic appliances and track its energy consumption regularly in the coming years.

Within the Group's policy framework, we are continually looking for different opportunities to pursue environmentally friendly initiatives, enhancing its environmental performance by reducing energy use and the use of other resources.

The energy intensity has been increased by about 25.63% from approximately 263,269.64 kWh per employee in FY2020 to approximately 330,753.17 kWh per employee in FY2021. The increase is mainly due to the electricity consumed in the new workshop at Yuen Long.

*Water Conservation (KPI A2.2, KPI A2.4)*

The Group does not consume significant amount of water in its business activities due to its business nature. Regardless of limited water consumption, the Group has posted the signages of "water saving" for reminding and enhancing employees' environmental awareness. The Group also encourages its employees to better utilise water whenever possible in order to foster a culture of conserving water resources. In FY2021, the water consumption decreased since the water usage of new workshop at Yuen Long in FY2021 was included in the monthly rental payment, water consumption data was not available.

Due to the Group's business nature and its operations are mainly based in Hong Kong, the issue in sourcing water that is fit for purpose is not relevant to the Group.

*Use of Packaging Material (KPI A2.5)*

The Group does not consume any packaging materials for product packaging as it is an E&M engineering service provider and the products and required deliverables are already packed by the suppliers.

## A3. The Environment and Natural Resources

General Disclosure and KPIs

We pursue the best practices in environment protection and focus on the impact of our businesses to the environment and natural resources. In addition, the Group properly preserves the natural environment and has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strictly complies with relevant environmental laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance of environmental laws and regulations relating to environment and natural resources that would have a significant impact on the Group.

*Indoor Air Quality (KPI A3.1)*

Indoor air quality in the Group's workplace is regularly monitored and measured. By implementing the No Smoking Policy in the workplace as well as relevant measures specified in the policy, which resulted in maintaining indoor air quality and filtering out pollutants, contaminants and dust particles.

*Minimising Environmental Impact of Projects (KPI A3.1)*

In order to control and mitigate the adverse environmental impacts of the projects in its operations, the Group has formulated a series of procedures to assess the environmental risks of the projects in accordance with the standard of ISO 14001 Environmental Management System. Moreover, regular internal audit on the effectiveness and level of compliance of Environmental Management System are carried out annually. The potential environmental risks of the projects include but not limited to air pollution and non-hazardous waste discharge. Relevant measures to mitigate the corresponding environment risks of the projects have been carried out in accordance to the relevant assessment.

*Green Procurement Strategies (KPI A3.1)*

The Group has adopted the green procurement philosophy and formulated strategies and executed in the daily operations. The Group has actively advocated green procurement strategies, for example, when evaluating suppliers, the Group would consider green factors such as higher energy efficiency, lower impact to environment or recycled products or even second-handed equipment. By doing so, the Group would be able to avoid excessive use of natural resources and energy.

## B. SOCIAL

### B1. Employment

General Disclosure

Human resources are the foundation in supporting the development of the Group. Hence, the Group has established the Employment Policy to fulfil its vision on people-oriented management and realizing the full potential of employees. The Employment Policy is formally documented, covering recruitment, compensation, promotion, working hours and rest periods, diversity and equal opportunity, etc. The Group reviews, and if necessary, revises this policy and its employment practices at least annually to ensure continuous improvements of its employment standards.

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

*Employee Composition (KPI B1.1)*

As at 31 March 2021, the Group's had 132 full-time employees, all located in Hong Kong. The composition is shown as below:

| | Employees | Percentage |
|---|---|---|
| **By gender** | | |
| Male | 95 | 71.97% |
| Female | 37 | 28.03% |
| **By age** | | |
| Under 30 years old | 59 | 44.70% |
| 31–40 years old | 27 | 20.45% |
| 41-50 years old | 24 | 18.18% |
| Over 50 years old | 22 | 16.67% |
| **By employee category** | | |
| Management | 23 | 17.42% |
| General staff | 109 | 82.58% |

*Recruitment, Promotion and Dismissal*

The Group hires talent through open recruitment, fair and equal competition as well as strict appraisals adherence to a set of clear, transparent and comprehensive recruitment procedures. The assessment criteria are based on the qualifications, personal competence and working experience of the applicants.

The promotion of the Group's employees is subject to performance appraisal regularly. The Group offers promotion and development opportunities for outperforming employees through an open and fair assessment system so as to explore their potential capability, develop their career and meet the Group's needs for sustainable development. The Group ensures that the promotion of employees will not be affected by their genders, ages, nationalities, races, religious or sex orientation.

Any appointment, promotion or termination of recruitment contract should be based on reasonable, lawful grounds and internal policies, such as the Employee Handbook. The Group strictly prohibits any kind of unfair or illegitimate dismissals.

*Compensation and Remuneration*

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions. For those who have poor working performance, the Group would warn verbally before issuing a warning letter. For those who commit serious dereliction of duty, or severe violation of local laws and regulations, the Group would dismiss the person according to relevant laws in Hong Kong. The Group also adopts exit interview to collect feedback from resigned employees for continuous improvement.

*Working Hours and Rest Periods*

The Group is taking good care about employees' health and monitor the time period of working. In addition to basic paid annual leaves and statutory holidays as stipulated by the Employment Ordinance, employees are also entitled to various allowances and leaves such as transportation allowance, training allowance and examination leaves. For employees living in remote areas, flexible working hours are provided for them.

*Diversity, Equal Opportunity and Anti-discrimination*

The Group is dedicated to providing equal opportunities in all aspects of employment and maintaining workplace that are free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. The Group has published an Employee Handbook outlining the terms and conditions of employment, expectation for employees' conducts and behaviours, employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace. With the aim of ensuring fair and equal protection for all employees, the Group has zero tolerance on sexual harassment or abuse in the workplace in any forms.

*Communication with Employees*

The Group has been upholding an open and equal working environment. Zero distance communication with employee is an important channel to realise this goal. The Group's employees are encouraged to make suggestions or complaints in horizontal or vertical communications through its communication channels, including e-mail or announcements.

## B2. Health and Safety

General Disclosure

The Group prides itself on providing a safe, effective and congenial work environment. To achieve this, the Group follows the Occupational Health and Safety Guidelines recommended by the Labour Department and Occupational Safety and Health Council, and has formulated related plans and policies. The Group also takes responsibilities for offices' and construction sites' occupational health and safety and relevant promotions and monitoring.

In order to enhance the employee's health and safety in workplace, the Group is actively introducing suitable plant and equipment, including personnel protective equipment, to mitigate the accidents happened in workplace.

The Group strictly complies with the relevant laws and regulations including but not limited to the Employment Ordinance, the Employees' Compensation Ordinance and the Occupational Safety and Health Ordinance. During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group. During the Reporting Period, the number of lost days due to work injury was 62 days.

*Risk Assessment (KPI B2.3)*

In order to control and mitigate the safety risks of the projects in the Group's operations, the Group has formulated an occupational health and safety plan in advance of each project to assess the safety risks of the projects.

Moreover, regular internal audit on the effectiveness and level of compliance of occupational health and safety management system are carried out on an annual basis. The potential safety risks of the projects include but not limited to aloft work, etc. Relevant measures to mitigate the corresponding safety risks of the projects have been carried out in accordance to the relevant assessment procedures. For example, provision of different types of protection equipment is provided in accordance with the conditions of the projects.

*Occupational Health and Safety Accountability Mechanism (KPI B2.3)*

The Group has established the Work Instruction regarding the workplace safety which promotes the Group's occupational health and safety performance effectively. The Group has set up the accountability mechanism in respect of the office's and construction sites' occupational health and safety affairs. The Group also appoints a third-party organisation to conduct annual assessment for assuring the quality and effectiveness of the safety management measures. Relevant measures to mitigate accidents include conducting safety inspections of site equipment and site environment regularly and corrective measures against the identified risks.

The Group has acquired the certification of ISO 45001 Occupational Health and Safety Management System Standard, which manifested the Group's efforts dedicated to improve employee safety, reduce workplace risks and create better, safer working conditions.

*Safety Training (KPI B2.3)*

Employees should attend the training organised by the Group on occupational safety and environmental control. Emergency and evacuation procedures have been established to response timely and orderly in any major safety accidents. Employees are also free to provide feedback on improving the workplace safety.

*Other Health and Safety Measures (KPI B2.3)*
With the outbreak of the COVID-19 pandemic, the Group is highly conscious of the potential health and safety impacts brought to its staff, and actively encourages sick staff to stay at home. Apart from strengthening the sanitation of its operations to ensure a health and safe working environment, precautionary measures such as temperature screening before entering office, and ensuring sufficient disinfection supplies like face masks and hand sanitisers in our operations are implemented.

## B3. Development and Training

General Disclosure

*Employee Development and Training (KPI B3.1, KPI B3.2)*
The Group regards its staff as the most important asset and resource. To cope with the fast-moving technology and industrial knowledge, the Group provides its staff with training courses for upgrading skills and development as needed.

The Group encourages and supports employees to participate in both personal and professional training to fulfil the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience. On the other hand, it provides on-the-job training for the engineers and new employees in the Group.

During the Reporting Period, approximately 61.36% of employees participated in the training. The average training hours completed per employee is 1.83 hours.

| | Breakdown for employees trained | Percentage of employees trained | The average training hours completed per employee |
|---|---|---|---|
| **By gender** | | | |
| Male | 85.19% | 72.63% | 2.28 hours |
| Female | 14.81% | 32.43% | 0.66 hours |
| **By employee category** | | | |
| Management | 6.17% | 21.74% | 0.39 hours |
| General staff | 93.83% | 69.72% | 2.13 hours |

*Professional Training and Skill Development*
In order to enhance employees' professional technical skills and let them keep abreast with the latest updates and knowledge of the modern technology in fire services installation, the Group provides on-the-job training and organise fire services installation related seminars periodically for its employees. The Group is also dedicated to establishing a professional technical team to raise employees' professional knowledge, techniques and skills.

