



# 2023 ANNUAL REPORT

 **LUMINA GROUP LIMITED**  
**瑩嵐集團有限公司**

(incorporated in the Cayman Islands with limited liability)  
Stock Code: 1162



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Fok Hau Fai  
(Chairman and Chief Executive Officer)  
Mr. Sung Sing Yan

### Independent Non-executive Directors

Mr. Hung Kin Sang  
Mr. Lee Yin Sing  
Mr. Wan Chun Kwan

## COMPANY SECRETARY

Ms. Woo Ka Yee

## COMPLIANCE OFFICER

Mr. Fok Hau Fai

## AUTHORISED REPRESENTATIVES

Mr. Fok Hau Fai  
Ms. Woo Ka Yee

## AUDIT COMMITTEE

Mr. Lee Yin Sing (Chairman)  
Mr. Hung Kin Sang  
Mr. Wan Chun Kwan

## REMUNERATION COMMITTEE

Mr. Hung Kin Sang (Chairman)  
Mr. Sung Sing Yan  
Mr. Wan Chun Kwan

## NOMINATION COMMITTEE

Mr. Fok Hau Fai (Chairman)  
Mr. Hung Kin Sang  
Mr. Lee Yin Sing

## RISK AND TECHNICAL COMMITTEE

Mr. Wan Chun Kwan (Chairman)  
Mr. Sung Sing Yan  
One member of the senior management

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Hung Kin Sang (Chairman)  
Mr. Fok Hau Fai  
One member of the senior management

## AUDITOR

Moore Stephens CPA Limited  
Registered Public Interest Entity Auditors

## LEGAL ADVISOR

TC & Co., Solicitors

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

1/F, R&T Centre  
No. 81-83 Larch Street  
Tai Kok Tsui  
Kowloon  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited  
Nanyang Commercial Bank, Limited

## WEBSITE ADDRESS

[www.lumina.com.hk](http://www.lumina.com.hk)

## STOCK CODE

1162

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Directors") of Lumina Group Limited (the "Company") and together with its subsidiaries, (the "Group"), I am pleased to present the audited annual results of the Group for the year ended 31 March 2023.

## REVIEW

The financial year ended 31 March 2023 was a challenging year. The Group continuously experienced a delay in the commencement and work progress of some projects due to the outbreak of the coronavirus "COVID-19" (the "COVID-19"). Notwithstanding the situation, we strive to minimise the adverse impact of the pandemic and achieve progress on certain newly awarded large projects during the year.

The total revenue of the Group increased by approximately HK\$0.1 million or 0.1% 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. The Group's loss for the year ended 31 March 2023 was approximately HK\$24.4 million when compared with a profit of approximately HK\$0.6 million for the year ended 31 March 2022. The deterioration in the performance for the year was primarily due to the effect of (i) the decrease in gross profit; (ii) the increase in administrative expenses; and (iii) the increase in impairment loss under expected credit loss model, net of reversal as a result of the consequence of the COVID-19 pandemic which hindered the overall economy and lengthened the aging of both trade receivables and contract assets during the current year.

The outbreak of the COVID-19 keeps affecting our business. Some companies initially planned for business expansion, adjourned their relocation plans in response to the highly unpredictable market environment. Since our business is highly concentrated on fire safety system installation, especially to those alteration and addition works on the existing buildings. Not only the renovations of both the public and the private sectors are being adversely affected, but also the whole property investment and construction business in Hong Kong has slowed down. These lead to postponement and delay of our construction projects. Some projects are behind the planned schedules, and the main construction sites have not been ready for our main construction works, which have affected our revenue for the year.

## FORWARD

Looking ahead, the construction business in Hong Kong will continue to be challenging. However, the Group is positive about the Hong Kong fire safety market in the second half of the year and is expected to receive more tender opportunities. Currently, except the benchmark project for the Jockey Club One Health Tower of the City University of Hong Kong with contract sum over HK\$31 million, there are two projects on hands of a contract sum of over HK\$10 million each. One is the project on The West Kowloon Cultural District Authority and another one is the Yau Tong Ventilation Building Property Development.

Since early 2023, the Hong Kong SAR Government adjusted its measures to relax the anti-pandemic policy, and such changes could ease the current difficult situation and speed up the economic recovery for all industries in Hong Kong. The Group will continue to closely monitor the situation and take appropriate measures when necessary. Overall, the Group expects the recovery of the Hong Kong economy will stimulate the construction market. The Group will grasp such opportunity in order to expand the revenue base and achieve long-term growth.

## APPRECIATION

Lastly, on behalf of the Board, I wish to express my deepest gratitude to our Shareholders, investors and business partners for their continuous trust and support, especially during the time of the COVID-19 outbreak for the year ended 31 March 2023. I would also like to express our sincere appreciation to the Board of Directors, management team and staff for their commitment, contribution and dedication and wish all of us good time and health in the coming year.

**Fok Hau Fai**

*Chairman and Chief Executive Officer*

Hong Kong, 30 June 2023

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

### 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 SAR 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.

# Management Discussion and Analysis

## 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 COMMITMENT

	2023 HK\$'000	2022 HK\$'000
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	6,628	–
	7,257	–

## 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 the date of this Annual Report.

## 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).



# Management Discussion and Analysis

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) arranged 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 Report

## 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.

## BOARD OF DIRECTORS

The Board is responsible for the overall management of the business of the Group, formulating the Group's overall strategic direction and maintaining appropriate levels of review, challenge and guidance in its relationship with the management. The management is delegated with the authority and responsibility by the Board for the day-to-day management and administration of the Group. The Board is provided with updates from management to give a balanced and understandable assessment of the performance, recent development and prospects of the Group on a regular basis.

The Board is the ultimate decision-making body for all matters material to the Group and discharges its responsibilities on corporate governance either by itself or the Board Committees set out in Code Provision A.2.1 of the CG Code which include the following:

1. to develop and review the policies and practice on corporate governance of the Group and make recommendations;
2. to review and monitor the training and continuous professional development of the Directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to the Directors and employees; and
5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

## COMPOSITION OF THE BOARD

As at 31 March 2023, the Board comprises five Directors, including two Executive Directors and three Independent Non-executive Directors (the "INED") as set out below:

### Executive Directors

Mr. Fok Hau Fai (*Chairman and Chief Executive Officer*)

Mr. Sung Sing Yan

### Independent Non-executive Directors

Mr. Hung Kin Sang

Mr. Lee Yin Sing

Mr. Wan Chun Kwan

To the best knowledge of the Board, there are no other relationship (including financial, business, family, and other material/relevant relationships) among the members of the Board as of the date of this annual report.

# Corporate Governance Report

Biographical details of the Directors are set out in “Biographical Details of Directors and Senior Management” on pages 53 to 55 of this annual report.

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three INEDs representing not less than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each INED an annual confirmation of his independence, and the Company considers all the INEDs to be independent in accordance with Rule 3.13 of the Listing Rules.

The Board considers that the balance of power and authority, accountability and independent decision-making under our present arrangement will not be impaired because of the diverse background and experience of our Independent Non-executive Directors. Furthermore, the Audit Committee of the Company (the “Audit Committee”) has free and direct access to the Company’s external auditor and independent professional advisers when it considers necessary.

## BOARD DIVERSITY POLICY

The composition of the Board is well balanced with each Director having skills, experience and expertise relevant to the business operations and development of the Group and from a variety of backgrounds. There is diversity of educational background, functional expertise, age and experience. The Company adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board and the factors (including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience) to be considered in determining the composition of the Board so as to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximise the Board’s effectiveness. The Company currently expects to include at least one female to the Board by 31 December 2023, subject to availability of appropriate candidate(s) at the relevant time.

## Measurable Objectives and Selection

The Board will take opportunity to invite female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board will ensure that appropriate balance of gender diversity is achieved with reference to stakeholders’ expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group’s core markets, with different ethnic backgrounds, and reflecting the Group’s strategy.

During the year and as at the date of this annual report, the Board comprises five Directors. The following tables illustrate the diversity of the Board Members as of the date of this annual report:

Name of Directors	Age Group		
	41 to 50	51 to 60	61 or above
Mr. Fok Hau Fai ( <i>Chairman and Chief Executive Officer</i> )		√	
Mr. Sung Sing Yan			√
Mr. Hung Kin Sang		√	
Mr. Lee Yin Sing	√		
Mr. Wan Chun Kwan	√		

Name of Directors	Professional Experience		
	Industry Experience	Accounting and Finance	Sales and Marketing
Mr. Fok Hau Fai ( <i>Chairman and Chief Executive Officer</i> )	√		
Mr. Sung Sing Yan	√		
Mr. Hung Kin Sang			√
Mr. Lee Yin Sing		√	
Mr. Wan Chun Kwan	√		

### Implementation and Monitoring

The Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board annually.

### BOARD AND GENERAL MEETINGS

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice is given in a reasonable time in advance. All Directors are provided with adequate information before the meetings. To enable the Directors to be properly briefed on issues arising at Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings will be sent to all Directors at least three days before the intended date of each regular Board meeting. The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. The Directors may participate in meetings either in person or through electronic means of communications. The Directors have separate and independent access to the Company Secretary and senior management from time to time.

# Corporate Governance Report

During the year ended 31 March 2023, 4 Board meetings have been held. The annual general meeting of the Company has been held on 26 August 2022 (the “2022 AGM”). The attendance records of the Directors in attending board meetings and the 2022 AGM is set out below.

<b>Name of Directors</b>	<b>Number of attendance/ number of meetings</b>	<b>Number of attendance/ number of the 2022 AGM</b>
<b>Executive Directors</b>		
Mr. Fok Hau Fai	4/4	1/1
Mr. Sung Sing Yan	4/4	1/1
<b>Independent Non-executive Directors</b>		
Mr. Hung Kin Sang	4/4	1/1
Mr. Lee Yin Sing	4/4	1/1
Mr. Wan Chun Kwan	4/4	1/1

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

All Directors are appointed for a specific term under their service contracts and every Director is subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association of the Company.

