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LUMINA GROUP LIMITED
瑩嵐集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1162)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2023

The board of directors (the “**Directors**”) of Lumina Group Limited (the “**Company**”) is pleased to announce the audited consolidated result of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2023 (the “**Year 2023**”) together with the comparative figures for the year ended 31 March 2022 (the “**Year 2022**”) are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	78,448	78,260
Direct costs		(68,001)	(55,286)
Gross profit		10,447	22,974
Other income	5	1,317	443
Impairment losses under expected credit loss model, net of reversal		(12,467)	(2,408)
Change in fair value of financial assets at fair value through profit or loss (“ FVTPL ”)		78	(2,077)
Administrative expenses		(23,653)	(18,023)
Finance costs		(63)	(47)
(Loss) profit before tax	6	(24,341)	862
Income tax expense	7	(78)	(258)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company		(24,419)	604
(Loss) earnings per share			
Basic (HK cents)	9	(4.07)	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property and equipment		509	763
Right-of-use assets		959	2,164
Deferred tax assets		388	388
Deposits and prepayments		4,404	297
		<u>6,260</u>	<u>3,612</u>
Current assets			
Financial assets at FVTPL	<i>10</i>	2,611	2,533
Trade receivables	<i>11</i>	8,516	8,841
Deposits, other receivables and prepayments		976	428
Contract assets	<i>12</i>	49,443	57,085
Tax recoverable		4,390	3,670
Pledged bank deposits		4,188	4,150
Cash and cash equivalents		48,299	67,513
		<u>118,423</u>	<u>144,220</u>
Current liabilities			
Trade payables	<i>13</i>	8,205	6,306
Other payables and accrued charges		1,924	1,295
Lease liabilities		889	1,215
Contract liabilities		–	61
		<u>11,018</u>	<u>8,877</u>
Net current assets		<u>107,405</u>	<u>135,343</u>
Total assets less current liabilities		<u>113,665</u>	<u>138,955</u>
Non-current liabilities			
Lease liabilities		<u>98</u>	<u>969</u>
Net assets		<u>113,567</u>	<u>137,986</u>
Capital and reserves			
Share capital	<i>14</i>	6,000	6,000
Reserves		107,567	131,986
Total equity		<u>113,567</u>	<u>137,986</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016. Its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 25 October 2017 and were transferred from GEM to the Main Board of the Stock Exchange on 20 April 2020.

The Company’s immediate and ultimate holding company is Foxfire Limited, a private company incorporated in the British Virgin Islands and wholly owned by Mr. Fok Hau Fai.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of fire safety services in Hong Kong.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

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

³ Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

(i) *Disaggregation of revenue from contracts with customers*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Type of services		
– Fire safety system installation	69,935	67,734
– Fire safety system repair and maintenance (“ Repair and Maintenance ”)	8,513	10,526
	<u>78,448</u>	<u>78,260</u>

(ii) *Transaction price allocated to the remaining performance obligation for contracts with customers:*

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2023 and 2022 and the expected timing of recognising revenue are as follows:

As at 31 March 2023

	Fire safety system installation services <i>HK\$'000</i>	Repair and Maintenance services <i>HK\$'000</i>
Within one year	28,657	–
More than one year but not more than two years	3,687	–
	<u>32,344</u>	<u>–</u>

As at 31 March 2022

	Fire safety system installation services <i>HK\$'000</i>	Repair and Maintenance services <i>HK\$'000</i>
Within one year	60,159	1,528
More than one year but not more than two years	17,040	297
More than two years but not more than three years	3,826	–
	<u>81,025</u>	<u>1,825</u>

4. SEGMENT INFORMATION

Segment information

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company who are also the chief operating decision maker (“CODM”) that are used to make strategic decisions. Information reported to the CODM is based on the business lines operating by the Group. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reporting segments are (i) Fire safety system installation services; and (ii) Repair and Maintenance services.