*Orientation and Induction Training*
The Group has organised orientation and induction training to the new employees in order to facilitate them to adapt to the Group's work culture and environment, which includes introduction of the Group's background, general practices and briefing of the Employee Handbook. They should then know their benefits and understand their responsibilities at their position in the Group.

## B4. Labour Standards

General Disclosure

The Group complies with the Employment Ordinance on the prohibition of using child labour with respect to the employment of youths under 16 years of age and their legal rights.

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

*Prevention of Child Labour and Forced Labour (KPI B4.1, KPI B4.2)*

Child and forced labour are strictly prohibited during the recruitment process. Personal data are collected during the recruitment process to assist in the selection of suitable candidates and to verify candidates' personal data. The Human Resources Department also ensures identity documents are carefully checked. If violation is discovered, it will be handled strictly according to the policy stated at the Group's Employee Handbook.

## B5. Supply Chain Management

General Disclosure

The Group understands the importance of supply chain management in mitigating the indirect environmental and social risks. The Group is also aware of the environmental and social practices of the suppliers and subcontractors, and tries to engage suppliers and subcontractors with responsible acts to the society in view of green supply chain management.

During the Reporting Period, the Group had a total of 99 suppliers which 98 were located in the Hong Kong and 1 was located in the People's Republic of China.

*Supplier Appointment (KPI B5.2)*

In order to ensure that the suppliers and subcontractors have met customers' and the Group's requirements regarding quality, environmental and safety standards, the Group has formulated standards and stringent procedures in selecting suppliers and subcontractors. Suppliers' and subcontractors' environmental and social performances are considered as selection criterions for establishing long-term relationship. The project directors maintain an approved list of suppliers and subcontractors. Assessments are carried out on the suppliers and subcontractors by the project directors and managing director on a regular basis. The materials purchased from suppliers and works performed by subcontractors will be checked and monitored on a regular basis. Suppliers or subcontractors may be suspended or removed from the approved list if they fail to fulfil the Group's standards. The supplier relationship may also be terminated in the event of any substantial violation of environmental and labour laws and regulations. The performance of suppliers is examined on a regular basis.

*Fair and Open Procurement (KPI B5.2)*

The Group has formulated procedures to ensure that the suppliers and the subcontractor could participate in competitions in an open and fair way. The Group should not have differentiated or discriminated treatment on certain suppliers and subcontractors. It would strictly monitor and prevent all kinds of business bribery. Employees or personnel having any conflict of interest relationship with the supplier should not be involved in the related business activity.

*Sustainable Supply Chain (KPI B5.2)*
The Group's aspirations for sustainable supply chains aim to manage risk in the Group's sourcing. It will also keep taking advantage of the Group's purchasing power to build a sustainable supply chain.

## B6. Product Responsibility

General Disclosure
It is believed that to maintain high quality standard for projects are the utmost important for sustainable growth of the Group. Completed works that meet or exceed customer's requirements are crucial not only for building safety, but also for job reference and future business opportunities. In order to ensure that the Group delivers high quality services and sustainable projects to its customers, the process of projects is controlled and monitored regularly with ISO 9001 Quality Management System which demonstrates the Group's commitment to clients as well as its promise to service quality standard.

The Group strictly compiles with related laws and regulations in Hong Kong, including but not limited to the Trade Description Ordinance, the Sale of Goods Ordinance, the Personal Data (Privacy) Ordinance and the Supply of Services (Implied Terms) Ordinance of Hong Kong. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services provided that would have a significant impact on the Group.

*Quality Assurance (KPI B6.4)*
With Quality Management System established in accordance with the requirements of ISO 9001, the Group has developed a sustainable performance-oriented culture to pursue continuous improvement on quality rather than adopting a short-term and project-based approach. To pursue further improvement, the Group has developed customer satisfaction review for evaluating the performance of customer service. In event of anomalies in quality and safety aspects of the delivered service, the Group will immediately conduct investigation to find out the cause, and adopt appropriate measures to minimise its impacts.

*Protection of Customers' Information and Privacy (KPI B6.5)*
To protect customer personal data and confidential documents, the Group strictly complies with the Hong Kong Personal Data (Privacy) Ordinance. The IT system and server of the Group are properly protected by security system and only authorised persons with passwords can access such information.

During the Reporting Period, the Group did not receive any significant complaint regarding the breach of customer's privacy or loss of customer's information.

*Protection of Intellectual Property Rights (KPI B6.3)*
To protect the intellectual property rights, the Group complies with relevant industry standards and specifications and it will only purchase genuine products under its procurement policy.

*Advertising and Labelling*
The Group has formulated the sales and promotion campaigns to strengthen relationships with customers and to ensure the advertisement of its products are truthful, fair and reasonable, and free of misleading elements for protection of the customers' interests.

## B7. Anti-corruption

General Disclosure

The Group strives to achieve high standards of ethics in its business operations. It is committed to build up and cultivate a corporate culture with the highest integrity and business ethics. Employees must follow the Code of Conduct on daily operation. Fraudulent events such as corruption, bribery, and collusion are strictly prohibited. Employees should comply with the rules stated in the Employee Handbook in performing business activities, and they should report to the management if they suspect any professional misconduct.

The Group strictly complies with the relevant laws and regulations, including but not limited to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Prevention of Bribery Ordinance, the Personal Data (Privacy) Ordinance, and the Supply of Services (Implied Terms) Ordinance. During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

*Anti-corruption (KPI B7.2)*

The Group does not allow and tolerate any forms of corruption. The Group has adopted the Code of Conduct governing anti-corruption for business activities. Regulations are formulated such as:

- Directors and employees should avoid conflicts between personal interests and their professional functions;
- Employees shall declare any conflicts of interest to their corresponding managers; and
- Employees are strictly prohibited from using their powers to influence the Group's decisions and actions, or accessing the Group's assets and information for private or personal benefits.

*Whistle-blowing Mechanism (KPI B7.2)*

The Group adopts a whistle-blowing policy for all levels. Employees can raise concerns, in confidence, about possible improprieties such as misconduct and malpractice in any matter related to the Group. Reports and complaints received will be handled in a prompt and fair manner. All cases will be kept at so as to protect the whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions.

## B8. Community Investment

General Disclosure

Being a responsible corporation, the Group is committed to embolden and support the public by the means of community participation and contribution to nurture the corporate culture in the daily work life throughout the Group.

*Community Participation (KPI B8.1, KPI B8.2)*

The Group participates in various community activities, for example, donations, volunteering services, and sponsorships. Apart from active participation in community events to help the needy, the Group also regularly communicates with local charities to understand the community's needs. The Group believes it helps to connect with the local community, and maintain a mutually beneficial relationship to society as a whole.

Since 2013, the Group has been joining the Trainee Subsidy Scheme – "Student to Work Program" to assist the youths for developing strengths and talents. During the Reporting Period, the Group has cooperated with vocational training institutions and human resources consultancy agencies for provision of internship opportunities to students.

Besides, the Group donated HK$5,000 to Construction Industry Council for the Construction Industry Caring Campaign for Fight against Novel Coronavirus during the Reporting Period.

*Social Responsibility Education (KPI B8.1, KPI B8.2)*

The Group encourages employees to participate in charity events, volunteer works, and environmental protection activities in order to make contributions to its society. The Group believes that through personally participating in these activities that contribute to the community, its employees could build up positive value and be socially responsible citizen.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

**TO THE SHAREHOLDERS OF VISTAR HOLDINGS LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Vistar Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 62 to 127, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

### Revenue recognition of provision of Construction Works

Refer to Notes 4(h), 5(a) and 7 to the consolidated financial statements.

The Group is engaged in the provision of installation work, alteration and addition services of electrical and mechanical engineering systems in Hong Kong ("**Construction Works**"). The Group recognised revenue from the provision of Construction Works of approximately HK$299,150,000 for the year ended 31 March 2021.

## KEY AUDIT MATTERS *(Continued)*

### Revenue recognition of provision of Construction Works *(Continued)*

The Group's revenue from the provision of Construction Works was recognised over time using the input method. Management is therefore required to exercise significant judgement and estimates in their assessment of the completeness and accuracy of the total budgeted costs and the progress towards complete satisfaction of the performance obligation on individual contract. The contract revenue was estimated by management based on contract sum and work values from variation orders. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

### Our response:

Our procedures in relation to the revenue recognition of provision of construction works included:

(i) Evaluating the Group's estimation of revenue and profit recognised from the provision of Construction Works, on a sample basis, by:

- Comparing the contract sum and budgeted costs to respective signed contracts and approved budgets;
- Obtaining an understanding from management and project managers about how the approved budgets were prepared and the progress towards complete satisfaction of the performance obligation was determined with reference to the status of completion of each contract at the end of the reporting period;
- Assessing the reasonableness of key judgements inherent in the approved budgets;
- Checking the existence and valuation of variations to correspondences with customers;
- Checking the management's assessment on the Group's ability to deliver contracts within budgeted timescales by comparing the progress of the contracts against the terms stipulated in the contracts; and
- Testing the calculations of contract revenue based on the estimate of the progress of contract work.

(ii) Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; and

(iii) Assessing the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers.

### Impairment assessment on trade receivables and contract assets

Refer to Notes 4(g)(ii), 5(b), 18, 19(a) and 35(a) to the consolidated financial statements.

As at 31 March 2021, the Group's gross trade receivables and contract assets and their related impairment allowances amounted to HK$31,793,000, HK$131,077,000 and HK$3,443,000 respectively.