Under the articles of association of the Company, 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. 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.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has signed with each of the Independent Non-executive Director a letter of appointment for a term of three years commencing from 22 September 2020, subject to retirement by rotation and re-election in accordance with the Articles of the Association (the “Articles”) and the termination provisions of the letter of appointment. The appointment shall be renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then term of appointment.

## DIRECTORS’ TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of continuous professional development for the Directors to extend and refresh their knowledge and skills. Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

The Directors are fully aware of the requirement under the Code Provision C.1.4 of the CG Code regarding the professional development. During the year ended 31 March 2023, all Directors attended a training session regarding the updates of the Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to Directors to ensure that they are kept abreast with the current requirements under the Listing Rules.

## DIRECTORS AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal action against its Directors and officers.

## BOARD COMMITTEES

The Board established five Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk and Technical Committee by resolutions of Directors passed on 22 September 2017. The Environmental, Social and Governance Committee had been established by resolutions of Directors passed on 30 March 2022. These Board committees are established for overseeing particular aspects of the Group's affairs and with written terms of reference in compliance with the relevant code provisions of the CG Code, which are available at the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.lumina.com.hk](http://www.lumina.com.hk)).

### Audit Committee

The Company established the Audit Committee on 22 September 2017 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and paragraph D.3 of the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors; review the financial statements and material advice in respect of financial reporting; and oversee the internal control and risk management procedures of the Group.

The Audit Committee comprises three INEDs, namely, Mr. Lee Yin Sing, Mr. Hung Kin Sang and Mr. Wan Chun Kwan. Mr. Lee Yin Sing is the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. None of the members of the Audit Committee is a former partner of the existing external auditor of the Company, Moore Stephens CPA Limited.

For the year ended 31 March 2023, 2 meetings have been held by the Audit Committee. The attendance record of the member in attending Audit Committee Meetings is set out below:

<b>Name of Directors</b>	<b>Number of attendance/ number of meetings</b>
Mr. Lee Yin Sing	2/2
Mr. Hung Kin Sang	2/2
Mr. Wan Chun Kwan	2/2

There had been no disagreement between the Board and the Audit Committee for the year ended 31 March 2023.



# Corporate Governance Report

At the Audit Committee Meetings held during the year ended 31 March 2023, all the members of the Audit Committee have reviewed the unaudited interim financial statements of the Group and the audited annual financial statements of the Group, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control and risk management systems and recommended to the Board for consideration the reappointment of Moore Stephens CPA Limited as the Company's external auditor at the Annual General Meeting.

## Remuneration Committee

The Company established the Remuneration Committee on 22 September 2017 with written terms of reference in compliance with Rules 3.25 to 3.27 of the Listing Rules and paragraph E.1 of the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance-based remuneration; and ensure none of the Directors determine their own remuneration. The Remuneration Committee also reviews and/or approves matters relating to share schemes under Chapter 17 the Listing Rules.

The Remuneration Committee currently consists of three members: one Executive Director, being Mr. Sung Sing Yan, and two INEDs, being Mr. Hung Kin Sang and Mr. Wan Chun Kwan. Mr. Hung Kin Sang is the chairman of the Remuneration Committee.

The Remuneration Committee should meet at least once a year. For the year ended 31 March 2023, two meetings of the Remuneration Committee was held and has, inter alia, reviewed the remuneration packages for the Directors and senior management and making recommendations to the Board.

The attendance records of the members of the Remuneration Committee in attending Remuneration Committee Meetings is set out below:

<b>Name of Directors</b>	<b>Number of attendance/ number of meetings</b>
Mr. Hung Kin Sang	2/2
Mr. Sung Sing Yan	2/2
Mr. Wan Chun Kwan	2/2

## Nomination Committee

The Company established the Nomination Committee on 22 September 2017 with written terms of reference in compliance with paragraph B.3 of the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of Independent Non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of three members: one Executive Director, being Mr. Fok Hau Fai, and two INEDs, being Mr. Hung Kin Sang and Mr. Lee Yin Sing. Mr. Fok Hau Fai is the chairman of the Nomination Committee.

The Nomination Committee should meet at least once a year. For the year ended 31 March 2023, one meeting of the Nomination Committee was held and has, inter alia, (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the INEDs; and (iii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the Annual General Meeting.

The attendance records of the members of the Nomination Committee in attending Nomination Committee Meetings is set out below:

<b>Name of Directors</b>	<b>Number of attendance/ number of meetings</b>
Mr. Fok Hau Fai	1/1
Mr. Hung Kin Sang	1/1
Mr. Lee Yin Sing	1/1

#### **BOARD NOMINATION POLICY**

The Company has adopted a Board Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

#### **Selection Criteria**

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- (1) reputation for integrity;
- (2) accomplishment and experience in the business in which the Group is engaged in;
- (3) commitment in respect of available time and relevant interest;
- (4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;
- (5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- (6) the number of existing directorships and other commitments that may demand the attention of the candidate;
- (7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.13 of the Listing Rules;
- (8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- (9) such other perspectives appropriate to the Company's business.

# Corporate Governance Report

## Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognises the need for an additional Director or a member of the senior management, the following procedure will be followed:

- (1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;
- (2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Act of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;
- (3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;
- (4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;
- (5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and
- (6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

## Risk and Technical Committee

The Company established the Risk and Technical Committee on 22 September 2017. The primary duties of the Risk and Technical Committee are to review the Company's risk management policies and monitor the risk exposed to the Group during our course of provision of fire safety services to our customers and implementation of the related internal control procedures. The Risk and Technical Committee currently consists of three members: one Executive Director, being Mr. Sung Sing Yan, one INED, being Mr. Wan Chun Kwan and one representative of the senior management. The chairman of the Risk and Technical Committee is Mr. Wan Chun Kwan.

The Risk and Technical Committee should meet at least twice a year. For the year ended 31 March 2023, 2 meetings of the Risk and Technical Committee were held and have, inter alia, reviewed the risk management policies and the related internal control procedure and making recommendations to the Board.

The attendance records of the members of the Risk and Technical Committee in attending Risk and Technical Committee Meetings is set out below:

<b>Name of Directors/senior management</b>	<b>Number of attendance/ number of meetings</b>
Mr. Sung Sing Yan	2/2
Mr. Wan Chun Kwan	2/2
A representative of the senior management	2/2

#### **Environmental, Social and Governance Committee**

The Company established the Environmental, Social and Governance Committee on 30 March 2022. The primary duties of the Environmental, Social and Governance Committee are to review and monitor the Group's environmental, social and governance policies and practices. The Environmental, Social and Governance Committee currently consists of three members: one Executive Director, being Mr. Fok Hau Fai, one INED, being Mr. Hung Kin Sang and one representative of the senior management. The chairman of the Environmental, Social and Governance Committee is Mr. Hung Kin Sang.

The Environmental, Social and Governance Committee should meet at least twice a year. For the year ended 31 March 2023, 2 meetings of the Environmental, Social and Governance Committee was held and have, inter alia, reviewed the environmental, social and governance policies and the related internal control procedure and making recommendations to the Board.

The attendance records of the members of the Environmental, Social and Governance Committee in attending Environmental, Social and Governance Committee Meetings is set out below:

<b>Name of Directors/senior management</b>	<b>Number of attendance/ number of meeting</b>
Mr. Fok Hau Fai	2/2
Mr. Hung Kin Sang	2/2
A representative of the senior management	2/2

#### **COMPANY SECRETARY**

Ms. Woo Ka Yee was appointed as Company Secretary of the Company on 30 September 2021. Ms. Woo has been informed of the requirements of the Rule 3.29 of the Listing Rules, and she has confirmed that she had attained no less than 15 hours of relevant professional training during the year ended 31 March 2023. Please refer to the section "Biographical Details of Directors and Senior Management" for her biographical information.

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognizes its responsibility in evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and in ensuring that the Group establishes and maintains appropriate review on the overall adequacy and effectiveness of the Group's risk management and internal control systems, which cover financial, operational and compliance controls, to safeguard Shareholders' investment and the Group's assets. The Board oversees the overall risk management of the Group and endeavours to identify, and control impact of the identified risks and facilitate implementation of coordinated remedial measures. The principal risks and the relevant measures have been disclosed in the section headed "Principal Risks and Uncertainties" on page 8 of this annual report. The Group's systems of risk management and internal controls are designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute, assurance against the risk of material misstatement, fraud or loss.

The Group has implemented an effective internal control system. The Company has engaged an independent internal audit consultant (the "Independent Internal Audit Consultant") performed the internal audit reviews for the Group. The Independent Internal Audit Consultant has recommended an internal audit plan to the management of the Company and the Board, and assisted the Company to review the internal control system on certain selected processes for the year ended 31 March 2023. The management of the Company agreed on the findings and adopted the recommendations accordingly.

The Board reviews the risk management and internal controls annually and has, through the Audit Committee and with the assistance of the management and external auditors, conducted a review of, and is satisfied with the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 March 2023 as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

## WHISTLE-BLOWING POLICY

To achieve and maintain the highest standards of openness, probity and accountability, the Company has adopted a Whistle-blowing Policy which allows the employees or other stakeholders (such as clients, suppliers or sub-contractors) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The Audit Committee is responsible for ensuring that proper arrangements are in place for fair and independent investigation of any matters raised and appropriate follow-up actions are taken.

## ANTI-CORRUPTION POLICY

The Company has adopted an Anti-corruption Policy. The Company is committed to conducting business honestly, ethically and with the highest integrity. The Anti-corruption policy sets out the responsibilities of all the employees of the Company to comply with the applicable anti-corruption laws, rules and regulations.

## HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with the Model Code set out in Appendix 10 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules and the Securities and Futures Ordinance will be announced on the respective websites of the Stock Exchange and the Company in due course.