Segment results

Year ended 31 March 2023

	Fire safety system installation services HK\$'000	Repair and Maintenance services HK\$'000	Consolidated HK\$'000
Segment revenue	<u>69,935</u>	<u>8,513</u>	<u>78,448</u>
Segment profit excluding impairment losses on trade receivables and contract assets, net of reversal	8,434	2,013	10,447
Impairment losses on trade receivables and contract assets, net of reversal	<u>(7,922)</u>	<u>(4,545)</u>	<u>(12,467)</u>
Segment profit (loss)	<u>512</u>	<u>(2,532)</u>	<u>(2,020)</u>
Other income			1,317
Change in fair value of financial assets at FVTPL			78
Administrative expenses			(23,653)
Finance costs			<u>(63)</u>
Loss before tax			<u>(24,341)</u>

Year ended 31 March 2022

	Fire safety system installation services <i>HK\$'000</i>	Repair and Maintenance services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>67,734</u>	<u>10,526</u>	<u>78,260</u>
Segment profit excluding impairment losses on trade receivables and contract assets, net of reversal	19,568	3,406	22,974
Impairment losses on trade receivables and contract assets, net of reversal	<u>(2,020)</u>	<u>(388)</u>	<u>(2,408)</u>
Segment profit	<u>17,548</u>	<u>3,018</u>	20,566
Other income			443
Change in fair value of financial assets at FVTPL			(2,077)
Administrative expenses			(18,023)
Finance costs			<u>(47)</u>
Profit before tax			<u>862</u>

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of other income, change in fair value of financial assets at FVTPL, administrative expenses and finance costs.

Furthermore, as the assets and liabilities for operating segments are not provided to the Company's CODM for the purposes of resources allocation and performance assessment, no segment assets and liabilities information is presented accordingly.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered. The Group's rental deposit, property and equipment and right-of-use assets are all located in Hong Kong by physical location of assets.

Information about major customers

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

	2023	2022
	HK\$'000	HK\$'000
Customer A (note 1)	17,164	N/A (note 2)
Customer B (note 1)	14,996	N/A (note 2)
Customer C (note 1)	9,630	N/A (note 2)

Notes:

- 1 Revenue from fire safety system installation services segment.
- 2 Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

5. OTHER INCOME

	2023	2022
	HK\$'000	HK\$'000
Government grants (note)	750	35
Bank interest income	513	114
Dividend income	44	29
COVID-19-related rent concessions	10	48
Insurance claimed	–	217
	1,317	443

Note: During the year ended 31 March 2023, the Group recognised government grants of HK\$750,000 in respect of COVID-19-related subsidies, related to Employment Support Scheme provided by the Hong Kong government. In the opinion of the directors of the Company, the Group has fulfilled all conditions attached to the grants. During the year ended 31 March 2022, the Group did not recognise any COVID-19 related government subsidies.

6. (LOSS) PROFIT BEFORE TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) profit before tax has been arrived at after charging:		
Staff costs		
Directors' remuneration	8,959	8,959
Other staff costs		
Salaries and other benefits	11,017	10,412
Retirement benefit scheme contributions	410	390
	<u>20,386</u>	<u>19,761</u>
Total staff costs		
Auditor's remuneration	678	620
Depreciation of property and equipment	375	461
Depreciation of right-of-use assets	1,205	1,195
Legal and professional fees	3,682	1,543

7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	–	295
Underprovision in prior years	78	–
	<u>78</u>	<u>295</u>
Deferred taxation	–	(37)
	<u>78</u>	<u>258</u>

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

No provision for taxation in Hong Kong had been made as the Group in Hong Kong did not have any assessable profits for the year ended 31 March 2023.

8. DIVIDEND

No dividend has been paid or declared for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of the reporting period.

9. (LOSS) EARNINGS PER SHARE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	<u>(24,419)</u>	<u>604</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u>600,000</u>	<u>600,000</u>

No diluted (loss) earnings per share were presented as there were no potential ordinary shares in issue for both years.

10. FINANCIAL ASSETS AT FVTPL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets mandatorily measured at FVTPL:		
Equity securities listed in Hong Kong held for trading (<i>note</i>)	<u>2,611</u>	<u>2,533</u>

Note: The fair value was based on the quoted prices of the respective securities in active markets for identical assets.

As at 31 March 2023, no financial assets at FVTPL have been pledged as security (2022: nil).

11. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	13,027	11,409
Less: Allowance for credit losses	(4,511)	(2,568)
	<hr/>	<hr/>
Total trade receivables	8,516	8,841
	<hr/>	<hr/>

The Group grants credit terms of 0-30 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables net of credit loss allowance presented based on the invoice date at the end of the reporting period.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	1,021	1,414
31-60 days	605	783
61-90 days	449	922
91-180 days	1,272	1,165
181-365 days	2,711	703
Over 365 days	2,458	3,854
	<hr/>	<hr/>
	8,516	8,841
	<hr/>	<hr/>

12. CONTRACT ASSETS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract assets from fire safety system installation services		
– Unbilled revenue	44,736	43,216
– Retention receivables	15,676	13,433
Contract assets from Repair and Maintenance services		
– Unbilled revenue	2,525	3,406
Less: Allowance for credit losses	(13,494)	(2,970)
	<hr/>	<hr/>
	49,443	57,085
	<hr/>	<hr/>

Contract assets arise when the Group has right to consideration for completion of fire safety system installation and Repair and Maintenance services and not yet billed under the relevant contracts because the rights are conditional upon the satisfaction by the customers on the services completed by the Group and the work is pending for the final accounts by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the final accounts of the completed contracts from the customers. Remaining rights and performance obligations in a particular contract are accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the input method, the Group recognises a contract liability for the difference.

Typical payment terms which impact on the amount of contract assets are as follows:

The Group's fire safety system installation services and Repair and Maintenance services contracts include payment schedules which require payments over the contract period once certain specified milestones are reached and upon completion of services. The Group requires certain customers to provide upfront deposits as part of its credit risk management policies. The Group typically transfers the contract assets to trade receivables based on billing.

Retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from one to two years from the date of completion of the fire safety system installation services performed comply with agreed-upon specifications. There were no past due for the retention monies. The Group's contract assets are expected to be settled within the Group's normal operating cycle and are therefore classified as current assets at the consolidated statement of financial position.

The unbilled retention receivables are to be settled, based on the expiry of the defects liability period, at each reporting period as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	10,576	9,066
After one year	5,100	4,367
	<u>15,676</u>	<u>13,433</u>

13. TRADE PAYABLES

The average credit period of trade payables granted by subcontractors and suppliers is from 30 to 60 days upon the issue of invoices or application of interim payment generally.

The following is an aging analysis of trade payables based on the invoice dates or the dates of application of interim payment, as appropriate.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	5,080	4,852
31 to 60 days	1,499	706
Over 60 days	1,626	748
	<u>8,205</u>	<u>6,306</u>

14. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
At 1 April 2021, 31 March 2022 and 31 March 2023	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2021, 31 March 2022 and 31 March 2023	<u>600,000,000</u>	<u>6,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established fire safety service provider in Hong Kong, focusing on installation and maintenance of fire safety system. Our services cover the design, supply and installation of fire safety systems which include evacuation and electrical fire alarm systems, water and gas suppression systems and portable fire equipment for newly built and existing buildings in Hong Kong. We also provide repair and maintenance services on fire safety systems to satisfy the Hong Kong Fire Services Department's requirements. To supplement our repairs or maintenance services, we also supply fire safety equipment.

The adverse impact of the COVID-19 epidemic has caused the temporary suspension of our coordination and construction works, which led to delays in schedule of on-going projects of the Group. The Group experienced a decrease in the gross profit margin for the year ended 31 March 2023 when compared with that for the year ended 31 March 2022. Such decrease is mainly due to the labour and resources supply chain strain under the COVID-19 pandemic, which in turn escalated the direct costs.

As the COVID-19 pandemic has continuously clouded the global economy, there are more companies, which initially planned for business expansion, adjourned their relocation plans in response to the highly unpredictable market environment. Under these economic uncertainties, the keen competition in the construction market continues as a result of the prolonged delay in the tendering process for works. Such severe competition in the market had led to a drop in the number of open tenders and drove down contract prices, which caused negative impact on our contract revenue. All these factors put the Group under greater pressure in winning new contracts and maintaining the gross profit. Moreover, some projects are behind the planned schedules, and the main construction sites have not been ready to our main construction works. It also affected our revenue generated for the year.

Looking forward, given that the Hong Kong SAR Government has adjusted its measures to relax the anti-pandemic policy, the Group is much positive about the Hong Kong fire safety market than the first half year. Recently, the Group receives an increasing level of tender opportunities in Hong Kong and the tender sum is also higher than those of the prior years. In view of the keen competition in the market and economic uncertainty, the Group will continue to strengthen its market position, delivers more values to the customers and optimises productivity and efficiency.