## KEY AUDIT MATTERS *(Continued)*

### Impairment assessment on trade receivables and contract assets *(Continued)*

The Group applied the HKFRS 9 simplified approach to measure lifetime expected credit losses ("**ECL**") of trade receivables and contract assets. Management estimated the ECL rates of trade receivables and contract assets by considering the market conditions, their knowledge about the customers (including their reputation, financial capability and payment history), and the current and forward-looking information on macroeconomic factors that relevant to determine the ability of customers to settle the receivables in the future. Management also considered the aging profile and the subsequent settlement of each customer. The Group determined the ECL rates of contract assets based on those rates applied to trade receivables as contract assets and trade receivables are from the same customer bases.

We identified impairment of trade receivables and contract assets as a key audit matter because of the management's judgements involved in the impairment assessment and the significance of the trade receivables and contract assets balances to the Group's consolidated financial statements.

### Our response:

Our procedures in relation to the impairment assessment on trade receivables and contract assets included:

(i) Understanding and evaluating, on a sample basis, the key controls in place over management's assessment on ECL and aging analysis review of the trade receivables;

(ii) Discussing with management to understand the ECL model and estimates used to assess the ECL rate. Evaluating management's estimated ECL by considering the reputation and financial capability of the customers against the publicly available information, and the cash collection performance against the historical payment records and also considered and evaluating the appropriateness of the impairment model adopted by management;

(iii) Evaluating whether management's assessment on the current and forward-looking macroeconomic factors that impact on the ability of customers to settle the receivables in the future was appropriate by considering the external market information;

(iv) Testing the accuracy of the aging categories of trade receivables prepared by management by checking to the related invoices on a sample basis; and

(v) Checking subsequent settlement of trade receivables to the relevant bank receipts and subsequent billings of contract assets on a sample basis.

## OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

**BDO Limited**
*Certified Public Accountants*
**Wendy W.Y. Fong**
Practising Certificate no. P06821

Hong Kong
8 June 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| Revenue | 7 | **305,158** | 235,027 |
| Cost of revenue | | **(249,418)** | (198,586) |
| Gross profit | | **55,740** | 36,441 |
| Other income and gains | 8 | **791** | 404 |
| Reversal of impairment losses of trade receivables and contract assets, net | | **2,194** | 1,253 |
| Administrative and other operating expenses | | **(25,342)** | (25,900) |
| Finance costs | 10 | **(358)** | (263) |
| **Profit before income tax** | 9 | **33,025** | 11,935 |
| Income tax | 11(a) | **(4,514)** | (2,340) |
| **Profit and total comprehensive income for the year** | | **28,511** | 9,595 |
| **Earnings per share – Basic and Diluted (HK cents)** | 12 | **2.38 cents** | 0.80 cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **8,865** | 6,273 |
| Intangible assets | 16 | **195** | 390 |
| Deferred tax assets | 11(b) | **521** | 961 |
| Total non-current assets | | **9,581** | 7,624 |
| **Current assets** | | | |
| Trade and other receivables | 18 | **35,279** | 33,571 |
| Contract assets | 19(a) | **130,523** | 108,959 |
| Financial assets at fair value through profit or loss | 17 | **4,538** | – |
| Pledged deposits | 20 | **5,115** | 7,524 |
| Pledged bank deposits | 21 | **4,117** | 4,477 |
| Cash and cash equivalents | | **49,395** | 26,885 |
| Total current assets | | **228,967** | 181,416 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | **77,820** | 65,805 |
| Contract liabilities | 19(b) | **1,044** | 503 |
| Lease liabilities | 23 | **2,686** | 2,035 |
| Bank borrowings, secured | 24 | **7,058** | 861 |
| Income tax payable | | **1,807** | 17 |
| Total current liabilities | | **90,415** | 69,221 |
| **Net current assets** | | **138,552** | 112,195 |
| **Total assets less current liabilities** | | **148,133** | 119,819 |
| **Non-current liabilities** | | | |
| Lease liabilities | 23 | **4,766** | 1,963 |
| **Net assets** | | **143,367** | 117,856 |
| **Capital and reserves** | | | |
| Share capital | 25 | **12,000** | 12,000 |
| Reserves | 28 | **131,367** | 105,856 |
| **Total equity** | | **143,367** | 117,856 |

On behalf of the board of directors

**Mr. Poon Ken Ching Keung**
*Executive Director*

**Mr. Ng Kwok Wai**
*Executive Director*

# *CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*

*For the year ended 31 March 2021*

| | Share capital (Note 25) HK$'000 | Share premium (Note 28(a)) HK$'000 | Other reserve (Note 28(b)) HK$'000 | Legal reserve (Note 28(c)) HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **At 1 April 2019** | 12,000 | 28,841 | 38,860 | 24 | 28,536 | 108,261 |
| Profit and total comprehensive income for the year | – | – | – | – | 9,595 | 9,595 |
| **At 31 March 2020 and 1 April 2020** | **12,000** | **28,841** | **38,860** | **24** | **38,131** | **117,856** |
| Profit and total comprehensive income for the year | **–** | **–** | **–** | **–** | **28,511** | **28,511** |
| Interim dividend paid (Note 13) | **–** | **(3,000)** | **–** | **–** | **–** | **(3,000)** |
| **At 31 March 2021** | **12,000** | **25,841** | **38,860** | **24** | **66,642** | **143,367** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2021*

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before income tax | **33,025** | 11,935 |
| Adjustments for: | | |
| Depreciation on property, plant and equipment (including right-of-use assets) | **3,752** | 2,350 |
| Amortisation of intangible assets | **195** | 195 |
| Loss on disposal of property, plant and equipment | **283** | – |
| Changes in fair value of financial assets at fair value through profit or loss | **(38)** | – |
| Interest income | **(96)** | (28) |
| Reversal of impairment losses of trade receivables and contract assets, net | **(2,194)** | (1,253) |
| Finance costs | **358** | 263 |
| Effect of lease modifications | **(125)** | – |
| Rent concessions related to COVID-19 | **(161)** | – |
| Operating profit before working capital changes | **34,999** | 13,462 |
| Decrease/(increase) in trade and other receivables | **314** | (8,516) |
| Increase in contract assets | **(21,392)** | (15,573) |
| Decrease/(increase) in pledged deposits | **2,409** | (2,185) |
| Decrease/(increase) in pledged bank deposits | **360** | (3,987) |
| Increase/(decrease) in trade and other payables | **12,015** | (12,280) |
| Increase/(decrease) in contract liabilities | **541** | (1,026) |
| Cash generated from/(used in) operating activities | **29,246** | (30,105) |
| Income tax paid | **(2,284)** | (2,235) |
| **Net cash generated from/(used in) operating activities** | **26,962** | (32,340) |
| **Investing activities** | | |
| Purchase of property, plant and equipment | **(214)** | (741) |
| Purchase of unlisted investment fund | **(4,500)** | – |
| Interest received | **96** | 28 |
| **Net cash used in investing activities** | **(4,618)** | (713) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2021*

| | Note | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Financing activities** | 33(b) | | |
| Proceeds from bank borrowings | | **7,210** | – |
| Repayment of bank borrowings | | **(1,013)** | (1,004) |
| Interest paid on bank borrowings | | **(58)** | (80) |
| Repayment of principal portion of the lease liabilities | | **(2,673)** | (1,075) |
| Interest paid on lease liabilities | | **(300)** | (183) |
| Interim dividend paid | | **(3,000)** | – |
| **Net cash generated from/(used in) financing activities** | | **166** | (2,342) |
| **Net increase/(decrease) in cash and cash equivalents** | | **22,510** | (35,395) |
| **Cash and cash equivalents at beginning of year** | | **26,885** | 62,280 |
| **Cash and cash equivalents at end of year** | | **49,395** | 26,885 |
| **Analysis of the balances of cash and cash equivalents** | | | |
| Bank balances and cash | | **49,395** | 26,885 |

## 1. GENERAL INFORMATION

Vistar Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 27 June 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 February 2018. The Company's registered office is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at Unit 2, 13/F, Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (the "**Group**") are engaged in the provision of installation work, alteration and addition services and maintenance services of electrical and mechanical engineering systems in Hong Kong. As at 31 March 2021, the particulars of the Company's subsidiaries are as follows:

| Name of subsidiary | Place and date of incorporation and type of legal entity | Place of operations | Issued and paid-up capital | Effective interest held by the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Directly | Indirectly | |
| Guardian Team Limited ("**GTL**") | Incorporated in the British Virgin Islands on 6 June 2017<br><br>Limited liability company | Hong Kong | 1 share of US$1 | 100% | – | Investment holding |
| Guardian Fire Engineers and Consultants, Limited ("**GFE**") | Incorporated in Hong Kong on 1 August 1972<br><br>Limited liability company | Hong Kong | HK$2,500,000 | – | 100% | Provision of installation work, alteration and addition services and maintenance services of electrical and mechanical engineering systems in Hong Kong |
| Guardian Engineering Limited ("**GEL**") | Incorporated in Hong Kong on 15 May 2000<br><br>Limited liability company | Hong Kong | HK$100,000 | – | 100% | Provision of installation work, alteration and addition services and maintenance services of electrical and mechanical engineering systems in Hong Kong |

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) Adoption of amended HKFRSs

The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKAS 39, HKFRS 7 and HKFRS 9 | Interest Rate Benchmark Reform |
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions (early adopted) |
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted) |

The Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period except for the amendments to HKFRS 16, COVID-19-Related Rent Concessions. Impact on the applications of amended HKFRS 16 are summarised below.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (early adopted)
HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

### (a) Adoption of amended HKFRSs *(Continued)*

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (early adopted) *(Continued)*

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The amendment extends the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

### (b) Amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[4] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[4] |
| Amendments to HKAS 16 | Proceeds before Intended Use[2] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[2] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[3] |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[1] |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2] |

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

4 Effective for annual period beginning on or after 1 January 2023

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

### (b) Amended HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period.

The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have impact on the consolidated financial statements.