## DIVIDEND POLICY

The Company has adopted a Dividend Policy that aims to provide guidelines for the Board to determine whether dividends are to be declared and paid to the shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others:

- (1) the Group's actual and expected financial performance;
- (2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (3) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (4) the Group's liquidity position;
- (5) interest of shareholder;
- (6) taxation consideration;
- (7) potential effect on creditworthiness;
- (8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Act of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

# Corporate Governance Report

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

## DIRECTORS' AND EXTERNAL AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the financial statements which give a true and fair of the state of affairs of the Group. In preparing the financial statements for the year ended 31 March 2023, the Directors have applied applicable accounting policies, adopted appropriate accounting standards and prepared the accounts on a going concern basis.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as going concern.

The statement of the external auditor about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 64 to 70 of this annual report.

## EXTERNAL AUDITOR

Moore Stephens CPA Limited ("Moore") is the external auditor of the Company. The Audit Committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by its shareholders. The fee paid or payable in respect of audit services amount to HK\$678,000 for the year ended 31 March 2023.

## SHAREHOLDERS' RIGHTS

### Procedures for shareholders to convene an extraordinary general meeting ("EGM")

Pursuant to Article 64 of the articles of association of the Company, an EGM shall 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 voting rights (on a one vote per share basis) in the capital of the Company. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board and adding resolutions to the agenda of the meeting 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.

### Procedures for shareholders to send enquiries to the Board

Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to 1/F, R&T Centre, 81-83 Larch Street, Tai Kok Tsui, Kowloon Hong Kong or via telephone at +852 2116 5252.

### Procedures for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Act (Revised) of Cayman Islands. However, pursuant to Article 64 of the articles of association of the Company, shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

### CONSTITUTIONAL DOCUMENTS

In order to bring the Memorandum and Articles of Association in line with Appendix 3 to the Listing Rules which has come into effect on 1 January 2022, the third amended and restated Memorandum and Articles of Association were adopted by way of a special resolution passed by the shareholders at the AGM held on 26 August 2022.

### INVESTOR RELATIONS

In order to ensure timely, transparent and accurate communications between the shareholders of the Company (the "Shareholders") and the Company, in general, information is communicated to the Shareholders mainly through the Company's interim reports and annual reports, general meetings, as well as the corporate communications and publications published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the Company's website ([www.lumina.com.hk](http://www.lumina.com.hk)).

The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings in person or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.

Board members, in particular, the chairman of the Board Committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions.

The chairman of the general meetings will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Articles of Association of the Company. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.lumina.com.hk](http://www.lumina.com.hk)) subsequent to the close of the general meetings.



# Environmental, Social and Governance Report

## REPORT OVERVIEW

This Environmental, Social and Governance Report (the “ESG Report”) summarises the environmental, social and governance (“ESG”) initiatives, plans and performances of Lumina Group Limited (the “Company”), together with its subsidiaries (the “Group” or “We”), and demonstrates its commitment to sustainability development.

## APPROACH TO ESG

The core businesses of the Group are principally engaged in 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. The Group also provides repair and maintenance services on fire safety systems to satisfy the Hong Kong Fire Services Department’s requirements. The Group also supplies fire equipment to customers.

The Group believes that green and sustainable practices can improve our living quality and protect our ecosystem. We also recognise that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. To follow the key trends and to pursue a successful and sustainable business model, the Group recognises the importance of integrating environmental, social and governance aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

## REPORTING PERIOD

This ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2023 (the “Reporting Period” or “2023”).

## REPORTING FRAMEWORK

This ESG Report has been prepared in compliance with all the applicable provisions as set out in the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) under the Appendix 27 of the Main Board Listing Rules.

## REPORTING PRINCIPLES

During the preparation for this ESG Report, the Group has applied the following reporting principles which are stipulated in the ESG Reporting Guide:

Materiality	A materiality assessment has been conducted during the Reporting Period to identify material issues, which formed the focus in the preparation of this ESG Report. The materiality of the issues being identified has been reviewed and confirmed by the ESG Committee. Please refer to the sections headed “Stakeholder Engagement” and “Materiality Assessment” for further details.
Quantitative	Supplementary notes have been added along with the quantitative data disclosed in this ESG Report to explain any standards, methodologies, and sources of conversion factors used during the calculation of emissions and energy consumption.
Consistency	The preparation approach of this ESG Report is substantially consistent with that for the previous year, and explanations regarding data with changes in the scope of disclosure and calculation methodologies have been provided.

## REPORTING SCOPE AND BOUNDARY

This ESG Report mainly focuses on the Group’s ESG performance of its Hong Kong office, covering the major revenue-generating activities which include the provision of fire safety systems installation service, repair and maintenance services on fire safety systems and its sales of fire equipment.

## BOARD STATEMENT – THE ESG GOVERNANCE STRUCTURE

### Oversight of ESG Issues

The board of directors (the “Board”) holds the ultimate responsibility for monitoring the Group’s ESG issues which include ESG management approach, strategy, and policies. To better manage the Group’s ESG performance and identify potential risks, the Board conducts materiality assessment where necessary with the assistance of the ESG Committee to evaluate and prioritise material ESG-related issues with reference to the opinions of our stakeholders. The Board is responsible for setting up a general direction for the Group’s ESG strategies, ensuring the effectiveness in the control of ESG risks and internal control mechanisms.

### ESG Committee

The Group has established an ESG Committee (the “Committee”). This Committee comprises core members from Group and is responsible for collecting relevant information for preparing ESG Reports. This Committee reports to the Board and assists in identifying and evaluating the Group’s ESG risks and the effectiveness of the internal control mechanisms. This Committee also examines and evaluates our performances in different ESG-related goals and targets such as environment, health and safety, labour standards and product responsibilities. Following the direction set by the Board, the Committee ensures the execution of various ESG-related strategies and policies.

# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT

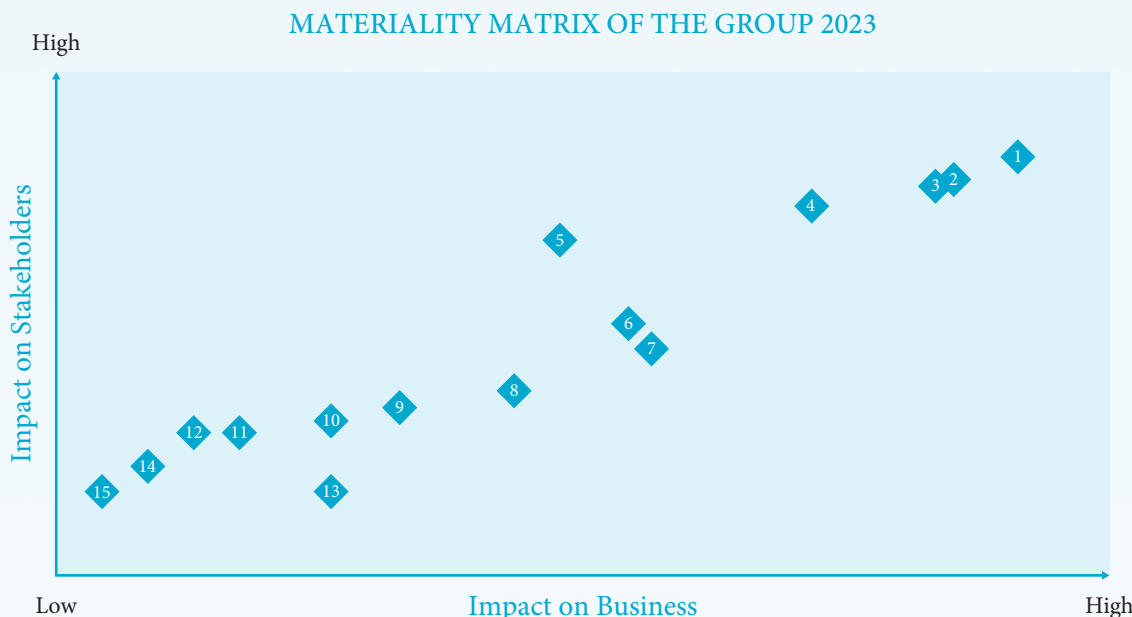
The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. In order to understand and address their key concerns, the Group has maintained close communication with its key stakeholders who/which include but are not limited to the Board, investors and shareholders, customers, employees, suppliers, the community and the public, as well as the regulatory bodies and Government authorities. 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	Communication channels	Expectations
The Board	<ul style="list-style-type: none"> <li>• Board meetings</li> <li>• Committee meetings</li> <li>• Annual general meetings and extraordinary general meetings</li> <li>• Emails</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Regulatory compliance</li> <li>• Financial performance</li> <li>• Strategic development</li> </ul>
Investors and Shareholders	<ul style="list-style-type: none"> <li>• Financial reports</li> <li>• Announcements and circulars</li> <li>• Annual general meetings and extraordinary general meetings</li> <li>• Company website</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Return on investment</li> <li>• Business compliance</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Hotline for after-sale service</li> <li>• Customer satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>• High-quality products and services</li> <li>• Protect customers' right</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Assessment of work performance</li> <li>• Means for employees to express opinions (e.g. opinion form and suggestion box)</li> <li>• Regular meetings and management communication (e.g. email and telephone)</li> <li>• Intranet</li> <li>• Site visits</li> </ul>	<ul style="list-style-type: none"> <li>• Employees' compensation and benefits</li> <li>• Health and safety work environment</li> <li>• Career development</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Regular assessment of suppliers' performance</li> <li>• Supplier management meetings and events</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable supply chain</li> <li>• Fair and open tendering</li> <li>• Stable business relationship</li> </ul>
Community and the Public	<ul style="list-style-type: none"> <li>• Community investment plans</li> <li>• ESG reports</li> <li>• Media</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement in communities</li> <li>• Business compliance</li> <li>• Environmental protection awareness</li> </ul>
Regulatory Bodies and Government Authorities	<ul style="list-style-type: none"> <li>• Company Secretary</li> <li>• Compliance Manager</li> <li>• On-site inspections</li> <li>• IT Audit Manager</li> <li>• Project Manager of regulatory bodies</li> <li>• Regulatory newsletters</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Support economic development</li> <li>• Environmental protection</li> <li>• Contribution to society</li> </ul>

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

## MATERIALITY ASSESSMENT

The ESG Committee of the Group has participated in the preparation of this ESG Report by assisting in reviewing the Group’s operations and identifying relevant ESG issues and assessing the importance of related matters to the Group’s businesses and stakeholders. Based on the material ESG issues identified, a data collection questionnaire has been prepared to collect information from the relevant stakeholders of the Group. In 2023, the result of the assessment is as below.