To look positively, as the Group has successfully transferred its listing from the GEM to the Main Board of the Stock Exchange on 20 April 2020, the Directors trust that the transfer of listing to the Main Board not only demonstrates the recognition of the professional expertise and experience of the Group, it also lays a solid foundation for the Group in receiving more projects from sizeable institutions in both the private and the public sectors. The Group remains in a healthy and sound liquidity position as at 31 March 2023. Our Management will keep a close eye on the development of the COVID-19 pandemic and will actively manage its adverse impact on the financial position and operating results of the Group.

FINANCIAL REVIEW

Revenue

Revenue slightly increased from approximately HK\$78.3 million for the year ended 31 March 2022 to approximately HK\$78.4 million for the year ended 31 March 2023, representing an increase of approximately 0.1%.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Type of services		
– Fire safety system installation	69,935	67,734
– Fire safety system repair and maintenance	8,513	10,526
	<u>78,448</u>	<u>78,260</u>

Direct Costs

Direct costs increased from approximately HK\$55.3 million for the year ended 31 March 2022 to approximately HK\$68.0 million for the year ended 31 March 2023, representing an increase of approximately 23.0%. Such increase is mainly due to the labour and resources supply chain strain under the COVID-19 pandemic, which in turn escalated the direct costs.

Gross Profit and Gross Profit Margin

Gross profit decreased from approximately HK\$23.0 million for the year ended 31 March 2022 to approximately HK\$10.4 million for the year ended 31 March 2023, representing a decrease of approximately 54.8%. The overall gross profit margin decreased from approximately 29.4% for the year ended 31 March 2022 to approximately 13.3% for the year ended 31 March 2023. Such decrease is mainly attributable to the decrease in the gross profit margin of several projects as a result of the labour and resources supply chain strain under the COVID-19 pandemic, which in turn escalated the direct costs.

Other Income

Other income increased from approximately HK\$0.4 million for the year ended 31 March 2022 to approximately HK\$1.3 million for the year ended 31 March 2023, representing an increase of approximately 225.0%. Such increase is mainly due to the receipt of approximately HK\$0.8 million subsidy from the Hong Kong Special Administrative Region Government under the Employment Support Scheme during the year.

Impairment Loss Allowance of Trade Receivables and Contract Assets, Net of Reversal

The Group's impairment loss allowance of trade receivables and contract assets, net of reversal, was approximately HK\$12.5 million for the year ended 31 March 2023 (2022: HK\$2.4 million). Such increase is mainly due to the consequence of the COVID-19 pandemic which hindered the overall economy and lengthened the aging of both trade receivables and contract assets. We estimated the amount of lifetime expected credit loss (the "ECL") of the trade receivables and contract assets based on provision matrix through grouping of various debtors that had similar loss pattern, and after considering the internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables and contract assets, except for those trade receivables and contract assets that are credit-impaired or significant to the Group which will be assessed their ECL individually.

Administrative Expenses

Administrative expenses increased from approximately HK\$18.0 million for the year ended 31 March 2022 to approximately HK\$23.7 million for the year ended 31 March 2023, representing an increase of approximately 31.7%. Such increase is mainly attributable to the increase in the legal and professional fee incurred for the disclosable transaction and major transaction during the year.

Finance Cost

Upon the adoption of the HKFRS 16 on 1 April 2019, the lease liability is initially measured at the present value of the lease payment that is not paid on that date. Subsequently, the lease liability is adjusted for interest and lease payment, as well as the impact of lease modifications, amongst others. As a result, an interest expense on lease liability of approximately HK\$63,000 was recognised for the year ended 31 March 2023 (2022: HK\$47,000).

Income Tax Expense

Income tax expense decreased from approximately HK\$0.3 million for the year ended 31 March 2022 to approximately HK\$0.1 million for the year ended 31 March 2023, representing a decrease of approximately 66.7%. Such decrease is mainly attributable to the decrease in taxable profit.