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

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

### (b) Amended HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

### (b) Amended HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020, Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Details of the amendments are as follows:

- HKFRS 1, First-time Adoption of HKFRS, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. 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**").

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

### (c) Functional and presentation currency

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Business combination and basis of consolidation *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Property, plant and equipment (other than right-of-use assets)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

| | |
|---|---|
| Leasehold improvements | Over the shorter of lease terms or 3 years |
| Furniture and equipment | 4 to 5 years |
| Motor vehicles | 4 years |
| Machinery | 4 years |

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

The gain and loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

### (d) 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 that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and the amounts are deducted from the related expense.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Leases

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

*Right-of-use asset*

The right-of-use asset is initially recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated on a straight line basis over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

*Lease liability*

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate (the "**IBR**").

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed lease payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Leases *(Continued)*

The Group as a lessee *(Continued)*

*Lease liability (Continued)*

(iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent Concessions applies (see Note 2(a)), if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately and in a business combination

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

| | |
|---|---|
| Computer system | 4 years |

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Derecognition of intangible assets

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

(iv) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(m)).

### (g) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

*Equity instruments*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by investment basis. All the Group's other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("**ECLs**") on trade receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised cost, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status.

The Group considers a financial asset to be credit-impaired upon occurrence of the following:

- the debtor is in significant financial difficulty;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All the Group's financial liabilities are at amortised costs which are initially measured at fair value, net of directly attributable costs incurred.

*Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, lease liabilities and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

(i) provides all of the benefits received and consumed simultaneously by the customer;

(ii) creates or enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Revenue recognition *(Continued)*

Provision of construction works

The Group provides the construction works (installation work and alternation and addition services) based on contracts entered into with customers before commencement of the construction projects. Installation work involves supplying and carrying out fire prevention system installation work; while alteration and addition services involve provision of alternation and addition services on existing fire prevention system of customers. The construction work provides a distinct and significant integration contract work which are considered a single performance obligation with regard to the contracts. In addition, the performance obligation on the contracts is assessed to be satisfied over time as the Group provides the construction work on customers' sites which creates an asset that the customers control. As a result, revenue from these contracts is recognised over time during the course of performance of the construction work. Progress towards complete satisfaction of performance obligation on the contracts is measured using the input method that is established by reference to the costs incurred up to the reporting date as a proportion of the total estimated costs (except where this would not be representative of the stage of completion).

Contract costs incurred comprise cost of materials sourced from outside vendors, engineer cost and other costs of personnel directly engaged in the contracts and where applicable subcontracting cost and attributable overheads.

For warranty included in the construction contracts, the Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the construction work complies with the agreed-upon specifications.

If at any time the unavoidable costs of meeting contractual obligations are estimated to exceed the remaining amount of the economic benefits expected to be received under the contract, a provision is recognised in accordance with the policy set out in "Onerous contracts" below.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Provision of maintenance services

The Group provides maintenance services based on contracts entered with customers. Under the terms of the contracts, the customers simultaneously receive and consume the benefits as and when the Group provides these services. Accordingly, the Group recognises revenue from maintenance services over time on a straight line basis over the terms of the maintenance contracts.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. 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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Revenue recognition *(Continued)*

Contract assets and liabilities *(Continued)*

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.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

### (j) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures 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 liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

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 tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (j) Income taxes *(Continued)*

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

### (k) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

### (l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) Employee benefits *(Continued)*

(ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. For forfeited contributions that are not vest fully, if any, may be used to reduce the existing level of contributions.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

### (m) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment (including right-of-use assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the higher of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### (n) Borrowing costs

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

### (o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (p) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

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

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

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

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

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

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

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

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

(c) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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

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

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

### Key sources of estimation uncertainty

The key sources of estimation uncertainty that have significant risks of resulting in material adjustments to the carrying amounts of assets and liabilities within next financial year are as follows:

(a) Construction contracts

Progress towards complete satisfaction of performance obligation of construction contract is measured according to the input method of individual engineering contract, which is measured by reference to the estimated contract costs and gross profit of each contract. Contract assets or liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and contract assets or liabilities requires significant management judgement and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and direct labour, are supported by contract budget which was prepared by the management of the Group on the basis of estimated subcontracting charges, cost of materials and cost of direct labour based on quotations provided by subcontractors, suppliers or vendors as well as the experience of the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. For the purpose of updating the contract budget, the management may request for updated quotations from the subcontractors, suppliers or vendors. Recognition of variations and claims also requires estimation and judgement by the management.

Notwithstanding that the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts as the contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

(b) Impairment of trade receivables and contract assets

The impairment allowances for trade receivables and contract assets are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of each reporting period.

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

### Key sources of estimation uncertainty *(Continued)*

(c) Estimated IBR in the lease

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and condition of the lease. The Group estimates the IBR using observable inputs (such as market interest rate) when available and is required to make certain entity specific estimates (such as the subsidiary's stand-alone credit rating).

(d) Fair value measurement

The fair value measurement of the Group's financial assets at FVTPL utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs;
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detailed information in relation to the fair value measurement of these financial assets, please refer to Note 36.

## 6. SEGMENT REPORTING

The executive directors of the Company, who are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different services and requires different business strategies.

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

- Installation work – supply and carrying out installation work;

- Alteration and addition services – provision of alteration and addition services on existing system of customers; and

- Maintenance services – provision of repair and maintenance services.

The Group's chief operating decision-makers made decision according to the segment performance which is evaluated based on reportable segment profit or loss, without the allocation of other income and gains, reversal of impairment losses of trade receivables and contract assets, administrative and other operating expenses and finance costs.

Since total assets, liabilities and capital expenditures for each reportable segment are not regularly reviewed by the chief operating decision-makers, the directors are of the opinion that the disclosure of such information is not necessary.

Moreover, as the directors consider the Group's revenue (determined based on the location of customers) and results are all materially derived in Hong Kong and no material consolidated assets of the Group are located outside Hong Kong, geographical segment information is therefore not presented.

## 6. SEGMENT REPORTING *(Continued)*

### (a) Business segments

For the year ended 31 March 2021

| | Installation work HK$'000 | Alteration and addition services HK$'000 | Maintenance services HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| Revenue from external customers | **197,823** | **101,327** | **6,008** | **305,158** |
| Segment profit | **40,244** | **15,320** | **176** | **55,740** |
| Other income and gains | | | | **791** |
| Reversal of impairment losses of trade receivables and contract assets, net | | | | **2,194** |
| Staff costs | | | | **(10,797)** |
| Corporate expenses | | | | **(14,545)** |
| Finance costs | | | | **(358)** |
| Profit before income tax | | | | **33,025** |

For the year ended 31 March 2020

| | Installation work HK$'000 | Alteration and addition services HK$'000 | Maintenance services HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| Revenue from external customers | 116,079 | 112,987 | 5,961 | 235,027 |
| Segment profit | 17,239 | 18,988 | 214 | 36,441 |
| Other income and gains | | | | 404 |
| Reversal of impairment losses of trade receivables and contract assets, net | | | | 1,253 |
| Staff costs | | | | (13,332) |
| Corporate expenses | | | | (12,568) |
| Finance costs | | | | (263) |
| Profit before income tax | | | | 11,935 |

## 6. SEGMENT REPORTING *(Continued)*

### (b) Information about major customers

Revenue from major customers individually contributing 10% or more of the Group's total revenue is set out below:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Installation work: | | |
| Customer I | **33,175** | N/A[1] |
| Customer II | **46,702** | 39,752 |
| Alteration and addition services: | | |
| Customer III | **37,675** | 39,776 |

1 Revenue from the customer contributed less than 10% of the total revenue of the Group for the respective year.

## 7. REVENUE

Revenue mainly represents income from provision of installation work, alteration and addition services and maintenance services during the reporting period.

### (a) Disaggregation of the Group's revenue from contracts with customers

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Revenue from installation work | **197,823** | 116,079 |
| Revenue from alteration and addition services | **101,327** | 112,987 |
| Revenue from maintenance services | **6,008** | 5,961 |
| | **305,158** | 235,027 |

Installation work, alteration and addition services and maintenance services represent performance obligations that the Group satisfies over time for each respective contract.

## 7. REVENUE *(Continued)*

### (b) Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at end of the reporting period:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Provision of installation work | **274,416** | 303,391 |
| Provision of alteration and addition services | **6,070** | 16,667 |

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price amounting to HK$280,486,000 (2020: HK$320,058,000) allocated to the contracts under installation work and alteration and addition services as at 31 March 2021 will be recognised as revenue in the next 29 months (2020: 31 months).

The Group has applied the practical expedient under HKFRS 15 so that transaction price allocated to unsatisfied performance obligations under contracts for maintenance services is not disclosed as such contracts have an original expected duration of one year or less.