No.	Material Issues	No.	Material Issues
1.	Occupational Health and Safety	9.	Greenhouse Gas Emissions
2.	Data Privacy Protection	10.	Waste Management
3.	Customer Satisfaction	11.	Energy Efficiency
4.	Anti-corruption	12.	Community Participation
5.	Protection of Intellectual Property Rights	13.	Prevention of Child and Forced Labour
6.	Development and Training	14.	Climate Change
7.	Supply Chain Management	15.	Employment Practice
8.	Technology and Innovation		

The Group reviewed the results of the materiality assessment and considered that the said result is applicable to the Group. The Group will continue to monitor the Group’s business operations and its ESG performances.

### Forward-Looking Statements

This ESG Report contains forward-looking statements which are based on the current expectations, estimates, projections, beliefs, and assumptions of the Group about the businesses and the markets in which it and its subsidiaries operate. These forward-looking statements are not guarantees of future performance and are subject to market risk, uncertainties, and factors beyond the control of the Group. Therefore, the actual outcomes and returns may differ materially from the assumptions made and the statements contained in this ESG Report.

# Environmental, Social and Governance Report

## FEEDBACK AND CONTACT US

The Group welcomes all feedback and opinions from its stakeholders. Any of the feedback is cherished and incorporated into our operation strategy wherever it seems appropriate and such feedback is considered the cornerstone for development. If you have any advice or suggestions, you are most welcome to contact us at +852 2116 5252.

## A. ENVIRONMENTAL

### A1. Emissions

The Group adheres to good environmental management and strives to protect the environment to fulfil its corporate social responsibility. The Group has established a “Green and Sustainability Plan”. This plan set out methods and proposals to

- (1) Establish and implement effective and efficient environmentally friendly measures; and
- (2) Ensure proper management and minimise the construction wastes generated during our operations.

In addition, to minimise the adverse impact caused by our operations, the Group has formulated an “Environment And Waste Management Plan” which governs the Group’s procedures relating to environmental management. We have also established an environmental management system in accordance with ISO 14001: 2004 to ensure environmental friendliness for the design and construction of building works in the following manner:

- Protect the environment as an obligation to society.
- Include in our scope of works measures in pollution control, conservation of resource and waste reduction by recovery and recycling of used materials as far as practicable.
- Commit to comply with environmental legislation and regulations and other relevant requirements.
- Set out environmental objectives and targets, and review these objectives and targets to strive for continuous improvement.
- Provide training to staff to enhance environmental awareness for continuous improvement.
- Ensure our environmental policy is made available to the public and clearly communicated to all persons working for or on behalf of the Group.

The Group has a designated department to coordinate and implement environmental protection measures and objectives and address environmental issues. We carry out at our project sites a series of environmental management measures which cover planning, materials procurement, and various project procedures. Noise, dust, waste, energy, and carbon emissions are keys to environmental management. We have performed various mitigation measures to ensure that all our business activities strictly comply with laws and regulations.

## A. ENVIRONMENTAL (continued)

### A1. Emissions (continued)

The Group strictly complies with the relevant laws and regulations in Hong Kong, including but not limited to the Air Pollution Control Ordinance and the Noise Control Ordinance. During the Reporting Period, the Group is not aware of any material non-compliance of environmental laws and regulations relating to air and greenhouse gas (“GHG”) emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste that would have a significant adverse impact on the environment.

#### *Air Emissions*

The main source of emission is generated from the Group’s automobile exhaust gas. The exhaust gas generated by the Group includes nitrogen oxides (“NO<sub>x</sub>”), sulphur oxides (“SO<sub>x</sub>”) and particulate matter (“PM”). The Group has formulated relevant policies and implemented the following emission reduction measures with the aim to reduce emissions from the source:

- Reduce in-person meetings by advocating the utilisation of electronic online meetings.
- Take public transport during business trips under normal circumstances.
- Conduct regular vehicle inspections and maintenance to enhance vehicle efficiency.
- Educate the employees to turn off engines for idling vehicles.
- Choose local suppliers and contractors to reduce exhaust gas and GHG emissions resulting from transportation.

During the Reporting Period, the Group’s exhaust gas emissions performance was as follows:

Types of exhaust gas	Unit	FY2023
Nitrogen oxides (NO <sub>x</sub> )	kg	33.66
Sulphur oxides (SO <sub>x</sub> )	kg	0.07
Particular matter (PM)	kg	3.21

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A1. Emissions (continued)

#### GHG Emissions

The consumption of electricity at our office as well as the consumption of petrol and diesel for vehicles are the major sources of GHG emissions for the Group.

The Group's GHG emissions performance for the Reporting Period was as follows:

Indicators <sup>1</sup>	Unit	FY2023	FY2022
Direct GHG emissions (Scope 1) – Petrol and diesel consumption	tCO <sub>2</sub> e	11.52	17.12
Energy indirect GHG emissions (Scope 2) – Electricity consumption	tCO <sub>2</sub> e	27.40	32.40
Other indirect GHG emissions (Scope 3) – Paper waste disposal	tCO <sub>2</sub> e	17.28	8.76
Total GHG emissions	tCO <sub>2</sub> e	56.20	58.28
Total GHG emissions intensity <sup>2</sup>	tCO <sub>2</sub> e/employee	1.31	1.39

Remarks:

- GHG emissions data is presented in Tonnes of 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 2021” published by the Hong Kong Electric Investments Limited, the “2021 Sustainability Report” published by the CLP Power Hong Kong, and “Global Warming Potential Values” from the IPCC Fifth Assessment Report (AR5), 2014.
- As of 31 March 2023, the Group had a total of 43 full-time employees (2022: 42 full-time employees). The data is also used for calculating other intensity data.

To ensure the effectiveness of a reduction of the total GHG emission, the Group has set a target of reducing the total GHG emission intensity by 2025, using the Reporting Period as the baseline.

In order to achieve this target, the Group has adopted the following measures to mitigate the amount of direct GHG emissions from petrol and diesel consumption in our operations:

- Optimise operational procedure to increase the loading rate and reduce the idling rate of vehicles;
- Perform vehicle and equipment maintenance on a regular basis to prevent inefficient fuel consumption or abnormal operations; and
- Phase-out substandard vehicles, purchase regular diesel oil and gasoline for vehicles, and conduct inspections every year to ensure that the relevant emission standards are met.

## A. ENVIRONMENTAL (continued)

### A1. Emissions (continued)

#### *GHG Emissions (continued)*

By taking the above measures, employees' awareness of GHG emissions has been improved. Consumption of electricity is accounted as the major source of energy indirect GHG emissions (Scope 2). The Group has implemented measures as described under "Energy Management" in aspect A2 to reduce energy consumption, thereby minimising carbon footprint.

#### *Sewage Discharge*

Due to the Group's business nature, we do not consume a significant volume of water in our business activities, and therefore our business activities did not generate a material portion of discharges into water. The majority of the water supply and discharge facilities are provided and managed by the property management company.

#### *Waste Management*

The Group adheres to waste management principles and strives to properly manage and dispose of wastes produced by our business activities. The Group has formulated an "Environment and Waste Management plan". This plan helps to minimise potential adverse impacts associated with solid waste, chemical waste, general refuse and wastewater arising from the operation of the Group.

The various waste management options can be categorised in terms of preference from an environmental viewpoint as follows:

- Avoidance and minimisation (i.e. avoiding or not generating waste through changing or improving processes, practices and design).
- Reuse of materials, thus avoiding disposal (generally with only limited reprocessing).
- Recovery and recycling, thus avoiding disposal (although some form of reprocessing is usually unavoidable).
- Treatment and disposal, according to relevant laws, guidelines and good practice.

Our waste management practice has complied with the relevant laws and regulations relating to environmental protection.

#### *Non-hazardous waste*

The non-hazardous wastes generated by the Group's operations mainly consist of paper.

Indicators	Unit	2023	2022
Paper disposal	tonnes	3.60	1.83
Paper disposal intensity	tonnes/employee	0.084	0.044



# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A1. Emissions (continued)

#### *Non-hazardous waste (continued)*

During our business operation, we consume paper for drawing, printing out monitoring reports with photos and for tendering purposes. For FY2023, the Group's paper consumption included the use of paper rolls for technical drawing which was not included in FY2022. This explained why the use of paper increased during the Reporting Period. We understand that it is inevitable for our business to consume paper, therefore we continuously monitor the consumption volume of paper and encourage our staff to consider the necessity of paper documents before printing. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the waste to achieve the objectives of mitigating waste, reusing and recycling in its operations. The Group maintains a high standard in waste reduction, educates our employees on the significance of sustainable development and provides relevant support to the employees in order to enhance their skills and knowledge in sustainable development.

The Group has set a target of reducing the total non-hazardous waste intensity by 2025, using the Reporting Period as the baseline. In order to achieve this target, our office has implemented the following programs and activities to encourage the employees to participate in waste reduction management:

- Promote green information and electronic communication, such as e-mail and electronic workflows;
- Implement the enterprise resource planning ("ERP") system and encourage a paperless work environment;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-sided printing. Paper for single-side printing will only be adopted when handling official documents and confidential documents; and
- Recommend the use of recycled paper.