Loss/Profit and Total Comprehensive Expenses/Income for the Year

Loss and total comprehensive expense for the year has decreased from a profit of approximately HK\$0.6 million for the year ended 31 March 2022 to a loss of approximately HK\$24.4 million for the year ended 31 March 2023, representing a decrease of approximately 4,166.7%. Such decrease is mainly attributable to the effect of (i) the increase in direct costs; (ii) the increase in impairment losses on trade receivables and contract assets; and (iii) the increase in administrative expenses for the year ended 31 March 2023.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2023 (2022: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position during the year ended 31 March 2023. As at 31 March 2023, the Group had cash and cash equivalents of approximately HK\$48.3 million (2022: HK\$67.5 million) and pledged bank balances of approximately HK\$4.2 million (2022: HK\$4.2 million).

The current ratio as at 31 March 2023 was approximately 10.7 times (2022: 16.2 times).

GEARING RATIO

As at 31 March 2023, the Group has no interest-bearing bank and other borrowings (2022: Nil).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2023. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

PLEDGE OF ASSETS

As at 31 March 2023, the Group pledged to a bank its bank deposits of approximately HK\$4.2 million (2022: HK\$4.2 million) as collateral to secure bank facilities granted to the Group. Except for these pledging of deposits, the Group did not create any charges on its assets.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were transacted in Hong Kong Dollars which is the functional currency of all the group entities. For the year ended 31 March 2023, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

CAPITAL STRUCTURE

The listing of the shares of the Company has successfully transferred from the GEM to the Main Board of the Stock Exchange on 20 April 2020. 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 2023, the Company's issued share capital was HK\$6,000,000 and the number of its issued ordinary shares was 600,000,000 of HK\$0.01 each.

CAPITAL COMMITMENTS

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements		
– Intangible asset	629	–
The Group's share of the capital commitments made jointly with joint venture partners but not recognised at the end of the reporting date is as follow:		
– Commitments to capital contribution	<u>6,628</u>	–
	<u>7,257</u>	–

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not hold any significant investments in equity interest in any other companies and had no definite future plans for acquisition of material investments and capital assets as at 31 March 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were neither significant investments held as at 31 March 2023 nor acquisitions and disposals of subsidiaries during the year ended 31 March 2023.

EVENT AFTER THE REPORTING PERIOD

There is no significant event which has taken place subsequent to the end of the year ended 31 March 2023.

CONTINGENT LIABILITIES

As at 31 March 2023, performance guarantees of approximately HK\$4.2 million (2022: HK\$4.2 million) were given by a bank in favour of the Group's customers as security for the due performance and observance of our obligations under the contracts entered into between us and our customers. If we fail to provide satisfactory performance to our customers to whom performance guarantee have been given, the customers may demand the bank to pay to them a sum not more than the amount of the relevant performance guarantee. We will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works. Our Directors opined that it is unlikely that a claim will be made against the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed a total of 43 employees (2022: 42 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$20.4 million for the year ended 31 March 2023 (2022: HK\$19.8 million).

The Group recognises its employees as valuable assets of the Group. We promote individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package (with reference to market norms and individual employee's performance, qualification and experience) is offered to the employees. On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual's contribution.

The Group has complied with the applicable labour laws and regulations. The Directors confirmed that the Group has neither experienced any significant problems with our employees or disruption to its operations due to labour disputes nor has experienced any difficulties in retaining experienced staff or skilled personnel for the year ended 31 March 2023. Thus, our Directors consider that the Group has maintained good relationship with its employees.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is susceptible to material risks associated with the Group's business, including but not limited to the following:

- i. the Group's revenue is mainly derived from projects which are not recurring in nature and a significant decrease in the number of its projects would affect its operations and financial results;
- ii. the Group's historical growth rate, revenue and profit margin may not be indicative of its future growth rate, revenue and profit margin;
- iii. the Group's cash flows may deteriorate due to potential difference in time between receipt of progress payments from its customers, and payments to its subcontractors and suppliers;
- iv. the Group may be exposed to delays and/or defaults of progress payments and/or retention monies by its customers;
- v. the Group may not be able to maintain or increase its success rate in obtaining projects tendered and quoted;
- vi. failure to retain suitably qualified staff may affect the Group's registration as a fire service installation contractor, and disrupt the Group's business;
- vii. the Group may be unable to attract and/or retain employees with the requisite skills, expertise and experience which may adversely affect its operations, business growth and financial results;
- viii. the Group relies on its subcontractors, who are independent third parties, to complete its contract works and there is no assurance that its subcontractors will always follow strictly all of the Group's instructions. Any delay or defects in their works may adversely affect the Group's operations and financial results;
- ix. the Group depends on its suppliers for fire equipment and related accessories, and any shortage or delay in supply, or deterioration in quality, of the same could materially and adversely affect its operations, and the Group may not be able to identify an alternative source of stable supply with acceptable quality and price in a timely manner; and
- x. the Group's customers may cancel certain contract works by variation orders resulting in the reduction of the total contract sum of that project.