## 8. OTHER INCOME AND GAINS

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank interest income | **12** | 28 |
| Interest income from financial assets at fair value through profit or loss | **84** | – |
| Effect of lease modifications (Note 23(b)) | **125** | – |
| Rent concessions related to COVID-19 (Note 23(b)) | **161** | – |
| Changes in fair value of financial assets at fair value through profit or loss (Note 36) | **38** | – |
| Others | **371** | 376 |
| | **791** | 404 |

## 9. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting) the followings:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Auditor's remuneration: | | |
| – Current year | **830** | 800 |
| – Over provision for prior years | **–** | (50) |
| | **830** | 750 |
| Depreciation in respect of: | | |
| – Owned assets | **923** | 1,120 |
| – Right-of-use assets | **2,829** | 1,230 |
| | **3,752** | 2,350 |
| Amortisation of intangible assets | **195** | 195 |
| Employee benefit expenses (including directors' emoluments (Note 14)) | | |
| – Salaries, allowances and other benefits | **26,826** | 30,354 |
| – Contribution to defined contribution retirement plan | **1,421** | 1,153 |
| | **28,247** | 31,507 |
| Loss on disposal of property, plant and equipment | **283** | – |
| Interest on lease liabilities (Note 23(b)) | **300** | 183 |
| Short-term lease expenses (Note 23(b)) | **163** | 763 |
| Low-value assets lease expenses (Note 23(b)) | **–** | 9 |
| Government grants (note) | **(5,549)** | – |
| Net exchange (gain)/loss | **(1)** | 9 |

Note: The amount represented government grants of HK$5,549,000 (2020: Nil) obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program as at 31 March 2021. The grants are deducted from payroll expenses recorded in cost of revenue and administrative and other operating expenses respectively.

## 10. FINANCE COSTS

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Interest on bank borrowings (note) | **58** | 80 |
| Interest on lease liabilities (Note 23(b)) | **300** | 183 |
| | **358** | 263 |

Note: This analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with scheduled repayment dates set out in the loan agreements. For the years ended 31 March 2021 and 31 March 2020, all agreements of bank borrowings contain a repayment on demand clause.

## 11. INCOME TAX AND DEFERRED TAX

### (a) The amount of income tax in the consolidated statement of comprehensive income represents:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Current tax | | |
| – Hong Kong profits tax | **3,970** | 2,019 |
| – Under-provision for prior years | **104** | 134 |
| Deferred tax (note (b)) | **440** | 187 |
| | **4,514** | 2,340 |

Subsidiaries operating in Hong Kong are subject to Hong Kong profits tax. Under two-tiered profits tax rates regime, if the entity has one or more connected entity, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. Hong Kong profits tax of the nominated entity is calculated at 8.25% on assessable profits up to HK$2 million and 16.5% on any part of assessable profits over HK$2 million.

For those entities which do not qualify for two-tiered profits tax rates, a profits tax rate of 16.5% on assessable profit shall remain in calculating Hong Kong profits tax.

## 11. INCOME TAX AND DEFERRED TAX *(Continued)*

### (a) The amount of income tax in the consolidated statement of comprehensive income represents: *(Continued)*

The income tax for the reporting period can be reconciled to the profit before income tax in the consolidated statement of comprehensive income as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Profit before income tax | **33,025** | 11,935 |
| Tax thereon at Hong Kong profits rate of 16.5% (2020: 16.5%) | **5,449** | 1,969 |
| Tax effect of revenue not taxable for tax purposes | **(916)** | (95) |
| Tax effect of expenses not deductible for tax purposes | **62** | 537 |
| Income tax at concessionary rate | **(165)** | (165) |
| Under-provision for prior years | **104** | 134 |
| Tax relief | **(20)** | (40) |
| Income tax | **4,514** | 2,340 |

### (b) Details of the deferred tax assets/(liabilities) recognised and movements during the reporting period are as follows:

| | Depreciation allowances<br>HK$'000 | Provision for impairment of trade receivables and contract assets<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| As at 1 April 2019 | (185) | 1,333 | 1,148 |
| Credited/(charged) to profit or loss | 4 | (191) | (187) |
| As at 31 March 2020 and 1 April 2020 | **(181)** | **1,142** | **961** |
| Credited/(charged) to profit or loss | **43** | **(483)** | **(440)** |
| **As at 31 March 2021** | **(138)** | **659** | **521** |

## 12. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data.

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Earnings** | | |
| Profit for the year | **28,511** | 9,595 |

| | 2021<br>Number'000 | 2020<br>Number'000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares | **1,200,000** | 1,200,000 |

Weighted average of 1,200,000,000 shares for the years ended 31 March 2021 and 31 March 2020 represents the number of shares in issue throughout the year.

Diluted earnings per share was the same as the basic earnings per share as the Group had no potential dilutive ordinary shares during the years ended 31 March 2021 and 31 March 2020.

## 13. DIVIDENDS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Interim dividend of HK cents 0.25 (2020: Nil) per share | **3,000** | – |

An interim dividend of HK cents 0.25 per ordinary share was declared and approved on 8 February 2021 and paid on 11 March 2021. The directors recommend the payment of a final dividend of HK cents 0.60 per share for the reporting period (2020: Nil). The proposed final dividend for the year ended 31 March 2021 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 14. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The emoluments of each of the directors for the reporting period are set out below:

| | Fees HK$'000 | Salaries, allowances and other benefits HK$'000 | Discretionary bonuses HK$'000 | Contribution to pension scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2021** | | | | | |
| ***Executive directors*** | | | | | |
| Mr. Poon Ken Ching Keung | 50 | 1,090 | – | 18 | 1,158 |
| Mr. Ng Kwok Wai | 50 | 782 | – | 18 | 850 |
| Ms. Lee To Yin (note (i)) | 832 | – | – | 18 | 850 |
| Total | 932 | 1,872 | – | 54 | 2,858 |
| ***Non-executive director*** | | | | | |
| Ms. Poon Kam Yee Odilia | 50 | 70 | – | 6 | 126 |
| ***Independent non-executive directors*** | | | | | |
| Mr. Yung Chung Hing | 120 | – | – | – | 120 |
| Mr. Lam Chung Wai | 120 | – | – | – | 120 |
| Mr. Chan Shu Yan (note (ii)) | 120 | – | – | – | 120 |
| Total | 360 | – | – | – | 360 |

## 14. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

### (a) Directors' emoluments *(Continued)*

| | Fees HK$'000 | Salaries, allowances and other benefits HK$'000 | Discretionary bonuses HK$'000 | Contribution to pension scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2020** | | | | | |
| ***Executive directors*** | | | | | |
| Mr. Poon Ken Ching Keung | 50 | 1,134 | – | 18 | 1,202 |
| Mr. Poon Ching Tong Tommy (note (i)) | 29 | 585 | – | 16 | 630 |
| Mr. Ng Kwok Wai | 50 | 828 | – | 18 | 896 |
| Ms. Lee To Yin (note (i)) | 366 | 2 | – | 8 | 376 |
| Total | 495 | 2,549 | – | 60 | 3,104 |
| ***Non-executive director*** | | | | | |
| Ms. Poon Kam Yee Odilia | 50 | 120 | – | 6 | 176 |
| ***Independent non-executive directors*** | | | | | |
| Dr. Wong Kam Din (note (ii)) | 22 | – | – | – | 22 |
| Mr. Yung Chung Hing | 120 | – | – | – | 120 |
| Mr. Lam Chung Wai | 120 | – | – | – | 120 |
| Mr. Chan Shu Yan (note (ii)) | 70 | – | – | – | 70 |
| Total | 332 | – | – | – | 332 |

Notes:

(i) Mr. Poon Ching Tong Tommy retired from office as executive director of the Company and Ms. Lee To Yin was appointed as executive director of the Company on 31 October 2019.

(ii) Dr. Wong Kam Din, one of the independent non-executive director, deceased on 6 June 2019 and Mr. Chan Shu Yan was appointed to fill up the vacancy on 2 September 2019.

During the years ended 31 March 2021 and 31 March 2020, 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. In addition, none of the directors waived or agreed to waive any emoluments during the years.

## 14. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 3 (2020: 4) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining highest paid non-director individuals are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries, allowances and other benefits | **1,829** | 748 |
| Contribution to pension scheme | **36** | 18 |
| | **1,865** | 766 |

Remuneration of these individuals was within the following band:

| | **2021 Number of individuals** | 2020 Number of individuals |
|---|---|---|
| HK$Nil – HK$1,000,000 | **2** | 1 |

### (c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following band:

| | **2021 Number of individuals** | 2020 Number of individuals |
|---|---|---|
| HK$Nil – HK$1,000,000 | **4** | 3 |

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets HK$'000 | Leasehold improvements HK$'000 | Furniture and equipment HK$'000 | Motor vehicles HK$'000 | Machinery HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 31 March 2019 as originally presented | – | 915 | 2,732 | 2,845 | 266 | 6,758 |
| Impact on adoption of HKFRS 16 | 2,500 | – | – | (310) | – | 2,190 |
| At 1 April 2019 | 2,500 | 915 | 2,732 | 2,535 | 266 | 8,948 |
| Additions | 2,640 | 86 | 122 | – | 533 | 3,381 |
| At 31 March 2020 and 1 April 2020 | **5,140** | **1,001** | **2,854** | **2,535** | **799** | **12,329** |
| Additions | **7,707** | **134** | **–** | **–** | **80** | **7,921** |
| Disposals | **–** | **(601)** | **–** | **–** | **–** | **(601)** |
| Effect of lease modifications | **(2,281)** | **–** | **–** | **–** | **–** | **(2,281)** |
| At 31 March 2021 | **10,566** | **534** | **2,854** | **2,535** | **879** | **17,368** |
| **Accumulated depreciation** | | | | | | |
| At 31 March 2019 as originally presented | – | 295 | 1,945 | 1,311 | 155 | 3,706 |
| Impact on adoption of HKFRS 16 | 65 | – | – | (65) | – | – |
| At 1 April 2019 | 65 | 295 | 1,945 | 1,246 | 155 | 3,706 |
| Charge for the year | 1,230 | 278 | 271 | 437 | 134 | 2,350 |
| At 31 March 2020 and 1 April 2020 | **1,295** | **573** | **2,216** | **1,683** | **289** | **6,056** |
| Charge for the year | **2,829** | **138** | **289** | **314** | **182** | **3,752** |
| Disposals | **–** | **(318)** | **–** | **–** | **–** | **(318)** |
| Effect of lease modifications | **(987)** | **–** | **–** | **–** | **–** | **(987)** |
| At 31 March 2021 | **3,137** | **393** | **2,505** | **1,997** | **471** | **8,503** |
| **Net carrying value** | | | | | | |
| At 31 March 2021 | **7,429** | **141** | **349** | **538** | **408** | **8,865** |
| At 31 March 2020 | 3,845 | 428 | 638 | 852 | 510 | 6,273 |