Moreover, the procurement and disposal of office stationery serve as another focus of our operational sustainability efforts. The office stationery has great hidden adverse environmental and social impacts arising from its production, use and disposal. We have launched the following measures to reduce its negative impacts:

- Maximise every stationary lifespan (such as plastic binding ring, paper clip, etc.) by searching for opportunities to reuse and refurbish them internally whenever feasible;
- Purchase reusable stationery whenever possible, such as refillable rollerball pens and correction type paper; and
- Avoid single-use disposable items.

## A. ENVIRONMENTAL (continued)

### A1. Emissions (continued)

#### *Hazardous waste*

As the Group is providing installation, repair and maintenance of fire services systems, it does not directly produce hazardous wastes (such as chemical wastes) during our operations. The Group has established guidelines under the “Environment and Waste Management Plan” which details the steps in governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group will use government waste disposal facilities, which complied with the relevant environmental regulations and rules. During the Reporting Period, the Group did not generate significant hazardous waste.

### A2. Use of Resources

The Group continues 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 our business operations. During our operation, fuel and electricity are consumed. The Group has established relevant policies and procedures governing the efficient use of resources to achieve higher energy efficiency and reduce the unnecessary use of resources.

#### *Energy Consumption*

Due to the business nature of the Group, our energy consumption is considered relatively low. As mentioned in A1 - Emissions, the Group has formulated policies and procedures relating to environmental management which includes energy management. Electricity consumption and fuel consumption account for a substantial part of the carbon emission for the Group.

The Group’s energy consumption performance is as follows:

Indicators	Unit	FY2023	FY2022
Direct energy consumption			
Unleaded Petrol	kWh	25,289	20,824
Diesel	kWh	18,282	44,387
Indirect energy consumption			
Purchased electricity	kWh	70,247	87,580
Total energy consumption	kWh	113,818	152,791
Total Energy consumption intensity	kWh/employee	2,647	3,638

The total energy consumption has decreased by 25.5% from approximately 152,791 kWh in 2022 to approximately 113,818 kWh in 2023.

To ensure the reduction of energy consumption, the Group has set a target of reducing the total energy consumption intensity by 2025, using the Reporting Period as the baseline.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A2. Use of Resources (continued)

#### *Energy Consumption (continued)*

On top of the diesel and petrol saving measures disclosed in aspect A1, the Group has also conducted the following measures to improve the energy efficiency performance, which include but not limited to:

- Encourage the employees to turn off idle equipment, computers and lighting, when not in use or after work hours;
- Monitor the energy usage on a monthly basis, along with investigating significant variance;
- Utilise natural light whenever possible;
- Adopt power-saving features for office equipment and computers; and
- Support the Energy Saving Charter in 2018 imposed by the Environment Bureau and the Electrical and Mechanical Services Department of The Government of Hong Kong Special Administrative Region, including taking the following measures:
  - Maintain an average indoor temperature between 24-26°C during the summer period;
  - Switch off electrical appliances when not in use; and
  - Procure energy-efficient appliances only upon replacement of old appliances or due to new business needs.

By adopting different energy conservation measures, the Group believes it has set a role model for corporate social responsibility. More importantly, the Group strives to reduce costs by reducing electricity consumption in the workplace in the long run.

#### *Water Consumption*

The Group does not consume a significant amount of water in its business activities due to its business nature. At the same time, since the water consumption of the Group's offices is included in the property management fee, the water consumption from our office is therefore not included in this ESG Report. Regardless of limited water consumption, we still promote behavioural changes at the office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind the employees of water conservation, which results in enhancing our employees' awareness of water conservation.

## A. ENVIRONMENTAL (continued)

### A2. Use of Resources (continued)

#### *Water Consumption (continued)*

Due to the Group's business nature and the fact that our operation is mainly based in Hong Kong, the issue of sourcing water that is fit for purpose is not relevant to the Group.

#### *Use of Packaging Materials*

Due to the Group's business nature, it does not consume a significant amount of packaging materials, and thus the use of packaging materials is immaterial.

### A3. The Environment and Natural Resources

The Group pursues the best practices in environment protection and focuses on the negative impact of the Group's businesses on the environment and natural resources. In addition to complying with the relevant environmental laws and regulations as well as preserving the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strives to promote environmental protection and makes effective use of resources. It will carry out continuous monitoring for business operations which may incur adverse impacts on the environment and will take action to minimise these adverse impacts. We promote green office by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we will adopt green purchasing strategies and the most practical technologies to protect our natural resources.

#### *Environmental Impact of Projects*

To control and mitigate the adverse environmental impacts of the projects in our operations, we have formulated a series of procedures to assess the environmental risks of these projects in accordance with the standard of the ISO 14001 environmental management system. Moreover, regular internal audits on the effectiveness and level of environmental management systems compliance are carried out. The potential environmental risks of the projects include, but are not limited to noise pollution and hazardous waste discharge. Relevant measures to mitigate the corresponding environmental risks of projects have been carried out in accordance with the relevant assessment procedures.

#### *Indoor Air Quality*

Indoor air quality in our workplace is regularly monitored and measured. By conducting regular cleaning of the air conditioning system, we managed to maintain good indoor air quality and filter out pollutants, contaminants and dust particles.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A4. Climate Change

The Group is aware of the threat posed by climate change and is actively doing its part by offsetting its carbon footprint. The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore closely monitors the potential negative impact of climate change on our business and operations and is committed to managing the potential climate-related risks which may adversely impact the Group's business activities.

In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks. The Group has implemented risk management exercises in identifying and mitigating climate-related risks.

#### *Physical Risks*

The increased frequency and severity of extreme weather events such as typhoons, storms, heavy rains, and extreme cold or heat bring acute and chronic physical risks to the Group's business. The Group's productivity will be reduced under extreme weather events as the safety of our employees is threatened and the power grid or communication infrastructures might be damaged, which will expose the Group to risks associated with non-performance and delayed performance, leading to a direct negative impact on the Group's revenue.

To minimise the potential risks and hazards, the Group has established mitigation plans, which include flexible work arrangements and precautionary measures during bad or extreme weather conditions. The Group will explore emergency plans to further reduce the vulnerability of our installations to extreme weather events to enhance business stability.

#### *Transition Risks*

To achieve the global vision of carbon neutrality, the Group expects the evolution of the regulatory, technological and market landscape due to climate change, including the tightening of national policies, the emergence of environmentally related taxes, and the shifting of customer preference to an eco-friendlier business operation.

In response to the policy and legal risks as well as the reputation risks, the Group constantly monitors any changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response. For instance, Hong Kong will launch a new three-tier warning system ("the Hong Kong Heat Index") from May 15, 2023, to reduce the risk of heatstroke among outdoor and indoor workers without air conditioning and working near heat sources. The Group will closely monitor and ensure our operations fully comply with the new regulations.

Besides the abovementioned risks, the Group encounters opportunities in the gradual growth of the market due to global climate change. Climate change is expected to further aggravate fire risk, especially in the summer. We noticed that there is an increase in the length of fire season and larger, more intense, and more frequent fires. The Group will continue to monitor the various negative impacts of climate change closely.

## B. SOCIAL

### B1. Employment

Employees are the largest and most valuable asset of the Group. Our excellence in human resources is our core competitive advantage. We have established relevant policies to fulfil our vision of people-oriented management to realise the full potential of our employees. Human resources managing procedures are formally documented in the Employee Handbook, covering resources planning, performance evaluation, training, recruitment, resignation, transfer, remuneration and welfare, etc. These procedures not only provide a standardised labour employment management, but also safeguard the legitimate interests of every employee. Besides, the Group endeavours to protect the employees' occupational health and safety. The Group strictly complies with the relevant laws and regulations in Hong Kong, including but not limited to the Employment Ordinance. During the Reporting Period, the Group is not aware of any material non-compliance with employment and labour practices-related laws and regulations that will have a significant adverse impact on the Group.

#### *Recruitment, Promotion and Remuneration*

The Group hires employees through open recruitment. In the recruitment process, it standardises the hiring procedures and recruitment principles, adheres to the hiring principles of morality, knowledge, ability, experience and fitness applicable to job positions as well as the principles of fairness, openness and justice, so as to continuously attract, employ and develop talents with a consistent and flexible personnel policy. Employees of the Group are remunerated at a competitive level and are rewarded according to their performance and experience. Remuneration packages include holidays, annual leave, a medical scheme, a mandatory provident fund and a discretionary bonus. The promotion of the Group's employees is subject to review annually. The Group has established objective performance indicators for annual performance evaluation. The supervisor will discuss with the employee in his/her performance in facilitating effective 2-way communication for advancement. Based on the evaluation result, we will offer rewards to the employees in encouraging continuous improvement.

#### *Equal Opportunity and Anti-discrimination*

The Group is dedicated to providing equal opportunities in all aspects of our employment and maintaining a workplace that is 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's Staff Handbook outlines the terms and conditions of employment, the expectation for employees' conduct and behaviours, and employees' rights and benefits. We have established and implemented policies that promote a harmonious and respectful workplace. With the aim of ensuring fair and equal protection for all employees, the Group has zero tolerance for sexual harassment or abuse in the workplace in any form.

#### *Compensation and Dismissal*

The Group actively recruits and attracts talents and provides fair and competitive compensation. Employees' salaries and year-end bonuses are determined based on factors such as qualifications, work performance, performance appraisal results and market trends. In addition, the Group is committed to providing different career development pathways for its employees.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B1. Employment (continued)

#### *Compensation and Dismissal (continued)*

The Group has no tolerance for unfair dismissals and makes sure the dismissal procedure is fair and open. The Group has formulated and stated the procedures and conditions of dismissal and contract termination in the Employee Handbook. There is also a list of handover tasks to ensure the seamless transition of job duties of departing employees.