For further details, please refer to the section headed "Risk Factors" of the prospectus of the Company dated 29 September 2017 (the "**Prospectus**").

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, water pollution control and waste disposal control. During the year ended 31 March 2023, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the year ended 31 March 2023.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

Customers

The Group provides fire safety services to customers from both the public and the private sectors in Hong Kong. We have maintained a diversified customers' base comprising customers from both the private sector (non-public sector such as property owners and tenants, construction contractors and property managers) and the public sector (government-related organisations and non-governmental organisations).

The Group's fire safety service projects cover different types of buildings, including commercial (e.g. offices, hotels and shopping malls, etc), composite (a combination of any two or more of domestic, commercial or institutional usage), institutional (e.g. schools, hospitals and universities) and residential.

During the year ended 31 March 2023, the Directors consider that the Group has not relied on any single customer. The Group has had business relationship with most of the top 5 customers ranging from 1 year to over 7 years and is being invited to tender or quote from time to time.

Suppliers and Sub-contractors

During the year ended 31 March 2023, the Group (i) purchased materials and equipment from suppliers and (ii) arrange sub-contractors to perform the construction works on a project basis.

The Group adopted a policy on the management of suppliers and sub-contractors. We will conduct background checks on our suppliers and select our suppliers based on various factors, which include the price and quality of their products, the reliability of their on-time delivery, and their reputation in the industry. We will also carry out periodic reviews of our suppliers to ensure that the quality of their products meets our requirements.

The Group maintains an internal list of approved suppliers and sub-contractors for each categories of building works and materials and the list is updated on a continuous basis. The Group generally maintains multiple suppliers and sub-contractors for products and services to avoid over-reliance on a few suppliers and sub-contractors. We did not experience any material difficulties in sourcing materials from suppliers or assigning sub-contractors during the year ended 31 March 2023. The Group did not have any significant disputes with any of its top five suppliers and sub-contractors during the year ended 31 March 2023.

CORPORATE GOVERNANCE PRACTICE

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuous development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Main Board Listing Rules (the "**Listing Rules**"). The Board is of the view that for the year ended 31 March 2023, the Company has complied with all applicable code provisions set out in the CG Code except for the deviation from provision C.2.1 of the CG Code.

Pursuant to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Fok Hau Fai (“**Mr. Fok**”) is currently the Chairman of the Board and the Chief Executive Officer of the Company, responsible for formulating the overall business strategies and overseeing the business and operation of the Group. Considering the fact that, Mr. Fok has been responsible for the overall management and operation of the Group since its inception in 2002, the Board believes that it is in the best interest of the Group to have Mr. Fok taking up both roles for effective management and business development. Besides, with three Independent Non-executive Directors out of a total of five Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman of the Board and Chief Executive Officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, as its code of conduct regarding Directors’ transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and the code of conduct adopted by the Company and there was no event of non-compliance throughout the year ended 31 March 2023.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, which include the review of the audited consolidated financial statements of the Group for the Year 2023.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Year 2023 as set out in the preliminary announcement have been audited by the Group's auditor, Moore Stephens CPA Limited. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

By order of the Board
Lumina Group Limited
Fok Hau Fai
Chairman and Chief Executive Officer

Hong Kong, 30 June 2023

As at the date of this announcement, the Board comprises (i) two Executive Directors, namely Mr. Fok Hau Fai and Mr. Sung Sing Yan; and (ii) three Independent Non-executive Directors, namely Mr. Hung Kin Sang, Mr. Lee Yin Sing and Mr. Wan Chun Kwan.