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### Right-of-use assets

| | Properties leased for own use HK$'000 | Motor vehicle HK$'000 | Office equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2019 | 2,190 | 245 | – | 2,435 |
| Additions | 1,940 | – | 700 | 2,640 |
| Depreciation | (1,003) | (77) | (150) | (1,230) |
| At 31 March 2020 and 1 April 2020 | **3,127** | **168** | **550** | **3,845** |
| Additions | **7,112** | **–** | **595** | **7,707** |
| Depreciation | **(2,602)** | **(77)** | **(150)** | **(2,829)** |
| Effect of lease modifications | **(916)** | **–** | **(378)** | **(1,294)** |
| **At 31 March 2021** | **6,721** | **91** | **617** | **7,429** |

## 16. INTANGIBLE ASSETS

| | Computer system HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2019, 31 March 2020 and 2021 | **780** |
| **Accumulated amortisation** | |
| At 1 April 2019 | 195 |
| Amortisation charge for the year | 195 |
| At 31 March 2020 and 1 April 2020 | **390** |
| Amortisation charge for the year | **195** |
| At 31 March 2021 | **585** |
| **Carrying Amount** | |
| At 31 March 2021 | **195** |
| At 31 March 2020 | 390 |

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Financial assets measured at FVTPL** | | |
| – Unlisted investment fund | **4,538** | – |

The Group's investment in the above unlisted investment fund was mandatorily classified as financial assets at FVTPL as its contractual cash flows are not solely payments of principal and interest. Unlisted investment fund is stated at fair value based on the net asset value of the respective fund obtained from the relevant fund administrator. When the net asset value of an investment fund is not executable, the Group reviews the valuations of the underlying investments to assess the appropriateness of the net asset value as provided by the relevant fund administrator.

Details of the fair value hierarchy of the financial assets at FVTPL are set out in Note 36 to these financial statements.

## 18. TRADE AND OTHER RECEIVABLES

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Trade receivables | **31,793** | 37,213 |
| Less: Provision for impairment (note (b)) | **(2,889)** | (6,238) |
| Trade receivables, net (note (a)) | **28,904** | 30,975 |
| Deposits, prepayments and other receivables | **6,375** | 2,596 |
| | **35,279** | 33,571 |

Notes:

(a) The credit period granted to customers is normally 14 days. The ageing analysis of trade receivables, net of impairment, and based on invoice date as at the end of each reporting period is as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Within 30 days | **16,906** | 14,873 |
| 31 – 60 days | **6,334** | 4,135 |
| 61 – 90 days | **1,381** | 3,108 |
| 91 – 180 days | **2,521** | 7,005 |
| 181 – 365 days | **1,667** | 1,171 |
| Over 365 days | **95** | 683 |
| | **28,904** | 30,975 |

(b) The Group recognised impairment of the trade receivables for the years ended 31 March 2021 and 31 March 2020 based on the accounting policies stated in Note 4(g)(ii). Further details are set out in Note 35(a).

## 19. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| **Contract assets** | | |
| Arising from performance under installation work and alteration and addition services | **107,367** | 90,929 |
| Retention receivables (note (i)) | **23,710** | 18,756 |
| | **131,077** | 109,685 |
| Less: Provision for impairment (note (ii)) | **(554)** | (726) |
| Contract assets, net | **130,523** | 108,959 |

Notes:

(i) Invoices on revenue from installation work and alteration and addition services are issued according to the payment certificates approved by customers once certain milestones are reached. If the Group recognises the related revenue before it being unconditionally entitled to the consideration (i.e. when invoices are issued), the entitlement to consideration is classified as contract asset. Similarly, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Retention monies are retained by customers based on progress of projects. Generally 50% of the retention receivables will be released upon issuance of certificate of practical completion of the installation work and the remaining 50% of the balances will be released upon expiry of defect liability period as specified in the engineering contracts, which is usually 12 months.

The expected timing of recovery or settlement for contract assets as at each reporting period are as follows:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Within one year | **112,449** | 101,708 |
| More than one year and less than two years | **13,150** | 3,243 |
| More than two years and less than three years | **4,924** | 4,008 |
| Total contract assets | **130,523** | 108,959 |

(ii) The Group recognised impairment of contract assets for the years ended 31 March 2021 and 31 March 2020 based on the accounting policies stated in Note 4(g)(ii). Further details are set out in Note 35(a).

## 19. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

### (b) Contract liabilities

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Contract liabilities** | | |
| Billings in advance of performance under installation work and alteration and addition services | **1,044** | 503 |

Typical payment terms which impact on the amount of contract liabilities are set in Note 19(a) above.

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Movements in contract liabilities** | | |
| Balance at the beginning of the year | **503** | 1,529 |
| Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year | **(481)** | (1,253) |
| Increase as a result of billing in advance of installation work and alteration and addition services | **1,022** | 227 |
| Balance at the end of the year | **1,044** | 503 |

## 20. PLEDGED DEPOSITS

Pledged deposits are placed with financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts. The Group has unconditionally and irrevocably agreed to indemnify the financial institutions for claims and losses the financial institutions may incur in respect of the surety bonds.

## 21. PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged to secure facilities of the Group granted by financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts (Note 31).

## 22. TRADE AND OTHER PAYABLES

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Trade payables (note (a)) | **65,512** | 52,437 |
| Retention payables (note (b)) | **7,724** | 8,454 |
| Other payables, accruals and deposits received | **4,584** | 4,914 |
| | **77,820** | 65,805 |

Notes:

(a) The credit period granted by suppliers and contractors is normally 30 to 90 days.

The ageing analysis of trade payables, based on invoice date as at the end of each reporting period is as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Within 30 days | **40,967** | 31,829 |
| 31 – 60 days | **11,276** | 7,891 |
| 61 – 90 days | **3,101** | 1,756 |
| Over 90 days | **10,168** | 10,961 |
| | **65,512** | 52,437 |

(b) Retention monies are retained by the Group when the relevant projects are completed. The retention payables will be released upon expiry of defect liability period as specified in the subcontracting agreements, which is usually 12 months.

## 23. LEASE LIABILITIES

### Nature of leasing activities

The Group leases a number of properties in Hong Kong and the periodic rent is fixed over the lease term. The Group also leases certain items of office equipment and motor vehicles. Leases of office equipment and motor vehicles comprise only fixed payments over the lease terms.

### (a) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| At 1 April | **3,998** | 2,433 |
| New leases | **7,707** | 2,640 |
| Interest recognised during the year | **300** | 183 |
| Lease payments | **(2,973)** | (1,258) |
| Effect of lease modifications | **(1,419)** | – |
| Rent concessions related to COVID-19 | **(161)** | – |
| At 31 March | **7,452** | 3,998 |

Future lease payments are due as follows:

| | **Minimum lease payments 31 March 2021 HK$'000** | **Interest 31 March 2021 HK$'000** | **Present value 31 March 2021 HK$'000** |
|---|---|---|---|
| Not later than one year | **2,940** | **254** | **2,686** |
| Later than one year and not later than two years | **2,064** | **159** | **1,905** |
| Later than two years and not later than five years | **2,965** | **104** | **2,861** |
| | **7,969** | **517** | **7,452** |

## 23. LEASE LIABILITIES *(Continued)*

### (a) Lease liabilities *(Continued)*

Future lease payments are due as follows: (Continued)

| | Minimum lease payments 31 March 2020 HK$'000 | Interest 31 March 2020 HK$'000 | Present value 31 March 2020 HK$'000 |
|---|---|---|---|
| Not later than one year | 2,199 | 164 | 2,035 |
| Later than one year and not later than two years | 1,748 | 63 | 1,685 |
| Later than two years and not later than five years | 295 | 17 | 278 |
| | 4,242 | 244 | 3,998 |

Note: The maturity analysis of lease liabilities is disclosed in Note 35(c) to the consolidated financial statements.

The present value of future lease payments are analysed as:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Current liabilities | **2,686** | 2,035 |
| Non-current liabilities | **4,766** | 1,963 |
| | **7,452** | 3,998 |

(b) The amounts recognised in profit or loss in relation to leases are as follows:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Interest on lease liabilities (Note 9 and Note 10) | **300** | 183 |
| Depreciation charge of right-of-use assets (Note 15) | **2,829** | 1,230 |
| Effect of lease modifications (Note 8) | **(125)** | – |
| Rent concessions related to COVID-19 (Note 8) | **(161)** | – |
| Short-term lease expenses (Note 9) | **163** | 763 |
| Low value lease expenses (Note 9) | **–** | 9 |

## 24. BANK BORROWINGS, SECURED

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Current liabilities** | | |
| *Secured and interest-bearing bank borrowings* | | |
| Bank loans subject to repayment on demand clause | | |
| – Bank loans due for repayment within one year | **3,138** | 861 |
| – Bank loans due for repayment after one year (note (b)) | **3,920** | – |
| | **7,058** | 861 |

Notes:

(a) Bank loans are interest-bearing at floating rate. The interest rates of the Group's bank loans as at 31 March 2021 granted under banking facilities are ranged from 2.1% to 4.0% (2020: 3.0%) per annum.