As of 31 March 2023, the Group's employee size breakdown was as below:

	2023
Total number of employees	43
By Gender	
Male	34
Female	9
By Age	
Below 30	15
30-50	19
Above 50	9
By Geographic Area	
Hong Kong	43
By Employment Type	
Full-time	43
Part-time	-

During the Reporting Period, the Group recorded a turnover rate of 35%. The table below shows the employee turnover rate breakdown by gender, age group and geographical region:

	Employee Turnover rate (%)
Gender	
Male	29%
Female	56%
Age group	
Below 30	53%
30-50	21%
Above 50	33%
Region	
Hong Kong	35%

B. SOCIAL (continued)  
 B2. Health and Safety

As the core business of the Group is the installation of the fire safety system, providing a safe, effective and pleasant work environment for the employees is the Group's foremost concern. To maintain a safe work environment, the Group has established safety policies and relevant procedures for the prevention and remediation of safety accidents in projects. Our occupational health and safety management system has been implemented in compliance with the requirements of ISO 45001 international standards. The Group follows the occupational health and safety guidelines recommended by the Labour Department of the Hong Kong SAR Government and regularly encourages the employees to attend relevant workshops or training courses. The Human Resources Department also takes responsibility for occupational health and safety and relevant promotions and monitoring. The Group strictly complies with the relevant laws and regulations in Hong Kong, which include but are not limited to the Occupational Safety and Health Ordinance. During the Reporting Period, the Group is not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant adverse impact on the Group.

No work-related fatalities happened during the past 3 consecutive years.

	Unit	FY2023	FY2022	FY2021
Fatalities due to work	Cases	0	0	0

		FY2023
Work Injury cases	Case(s)	1
Lost days due to work injury	Days	14
Work Injury Rate	%	2.3%

Note: work injury rate is calculated by no. of work related injury cases recorded/number of Employees x 100%

*Safety Risks of Projects*

For the purpose of controlling and mitigating the safety risks of the projects in our operations, we have formulated a series of procedures to assess the environmental risks of the projects in accordance with the standard of ISO 45001 occupational health and safety management system. Moreover, regular internal audits on the effectiveness and the level of compliance of occupational health and safety management system are carried out. The potential safety risks of the projects include, but are not limited to aloft work, etc. Relevant measures to mitigate the corresponding environmental risks of the projects have been carried out in accordance with the relevant assessment procedures. For example, different types of protective equipment are provided in accordance with the conditions of the projects.



# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B2. Health and Safety (continued)

#### *Safety Training*

Employees must attend the training courses organised by the Group on occupational safety and environmental control. Emergency and evacuation procedures have been established for the employees to respond to major safety accidents timely and orderly. Employees are also free to provide feedback on improving workplace safety.

#### *COVID-19 Preventive Measures*

In view of the outbreak of COVID-19 in early 2020, the Group has taken proactive measures to safeguard the health and safety of its employees and business partners and has complied with public health measures implemented by the Hong Kong SAR Government. The Group is highly conscious of the potential health and safety impacts brought to its staff, and actively encourages staff who are sick to stay at home. Apart from increasing the frequency of sanitisation of its office and worksites to ensure a healthy and safe work environment, precautionary measures such as temperature screening before entering the office and work sites and ensuring sufficient disinfection supplies such as face masks and hand sanitisers are provided.

### B3. Development and Training

The Group regards its staff as the most important asset and resource. The Group recognises the valuable contribution its talents made to the continuing success of the Group. The Group is committed to inspiring its human resources toward delivering excellence.

To facilitate the Group's staff in meeting the demands of new buildings and Fire service Installation (FSI) works in existing buildings and premises, our staff have participated in a series of technical seminars entitled "FSD Connects with the Construction Industry". Our staff has studied the procedures, implementation, and sharing knowledge on the FSI Acceptance inspection by Fire Service Department (FSD). This promotes our service quality and keeps our employees in pace with the latest industry trends.

It is important for our staff to keep themselves abreast of emerging technologies and new equipment in fire services installation and engineering. The Group encouraged the senior management to attend the "Seminar on the Latest Regulatory Updates for Quality Corporate Governance for Registered Subcontractors" held by the Construction Industry Council during the Reporting Period. This seminar allowed our staff to exchange the latest ideas and technologies updates in the market.

#### *On-the-job Training Provided by External Consultant Engineer*

The Group has hired an external consultant engineer with over 30 years of experience, who is a member of the Society of Fire Protection Engineer, to conduct training for our in-house staff. Weekly fire services knowledge and theory classes are held by this consultant engineer to strengthen our employees' professional technical skills and to help them keep up with the latest updates and knowledge of modern technology in fire services installation. This consultant engineer also reviews the design drawings and drawings of our projects and provides technical support to our site installation work. With the support of this well-experienced consultant engineer, we have nurtured skilful and professional engineers for the Group with the aim of providing better service to our customers.

## B. SOCIAL (continued)

### B3. Development and Training (continued)

#### *Subsidy on Continuous Learning*

Continuous learning is important for our staff. Staff who possesses enriching knowledge is a valuable asset to the Group. We, therefore, encourage our staff to take job-related or industry-related courses for continuous learning. We support them by providing tuition fee subsidies and allowing flexible working hours to facilitate learning.

During the Reporting Period, the Group achieved 100% overall training rate and a total training hour of 148 hours. The table below shows the employee training data by gender and employee category:

	<b>Percentage of employees trained (%)</b>	<b>Average training hours (hours)</b>
Gender		
Male	100%	2.69
Female	100%	6.28
Employee Category		
Senior Management	100%	9.50
Supervisor	100%	1.00
General Staff	100%	2.64

Note: Employee training rate is calculated by the number of employees trained during the Reporting Year/number of employees as of 31 March 2023. The number of employees trained included employees who left the Company during the Reporting Year.

### B4. Labour Standards

#### *Prevention of Child Labour or Forced Labour*

The Group respects human rights and strictly prohibits the use of child labour or forced labour in our operations. We have taken the following measures to avoid child and forced labour.

Prevention of child labour	During the recruitment process, the Human Resources Department will verify the applicant's identity documents to ensure that they have reached the minimum age (18 years old or above) for employment.
Prohibition of forced labour	The Group specifies overtime compensation provisions in the Employee Handbook. The Group carefully monitors the employee working time and working schedule to ensure they work voluntarily and freely.

In case any child or forced labour is discovered, the Group will terminate the employment of the identified child or forced labour immediately. An investigation will be carried out subsequently to find out the reasons and revise the employment management practices whenever possible to plug the loophole.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B4. Labour Standards (continued)

#### *Prevention of Child Labour or Forced Labour (continued)*

During the Reporting Period, the Group is not aware of any material non-compliance with child and forced labour-related laws and regulations which include but are not limited to the Employment Ordinance of Hong Kong.

### B5. Supply Chain Management

#### *Supply Chain and Subcontractor Management*

In order to ensure that our suppliers and subcontractors have met customers' and our requirements regarding quality, service level and environmental and safety standards, we have formulated a standardised and stringent procedure for selecting suppliers and subcontractors.

Suppliers' and subcontractors' overall performances are considered as the selection criteria for establishing a long-term relationship. Our project directors maintain an approved list of suppliers and subcontractors. Annual assessments on our suppliers and subcontractors are carried out by our project directors and the managing director. The assessment will be based on the overall project efficiency and the degree of compliance. The materials purchased from the suppliers and works performed by the subcontractors will be checked and monitored on a regular basis. The Group keeps records of violations or non-compliance of the suppliers and the subcontractors for future assessments. The suppliers or subcontractors may be suspended or removed from the approved list if they fail to fulfil our standards. The termination of supplier relationships may also occur when there is a substantial violation of environmental and labour laws and regulations. The performance of the suppliers is regularly examined.

#### *Fair and Open Tendering*

We have also formulated procedures to ensure that the suppliers and subcontractors participate in competitions in an open and fair way. The Group does not give biased or discriminated treatment to the suppliers and the subcontractors. We strictly monitor and prevent all kinds of business bribery. The Group treats all suppliers on an equal footing and ensures that the laid down contract specifications will not create unnecessary obstacles to tenderers. Besides, the Group ensures that all potential tenderers are given the same information for them to prepare their bids. If there is any potential conflict of interest among our employees, they should report to management immediately.

#### *Green Sourcing*

The Group is aware of the environmental and social practices of the suppliers and tries to engage suppliers with responsible acts toward the environment and society in view of green sourcing. The Group is committed to selecting environmentally friendly products with competitive prices and good quality, in order to safeguard end-users' health and safety, prevent pollution and use natural resources effectively. The Group requires all its departments to consider environmental factors and search for products with higher recycled content, greater durability or greater water and energy efficiency.

## B. SOCIAL (continued)

### B5. Supply Chain Management (continued)

#### *Green Sourcing (continued)*

During the procurement process, the Group prioritises local suppliers and environmentally friendly products and services. We hope to reduce the carbon footprint caused by procurement via local procurement which helps to support local economic development and to create employment opportunities for local communities. The Group's suppliers are 100% located in Hong Kong. In addition to environmental factors, the Group also adopts measures to monitor its suppliers or contractors to ensure that they comply with relevant environmental and social laws and regulations or meet other standards in terms of health, safety, forced labour and child labour.

#### Suppliers Distribution By Geographic Region

<b>Location</b>	<b>No. of Suppliers</b>
Hong Kong	244
Mainland China	0
Others	0

### B6. Product Responsibility

Achieving and maintaining high-quality standards for projects are of utmost importance for the sustainable growth of enterprises. The Group closely monitors our work to ensure we deliver high-quality services to our customers with good satisfaction levels. We welcome our customer's feedback as it is important for us to improve and excel.

During the Reporting Period, the Group is not aware of any incidents of non-compliance with related laws and regulations which regulate health and safety, advertising, labelling and privacy matters.

#### *Quality Assurance*

The Group has formulated a Quality Assurance Policy. This Policy is relevant to the Group's goals and the expectation and needs of our customer. To ensure our goals can be achieved, the Group has also established a quality management system in accordance with the requirements of ISO 9001, ISO 45001 and ISO 14001 to develop a sustainable performance-oriented culture to pursue continuous improvement on quality. The Group has formulated an ISO Quality Manual, In this Manual, process control procedures have been included to ensure that our works meet the contractual specification and the environmental, health and safety requirements. To pursue further improvement, our quality management system is reviewed at least annually by the management.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B6. Product Responsibility (continued)

#### *Quality Assurance (continued)*

To ensure our work complies with the required standards, we normally assign a project coordinator on a full-time basis for each project site to monitor the quality of work done by our staff at the front line. The project team generally makes daily visits to the project sites and is responsible to monitor the quality and the progress of works to ensure that works are completed according to schedule.

During the Reporting Period, the Group is not aware of any cases where products sold or shipped are subject to recalls for safety and health reasons, and no major complaints about products and services have been received.

#### *Complaint and Accident Handling*

The Group has formulated a Complaint/Accident Handling Procedure in accordance to the ISO 9001, ISO 45001 and ISO 14001 to ensure that any complaints and comments to the Group are effectively handled. The persons in charge of the procedure are responsible to handle any complaints and accidents. After receiving a complaint, the Group will first communicate with the complainant to collect the relevant information and evidence to investigate the complaint or the accident and set the time limit for the reply at the same time. After the investigation, we will inform the complainant of the result of our investigation and carry out corrective actions if any problems are found. No significant complaint cases have been reported during the Reporting Period.

#### *Protection of Consumers' Information and Privacy*

In respect of customer personal data and confidential documents, the Group handles them strictly following the guidance of the Office of the Privacy Commissioner for Personal Data of Hong Kong. During the Reporting Period, the Group did not receive any significant complaints regarding the breach of customer's privacy.

#### *Protection of Intellectual Property Rights*

Intellectual Property Rights promote innovation and creativity, helping the society to increase its competitiveness and to improve the well-being of human beings. The Group respects the Intellectual Property Rights and formulated procedures and guidelines to ensure our operations at all levels in the fight against intellectual property infringement.

#### *Advertising and Labelling*

The Group encourages the use of good promotion practices, and prohibits our advertisements from publishing descriptions, claims or illustrations that are untrue. In accordance with the relevant legislation and code of practices, the Group has organised sales and promotion campaigns that are truthful, fair and reasonable, and free of misleading elements for the protection of the consumers' interests.

## B. SOCIAL (continued)

### B7. Anti-corruption

The Group strives to achieve high standards of ethics in our business operations. Fraudulent events such as corruption, bribery and collusion are strictly prohibited. Employees should comply with the rules stated in the Staff Handbook in performing business activities, and they should report to the management if they suspect any professional misconduct.

The Group has zero tolerance for corruption. The Group has set up strict internal control systems governing anti-corruption. Regulations have been formulated and all our employees must comply with it, including but not limited to:

- All Directors and employees should avoid conflicts between personal interests and their professional functions;
- Employees shall declare any conflicts of interest to the Group's Human Resources Department;
- Neither the Directors nor the employees shall personally obtain benefits from or provide benefits to the customers, contractors, suppliers or persons with business relations with the Group; and
- Employees are strictly prohibited from using their powers to influence the Group's decisions and actions or accessing to the Group's assets and information for private or personal benefits.

During the Reporting Period, the Group is not aware of any material non-compliance with the relevant laws and regulations which regulate bribery, extortion, fraud and money laundering, including but not limited to the Prevention of Bribery Ordinance of Hong Kong.

There are no concluded legal cases regarding corrupt practices brought against the Group or its employees during the Reporting Period.

#### *Whistle-blowing Mechanism*

The Group has adopted a Whistle-blowing Policy and procedures for all levels and operations. Staff can raise concerns, in confidence, about possible improprieties such as misconduct and malpractice in any matter related to the Group. These Policy and procedures can be found in the Staff Handbook. Reports and complaints received will be handled in a prompt and fair manner. Such Policy also aims at protecting whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions.

#### *Anti-corruption Training*

Anti-corruption-related trainings are conducted annually. During the Reporting Period, all of the employees and the Directors have received anti-corruption training and have spent approximately 1 hour studying the relevant materials. The awareness of the anti-corruption of the Group has been enhanced.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B8. Community Investment

Community Investment is an essential part of the Group's strategic development. The Group is committed to supporting the community by means of social participation and contribution. Our goal is to nurture the corporate culture and practices of a corporate citizen in our daily operations.

Our area of contribution is to support the underprivileged to improve their quality of life. We also focus to inspire our employees toward social welfare concerns. We believe that through participating in activities that contribute to the welfare of the community, our staff could build positive value and become socially responsible citizens.

During the Reporting Period, the Group has sponsored 50 children by donating HK\$75,000 to the "Po Leung Kuk Child Sponsorship Programme" to show our care and support to the local teenagers. "Child Sponsorship Programme" is a fix-amount donation programme. It aims to develop and enhance the services to be provided to children, youth and families, and also to facilitate the children in experiencing the concern and love of the community.

Moreover, the Group has donated HK\$60,000 to support the special education needs ("SEN") services provided by The Boys' & Girls' Clubs Association of Hong Kong which aims to help children with special learning needs, autistic children, grassroots families or families with financial difficulties due to the impact of the epidemic.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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



# Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/ Declaration
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity.	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of Packaging Materials
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Physical risks, Transitional risks

**Subject Areas, Aspects,  
General Disclosures  
and KPIs**

**Description**

**Section/  
Declaration**

**Aspect B1: Employment**

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
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KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
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KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
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**Aspect B2: Health and Safety**

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
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KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Period.	Health and Safety
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KPI B2.2	Lost days due to work injury.	Health and Safety
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KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety – Safety Training
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# Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/ Declaration
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category.	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management – Fair and Open Tendering
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Green Sourcing
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Green Sourcing

**Subject Areas, Aspects,  
General Disclosures  
and KPIs**

**Description**

**Section/  
Declaration**

**Aspect B6: Product Responsibility**

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Quality Assurance
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility – Complaint and Accident Handling
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Protection of Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Protection of Consumers’ Information and Privacy

# Environmental, Social and Governance Report

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

# Biographical Details of Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. FOK Hau Fai (霍厚輝)**, aged 52, was appointed as our Director on 7 July 2016 and was redesignated as an Executive Director and appointed as the Chairman, Chief Executive Officer and Compliance Officer of our Company on 3 September 2016. He is the Chairman of the Nomination Committee and a member of the ESG Committee.

Mr. Fok has over 25 years of experience in the fire safety service industry and is the founder of our Group. He is responsible for our overall strategic planning, business development and operational management.

Mr. Fok obtained a Diploma in Mechanical Engineering (Computer-aided Engineering) from the Vocational Training Council in August 1992. He subsequently obtained a Higher Certificate in Building Services Engineering and a Bachelor's Degree in Building Services Engineering (Fire Engineering) from The Hong Kong Polytechnic University in November 1996 and November 2001 respectively.

**Mr. SUNG Sing Yan (宋聖恩)**, aged 62, was appointed as our Executive Director on 3 September 2016. He is a member of the Remuneration Committee and the Risk and Technical Committee.

Mr. Sung has over 30 years of experience in the fire safety service industry and has been the general manager of Kin Ying Contracting Limited since August 2005. He is in charge of the Repairs and Maintenance Department of the Group where he is responsible for its daily operational management.

### Independent Non-executive Directors

**Mr. HUNG Kin Sang (熊健生)**, aged 51, was appointed as our Independent Non-executive Director on 22 September 2017. He is the Chairman of the Remuneration Committee and the ESG Committee; and also a member of each of the Audit Committee and the Nomination Committee.

Mr. Hung has over 20 years of sales and marketing experience and is currently a sales and marketing director of the Hong Kong subsidiary of a Swiss-based company specialising in the manufacture and sales of watch movements.

Mr. Hung obtained a Bachelor's Degree in Business Studies from the City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) in November 1993.

## Biographical Details of Directors and Senior Management

**Mr. LEE Yin Sing (李彥昇)**, aged 43, was appointed as our Independent Non-executive Director on 22 September 2017. He is the Chairman of the Audit Committee and a member of the Nomination Committee.

Mr. Lee has over 13 years of experience in financial control, accounting and corporate governance practices and procedures in Hong Kong and is currently the chief financial officer and company secretary of Greatime International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 844).

Mr. Lee obtained a Bachelor's Degree in Accountancy from the City University of Hong Kong in November 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since April 2008.

**Mr. WAN Chun Kwan (溫雋軍)**, aged 47, was appointed as our Independent Non-executive Director on 22 September 2017. He is the Chairman of the Risk and Technical Committee and a member of each of the Audit Committee and Remuneration Committee.

Mr. Wan has over 20 years of experience in the engineering industry. Mr. Wan obtained a Bachelor's Degree in Building Services Engineering (Fire Engineering) and a Master's Degree in Project Management from The Hong Kong Polytechnic University in November 2001 and November 2010 respectively. Mr. Wan is currently a member of the Hong Kong Institution of Engineers.

## SENIOR MANAGEMENT

The following are the senior management team of the Group:

**Mr. CHEUNG Tsz Wing (張子榮)**, aged 46, joined our Group in April 2008 and is our assistant project manager.

Mr. Cheung has over 17 years of experience in the engineering industry and is responsible for assisting our Directors on the daily operation of our Repair and Maintenance Department, he is responsible for liaising with customers for work schedule, materials procurement and engagement with subcontractors. He also oversees the safety measure and quality control of our fire safety system installation services.

Mr. Cheung obtained (i) a Diploma in Mechanical Engineering (Computer-aided Engineering) from the Vocational Training Council in July 1997; (ii) a Higher Certificate in Mechanical Engineering from the Hong Kong Technical Colleges in July 2000; and (iii) a Higher Diploma in Management of Building Services Engineering from the Vocational Training Council in July 2007.