(b) The current liabilities as at 31 March 2021 include such bank loans that are not scheduled to repay within one year after the end of the reporting period. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

(c) The Group's bank facilities are secured by corporate guarantee of the Company.

The Group's bank borrowings were scheduled to repay as of the end of the reporting period as follows:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| On demand or within one year | **3,138** | 861 |
| More than one year, but not exceeding two years | **967** | – |
| More than two years but less than five years | **2,953** | – |
| | **7,058** | 861 |

The amounts due are based on the scheduled repayment dates in the loan agreements and no effect of any repayment on demand clause is taken into account.

## 25. SHARE CAPITAL

| | Number '000 | Amount HK$'000 |
|---|---|---|
| **Authorised:** | | |
| *Ordinary shares of HK$0.01 each* | | |
| At 1 April 2019, 31 March 2020 and 31 March 2021 | 3,800,000 | 38,000 |

| | Number '000 | Amount HK$'000 |
|---|---|---|
| **Ordinary shares, issued and fully paid:** | | |
| *Ordinary shares of HK$0.01 each* | | |
| At 1 April 2019, 31 March 2020 and 31 March 2021 | 1,200,000 | 12,000 |

## 26. SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was approved and adopted by the Company on 24 January 2018.

The Scheme is effective for a period of 10 years commencing on the Listing Date of the Company. Under the Scheme, the board of directors may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

The period as the board of directors may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Scheme, a period of 10 years from the date of the grant of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

## 27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Non-current asset** | | | |
| Interest in a subsidiary | | – | – |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | 17 | 4,538 | – |
| Amount due from a subsidiary | | 43,850 | 57,196 |
| Prepayments | | 5,211 | 242 |
| Cash and cash equivalents | | 676 | 2,008 |
| Total current assets | | 54,275 | 59,446 |
| **Current liability** | | | |
| Accruals | | 299 | 937 |
| **Net assets** | | 53,976 | 58,509 |
| **Capital and reserves** | | | |
| Share capital | 25 | 12,000 | 12,000 |
| Reserves | 28 | 41,976 | 46,509 |
| **Total equity** | | 53,976 | 58,509 |

On behalf of the board of directors

**Mr. Poon Ken Ching Keung**
*Executive Director*

**Mr. Ng Kwok Wai**
*Executive Director*

## 28. RESERVES

Details of the movements in the Group's reserves are as set out in the consolidated statement of changes in equity in these consolidated financial statements. The natures and purposes of reserves within equity are as follows:

(a) Share premium account of the Company represents the excess of the proceeds received over the par value of the Company's shares issued.

(b) Other reserve account represents the difference between the consideration of the GFE acquisition and the par value of the shares of the Company issued in exchange thereof pursuant to a reorganisation underwent in 2017.

(c) In accordance with the provisions of the Macau Commercial Code, the Group is required to transfer a minimum of 25% of the annual net profit arising from its branch in Macau to legal reserve on the appropriation of profits to dividends until the reserve equals half of the Group's capital injection in the branch.

Details of the movements on the Company's reserves are as follows:

| | **Share premium** HK$'000 | **Other reserve** HK$'000 | **Accumulated losses** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|
| At 1 April 2019 | 28,841 | 38,860 | (19,259) | 48,442 |
| Loss for the year | – | – | (1,933) | (1,933) |
| At 31 March 2020 and 1 April 2020 | **28,841** | **38,860** | **(21,192)** | **46,509** |
| Loss for the year | **–** | **–** | **(1,533)** | **(1,533)** |
| Interim dividend paid | **(3,000)** | **–** | **–** | **(3,000)** |
| At 31 March 2021 | **25,841** | **38,860** | **(22,725)** | **41,976** |

## 29. PARTICULARS OF SUBSIDIARIES

Please refer to the Note 1 for the details of the Company's subsidiaries as at 31 March 2021.

## 30. RELATED PARTY TRANSACTIONS

(a) Save for those disclosed elsewhere in these consolidated financial statements, the Group has the following significant transaction with a related party:

| Related party identity and relationship | Type of transaction | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Vistar Alliance Limited ("**Vistar Alliance**"), a related company | Lease payments (note) | **576** | 526 |

Note:

Vistar Alliance is owned by Mr. Poon Ken Ching Keung and Mr. Poon Ching Tong Tommy. GFE and Vistar Alliance entered into a lease agreement dated 22 January 2018 and renewed on 20 February 2020, pursuant to which Vistar Alliance agreed to lease the leasehold land and buildings to GFE for a term of not more than two years from the date of the lease agreement at a monthly rental of HK$48,000 (2020: HK$43,800).

The terms of the above transaction was based on those agreed between the Group and the related company and the director.

(b) **Compensation of key management personnel**

Remuneration of key management personnel, who are directors of the Company, during the reporting period were disclosed in Note 14.

## 31. GUARANTEES

The Group provided guarantees in respect of the surety bonds issued in favour of the customers of certain engineering contracts. Details of these guarantees as of the end of the reporting period are as follows:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Aggregate value of the surety bonds issued in favour of customers | **30,056** | 35,238 |

The directors are of the opinion that it is not probable that the financial institutions would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made as at the end of reporting period.

As at the end of the reporting period or during the reporting period, unless stated otherwise, the Group's bonding lines granted by the financial institutions are secured by:

(i) the Group's deposits in financial institutions (Notes 20 and 21); and

(ii) corporate guarantees of group companies and the Company.

## 32. CAPITAL COMMITMENTS

As at 31 March 2021 and 31 March 2020, the Group did not have any significant capital commitments.

## 33. NOTES SUPPORTING CASH FLOWS STATEMENT

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$7,707,000 (2020: HK$2,640,000) and HK$7,707,000 (2020: HK$2,640,000) respectively in respect of leasing arrangements for properties and office equipment.

### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. 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 from financing activities.

| | Obligations under finance leases HK$'000 | Interest payable on bank borrowings, secured HK$'000 | Bank borrowings, secured HK$'000 | Lease liabilities HK$'000 |
|---|---|---|---|---|
| **At 31 March 2019 as originally presented** | 243 | – | 1,865 | – |
| Impact on adoption of HKFRS 16 | (243) | – | – | 2,433 |
| **Restated balance at 1 April 2019** | – | – | 1,865 | 2,433 |
| **Changes from financing cash flows:** | | | | |
| Proceeds from bank borrowings | – | – | – | – |
| Repayment of bank borrowings | – | – | (1,004) | – |
| Interest paid | – | (80) | – | (183) |
| Repayment of principal portion of the lease liabilities | – | – | – | (1,075) |
| Total changes from financing cash flows | – | (80) | (1,004) | (1,258) |
| **Other changes:** | | | | |
| Additions to new leases | – | – | – | 2,640 |
| Finance costs | – | 80 | – | 183 |
| Total other changes | – | 80 | – | 2,823 |
| **At 31 March 2020** | – | – | 861 | 3,998 |

## 33. NOTES SUPPORTING CASH FLOWS STATEMENT *(Continued)*

### (b) Reconciliation of liabilities arising from financing activities *(Continued)*

| | Obligations under finance leases HK$'000 | Interest payable on bank borrowings, secured HK$'000 | Bank borrowings, secured HK$'000 | Lease liabilities HK$'000 |
|---|---|---|---|---|
| **At 1 April 2020** | – | – | 861 | 3,998 |
| **Changes from financing cash flows:** | | | | |
| Proceeds from bank borrowings | – | – | 7,210 | – |
| Repayment of bank borrowings | – | – | (1,013) | – |
| Interest paid | – | (58) | – | (300) |
| Repayment of principal portion of the lease liabilities | – | – | – | (2,673) |
| Total changes from financing cash flows | – | (58) | 6,197 | (2,973) |
| **Other changes:** | | | | |
| Additions to new leases | – | – | – | 7,707 |
| Finance costs | – | 58 | – | 300 |
| Effect of lease modifications | – | – | – | (1,419) |
| Rent concessions related to COVID-19 | – | – | – | (161) |
| Total other changes | – | 58 | – | 6,427 |
| **At 31 March 2021** | – | – | 7,058 | 7,452 |

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| **Financial assets at FVTPL** | | |
| – Unlisted investment fund | **4,538** | – |
| ***Financial assets at amortised cost*** | | |
| – Trade and other receivables | **29,745** | 31,327 |
| – Pledged deposits | **5,115** | 7,524 |
| – Pledged bank deposits | **4,117** | 4,477 |
| – Cash and cash equivalents | **49,395** | 26,885 |
| **Financial liabilities** | | |
| ***Financial liabilities at amortised cost*** | | |
| – Trade and other payables | **77,820** | 65,805 |
| – Bank borrowings, secured | **7,058** | 861 |
| ***Lease liabilities*** | **7,452** | 3,998 |

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, interest rate risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

### (a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, contract assets, pledged deposits, pledged bank deposits and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

The Group does not obtain collateral from the counterparties. At the end of the reporting period, the Group has a certain concentration of credit risk as 59% (2020: 58%) of the total trade receivables was due from the Group's five largest customers.

Trade receivables and contract assets

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECLs. To measure the ECLs, the trade receivables and contracts assets have been grouped based on shared credit risk characteristics (i.e. usually by locations) and the days past due. The ECLs on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporated forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

### (a) Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

At the end of each reporting period, the provision made against the gross amount of trade receivables and contract assets is as follows:

| **31 March 2021** | **ECL rate %** | **Gross carrying amount HK$'000** | **Loss allowance HK$'000** |
|---|---|---|---|
| **Collective assessment** | | | |
| Current (not past due) | **0.5** | **148,100** | **673** |
| 0 – 60 days past due | **0.6** | **6,418** | **39** |
| 61 – 90 days past due | **0.7** | **1,750** | **12** |
| 91 – 180 days past due | **0.7** | **2,411** | **16** |
| 181 – 365 days past due | **0.8** | **1,500** | **12** |
| | | **160,179** | **752** |
| Individual assessment | | **2,691** | **2,691** |
| | | **162,870** | **3,443** |

| **31 March 2020** | ECL rate % | Gross carrying amount HK$'000 | Loss allowance HK$'000 |
|---|---|---|---|
| **Collective assessment** | | | |
| Current (not past due) | 0.7 | 117,597 | 870 |
| 0 – 60 days past due | 2.0 | 12,537 | 250 |
| 61 – 90 days past due | 1.9 | 4,311 | 82 |
| 91 – 180 days past due | 1.8 | 4,889 | 89 |
| 181 – 365 days past due | 1.8 | 1,927 | 36 |
| | | 141,261 | 1,327 |
| Individual assessment | | 5,637 | 5,637 |
| | | 146,898 | 6,964 |

ECLs are based on actual loss experience over the past 3 (2020: 3) years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

### (a) Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

The movements in the allowances for impairment of trade receivables and contract assets are as follows:

| | Trade receivables HK$'000 | Contract assets HK$'000 | Total HK$'000 |
|---|---|---|---|
| Balance as at 1 April 2019 | 2,567 | 5,650 | 8,217 |
| Net impairment losses/(reversal of impairment losses) during the year | 3,671 | (4,924) | (1,253) |
| Balance as at 31 March 2020 and 1 April 2020 | **6,238** | **726** | **6,964** |
| Net reversal of impairment losses during the year | **(2,022)** | **(172)** | **(2,194)** |
| Amounts written off during the year | **(1,327)** | **–** | **(1,327)** |
| Balance as at 31 March 2021 | **2,889** | **554** | **3,443** |

Other receivables

ECLs model for other receivables is summarised below:

Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECLs are measured on a 12-month basis.

– If a significant increase in credit risk (as define below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECLs are measured on lifetime basis.

– If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The ECLs are measured on lifetime basis.

– At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial instrument subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting period to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

### (a) Credit risk *(Continued)*

Other receivables *(Continued)*

As at 31 March 2021 and 31 March 2020, no provision was made against the gross amount of other receivables because the Group considered the impact of the impairment of other receivables to be insignificant based on past credit history and the nature of the other receivables.

In respect of bank balances, pledged deposits and pledged bank deposits, the credit risk is limited because majority of the deposits are placed with reputable financial institutions.

The Group provides guarantees in respect of the surety bonds issued in favour of several customers. As at 31 March 2021 and 31 March 2020, the maximum exposure to credit risk of guarantees issued by the Group represented the maximum amount the Group could be required to pay if the guarantees were called on, which are disclosed in Note 30. Management considers that it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in managing the Group's exposure.

### (b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank borrowings. Borrowings arranged at variable rates exposes the Group to cash flow interest rate risk.

All of the Group's bank borrowings at the end of the reporting period bear interest at floating rates. Details of bank borrowings are disclosed in Note 24.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

### (b) Interest rate risk *(Continued)*

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating-rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

| | Increase/(decrease) in profit and retained earnings | |
|---|---|---|
| | **2021** | 2020 |
| | **HK$'000** | HK$'000 |
| **Changes in interest rate** | | |
| +1% | **(59)** | (7) |
| -1% | **59** | 7 |

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowings period of the bank borrowing outstanding at the end of the reporting period resembles that of the corresponding financial years or periods. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

### (c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, borrowings and lease liabilities, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group for years and is considered to be effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loan with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loan which contains repayment on demand clause which can be exercised at bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender was to invoke its unconditional rights to call the loan with immediate effect.

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

### (c) Liquidity risk *(Continued)*

| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 |
|---|---|---|---|---|---|
| **At 31 March 2021** | | | | | |
| Trade and other payables | **77,820** | **77,820** | **77,820** | **–** | **–** |
| Lease liabilities | **7,452** | **7,969** | **2,940** | **2,064** | **2,965** |
| Bank loans subject to repayment on demand clause | **7,058** | **7,058** | **7,058** | **–** | **–** |
| | **92,330** | **92,847** | **87,818** | **2,064** | **2,965** |

| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 |
|---|---|---|---|---|---|
| At 31 March 2020 | | | | | |
| Trade and other payables | 65,805 | 65,805 | 65,805 | – | – |
| Lease liabilities | 3,998 | 4,242 | 2,199 | 1,748 | 295 |
| Bank loan subject to repayment on demand clause | 861 | 861 | 861 | – | – |
| | 70,664 | 70,908 | 68,865 | 1,748 | 295 |

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

### (c) Liquidity risk *(Continued)*

The following tables summarise the maturity analysis of the Group's bank loans with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time banding in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

| | Carrying amount<br>HK$'000 | Total contractual undiscounted cash flows<br>HK$'000 | Within 1 year or on demand<br>HK$'000 | More than 1 year but less than 2 years<br>HK$'000 | More than 2 years but less than 5 years<br>HK$'000 |
|---|---|---|---|---|---|
| **Bank loans subject to repayment on demand clause** | | | | | |
| As at 31 March 2021 | **7,058** | **7,058** | **3,138** | **967** | **2,953** |
| As at 31 March 2020 | 861 | 861 | 861 | – | – |

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

### (d) Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debts to equity. Total debts include bank borrowings and obligations under finance leases. Equity represents total equity of the Group.

The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debts.

The gearing ratios as at the end of the reporting period were as follows:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Bank borrowings, secured | **7,058** | 861 |
| Lease liabilities | **7,452** | 3,998 |
| Total debts | **14,510** | 4,859 |
| Total equity | **143,367** | 117,856 |
| Gearing ratio | **10.1%** | 4.1% |

## 36. FAIR VALUE MEASUREMENTS

Fair values of the Group's financial assets and liabilities at amortised cost are not materially different from their carrying amounts as explained in Note 33.

### Financial instruments measured at fair value

Fair value hierarchy

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

- Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3: Fair value measured using significant unobservable inputs (i.e. not derived from market data).

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

| | **2021**<br>**HK$'000** |
|---|---|
| Balance as at 1 April | **–** |
| Additions | **4,500** |
| Changes in fair value recognised in profit or loss (Note 8) | **38** |
| Balance as at 31 March | **4,538** |

The following table presents the Group's assets that are measured at fair value:

| | **Level 1**<br>**HK$'000** | **Level 2**<br>**HK$'000** | **Level 3**<br>**HK$'000** | **Total**<br>**HK$'000** |
|---|---|---|---|---|
| **As at 31 March 2021** | | | | |
| **Financial assets at FVTPL (Current)** | | | | |
| – Unlisted investment fund | **–** | **–** | **4,538** | **4,538** |

The Group reviews the valuations of the underlying investments held by the investment fund by assessing the appropriateness of the net asset values as provided by the relevant fund administrator, and may make adjustments as they consider appropriate.

## 36. FAIR VALUE MEASUREMENTS *(Continued)*

The Group considers that the change in the input to the valuation models disclosed above would not have a significant effect on the consolidated financial statements. No quantitative analysis has been presented.

As at 31 March 2021, the investment fund was stated with reference to the net asset value provided by the relevant administrator.

A 1% increase/decrease in the fair value of assets and liabilities of the investee would result in an increase/a decrease in the fair value of the unlisted fund investment of HK$45,000.

The Group did not have any financial assets measured at fair value as at 31 March 2020 and no financial liabilities measured at fair value as at 31 March 2021 and 31 March 2020.

## 37. EFFECT OF COVID-19

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. A series of precautionary and control measures have been and continued to be implemented by the Hong Kong SAR government including compulsory quarantine measures of all inbound travellers, and various social distancing measures. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of material adverse effects on the consolidated financial statements as a result of the COVID-19 pandemic. The Group will pay close attention to the development of the COVID-19 pandemic, perform further assessment of its impact and take relevant measures.

## 38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2021 were approved and authorised for issue by the board of directors on 8 June 2021.

# FIVE-YEAR FINANCIAL SUMMARY

| | 2021<br>HK$'000<br>Note (a) | 2020<br>HK$'000<br>Note (a) | 2019<br>HK$'000<br>Note (a) | 2018<br>HK$'000<br>Note (a) | 2017<br>HK$'000<br>Note (b) |
|---|---|---|---|---|---|
| **For the year** | | | | | |
| Revenue | **305,158** | 235,027 | 365,662 | 279,760 | 161,167 |
| Profit before taxation | **249,418** | 11,935 | 28,337 | 23,433 | 18,024 |
| Profit attributable to equity holders of the Company | **28,511** | 9,595 | 22,946 | 18,733 | 14,987 |
| **Cashflows** | | | | | |
| Net cash generated from/(used in) operating activities | **26,962** | (32,340) | 24,338 | (24,648) | (17,668) |
| **At year end** | | | | | |
| Total assets | **238,548** | 189,040 | 190,082 | 153,644 | 139,142 |
| Total liabilities | **95,181** | 71,184 | 81,821 | 65,210 | 100,282 |
| Total equity | **143,367** | 117,856 | 108,261 | 88,434 | 38,860 |
| Cash and bank balances | **49,395** | 26,885 | 62,280 | 45,799 | 19,455 |
| **Per share data** | | | | | |
| Earnings per share-basic and diluted (HK cents) | **2.38 cents** | 0.80 cents | 1.91 cents | 1.99 cents | 1.67 cents |

Notes:

(a) The financial figures were extracted from the consolidated financial statements in the annual report.

(b) The financial figures were extracted from the Prospectus dated 31 January 2018.

The summary above does not form part of the audited consolidated financial statements in the annual report.