**Mr. CHIANG Hsien Kuo (姜先國)**, aged 46, joined our Group in June 2009 and is our assistant project manager.

Mr. Chiang had over 17 years of experience in the engineering industry and is responsible for assisting our project director on the daily operation of the Group, including preparation of tenders, managing and supervision of our fire safety system installation services.

Mr. Chiang obtained a Higher Diploma in Mechanical Engineering from the Vocational Training Council in July 2002 and a Bachelor of Engineering Degree in Mechanical Engineering from The Hong Kong Polytechnic University in December 2007.

**Ms. WOO Ka Yee (胡嘉兒)**, aged 38, has been the financial controller and the Company Secretary of our Group since September 2021.

Ms. Woo has over 13 years of experience in financial control and accounting practices in Hong Kong and is primarily responsible for the financial reporting, financial planning, internal control and corporate secretarial practices and procedures of our Group.

Ms. Woo obtained a Bachelor's Degree of Business Administration (Honours) in Business Economics from the City University of Hong Kong in July 2009. She has registered as a member of the Hong Kong Institute of Certified Public Accountants since March 2013.



# Report of Directors

The Directors are pleased to present their annual report and audited consolidated financial statements for the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2023.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of fire safety services in Hong Kong. A list of the subsidiaries of the Company and details of their principal activities are set out in note 35 to the consolidated financial statements of this annual report. There were no significant changes to the Group’s principal activities during the year.

For discussion and analysis of our principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”), including a fair review of business, discussion of the principal risks and uncertainties facing by the Group, its key relationship with employees, customers, suppliers and subcontractors, an indication of likely future developments in the Group’s business and an analysis of the Group’s performance during the year using financial key performance indicators, can be found in sections headed “Management Discussion and Analysis” set out on pages 4 to 9 of this annual report and the discussion of its environmental policies and performance, can be found in section headed “Environmental, Social and Governance Report” set out on pages 24 to 52 of this annual report.

## COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

For the year ended 31 March 2023, the Group’s operations are carried out in Hong Kong. Hence, the Group must comply with relevant laws and regulations in Hong Kong and the respective places of incorporation of the Company and its subsidiaries. During the year and up to the date of this annual report, the Board is not aware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 71 of this annual report.

The Board did not recommend the payment of final dividend of the Company for the year ended 31 March 2023 to the Shareholders.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 130 of this annual report. This summary does not form part of the audited consolidated financial statements.

## PROPERTY AND EQUIPMENT

Details of the movements during the year ended 31 March 2023 in the property and equipment of the Group are set out in note 13 to the consolidated financial statements of this annual report.

## SHARE CAPITAL

Details of movements during the year ended 31 March 2023 in the share capital of the Company are set out in note 25 to the consolidated financial statements of this annual report.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 22 September 2017. The purpose of the Share Option Scheme is to enable the Group to grant options to the Eligible Persons (as defined in the Prospectus of the Company) as rewards or incentives for their contribution to the Group.

The Board may, at its absolute discretion, offer an option to the Eligible Persons to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 60,000,000 shares of the Company, being 10% of the total number of shares in issue at the time dealings in the shares first commence on the Stock Exchange and there was no change in the total number of shares of the Company available for issue under the Share Option Scheme and the percentage of the issued share capital that it represented as at the date of this report.

The total number of shares of the Company issued and to be issued upon exercise of the options granted to or to be granted to each Participant (as defined in the Prospectus of the Company) under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue. The Share Option Scheme will remain in force for a period of 10 years. Under the Share Option Scheme, each option has a 10-year exercise period unless otherwise determined by the Board.

The exercise price for the shares of the Company subject to Share Option Scheme will be a price determined by the Board and notified to each Participant and shall be the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the share options, which must be a trading day of the Stock Exchange; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the five trading days of the Stock Exchange immediately preceding the date of grant of the share options; and (iii) the nominal value of a share of the Company.

No share option has been granted, exercised, expired, cancelled or lapsed pursuant to the Share Option Scheme since its adoption by the Company and up to 31 March 2023.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and the consolidated statement of changes in equity on page 73 of this annual report, respectively.

As at 31 March 2023, the Company’s reserve available for distribution to the shareholders, calculated in accordance with the Companies Act of the Cayman Islands amounted to approximately HK\$66,951,000.

## EQUITY LINKED AGREEMENT

Save and except for the Share Option Scheme as disclosed in the paragraph headed “SHARE OPTION SCHEME” above, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company enter into any agreement that will or may result in the Company issuing shares, was entered into by the Company during the year ended 31 March 2023 or subsisted at the end of the year.

# Report of Directors

## MAJOR CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

In the year under review, the Group's five largest customers accounted for approximately 54.9% (2022: 22.2%) of the Group's total revenue. The Group's largest customer accounted for approximately 22.3% (2022: 5.0%) of the Group's total revenue.

In the year under review, the Group's five largest suppliers accounted for approximately 9.3% (2022: 9.1%) of the Group's total direct costs. The Group's largest supplier accounted for approximately 4.1% (2022: 3.3%) of the Group's total direct costs.

In the year under review, the Group's five largest sub-contractors accounted for approximately 33.3% (2022: 22.5%) of the Group's total direct costs. The Group's largest sub-contractor accounted for approximately 8.9% (2022: 7.9%) of the Group's total direct costs.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers, five largest suppliers or five largest sub-contractors during the year ended 31 March 2023.

## RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2023 are set out in note 26 to the consolidated financial statements of this annual report. Such related party transactions do not fall under the definition of connected transactions or continuing connected transaction under Chapter 14A of the Listing Rules.

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year, the Group has not entered into any connected transactions or continuing connected transactions that are not exempted under the Listing Rules.

## DIRECTORS

The Directors during the year ended 31 March 2023 and up to the date of this annual report were:

### Executive Directors

Mr. Fok Hau Fai (*Chairman and Chief Executive Officer*)

Mr. Sung Sing Yan

### Independent Non-executive Directors

Mr. Hung Kin Sang

Mr. Lee Yin Sing

Mr. Wan Chun Kwan

Information regarding Directors' emoluments is set out in note 7 to the consolidated financial statements of this annual report.

In accordance with Articles 108(a) of the Company's Articles of Association, at each annual general meeting, one-third of the Directors shall retire from office by rotation. A retiring Director shall be eligible for the re-election, the Directors will retire by rotation and be eligible to offer themselves for re-election at an annual general meeting at least once every three years.

An annual confirmation of independence pursuant to the requirements under Rule 3.13 the Listing Rules has been received from each of the INEDs.

#### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

The biographical details of the Directors and senior management are set out on pages 53 to 55 of this annual report.

#### **DIRECTORS' SERVICES CONTRACTS**

Each of the Executive Directors has entered into a service agreement with Company for a term of three years commencing from 22 September 2020 and will continue thereafter unless and until (i) the service agreement is terminated by the Company or by the Director or (ii) the Director has not been re-elected as a Director of the Company or (iii) the Director has been removed by shareholders of the Company at any of its general meeting or (iv) the Director is disqualified from acting as a Director of the Company in accordance with the articles of association of the Company. Each INED was appointed under a letter of appointment for a fixed term of three years commencing from 22 September 2020 unless terminated by the Company or the Director in accordance with the terms as set out in the letter of appointment.

Save as disclosed above, none of the Directors proposed for re-election at the 2023 AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

# Report of Directors

## DISCLOSURE OF INTERESTS

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

As at 31 March 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest or short positions which any such Director or chief executive was taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the shares

Name of Director	Nature of Interest	Number of the Shares held/ interested in	Percentage of Shareholding
Mr. Fok (Note)	Interest in a controlled corporation	427,500,000	71.25%

Note: These shares are registered in the name of Foxfire Limited ("Foxfire"), a Company which is wholly owned by Mr. Fok. Under the SFO, Mr. Fok is deemed to be interested in all the shares registered in the name of Foxfire.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Nature of Interest	Number of the Shares held/ interested in	Percentage of Shareholding
Mr. Fok	Foxfire	Beneficial owner	1	100%

Save as disclosed above, as at 31 March 2023, none of the Directors nor chief executives of the Company has registered any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules.

## B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

So far as the Directors are aware, as at 31 March 2023, the following persons (other than the Directors or chief executives of the Company) or companies interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO and the Listing Rules:

Name of Shareholder	Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Foxfire (Note)	Beneficial owner	427,500,000	Long position	71.25%

Note: These Shares are in duplicate the interest held by Mr. Fok as set out above.

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares, underlying Shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme adopted on 22 September 2017, during the year ended 31 March 2023, the Company or any of its subsidiaries was not a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

As at 31 March 2023, none of the Directors or chief executives of the Company held any share options of the company.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Prospectus and elsewhere in this annual report, there was no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2023.

## CONTROLLING SHAREHOLDERS' INTERESTS

Save as disclosed in this annual report, there were no contract of significance between the Company or any of its subsidiaries and any controlling Shareholder or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

# Report of Directors

## EMOLUMENTS OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of Directors and the five highest paid individuals of the Group are set out in note 7 to the consolidated financial statements in this annual report.

## EMOLUMENT POLICY

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for making recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group. The remunerations of the Directors are determined by reference to the Group's operating results, comparable market statistics, the responsibilities and duties assumed by each Director as well as their individual performance.

## COMPETING INTERESTS

The Directors are not aware of any business or interest of Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during the year ended 31 March 2023.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 March 2023 and up to date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## PERMITTED INDEMNITY PROVISIONS

Every Director shall be entitled under the Company's Articles to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him or her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour, or in which he or she is acquitted. Such provision was in force since the adoption of the Articles on 25 October 2017 (the "Listing Date") and remains in force as at the date of this annual report.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors.

## SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on the information that is publicly available to the Company, not less than 25% of the Company's issued capital are held by public as at the date of this annual report.

## AUDITOR

The consolidated financial statements for the year ended 31 March 2023 have been audited by Moore Stephens CPA Limited ("Moore"). Moore shall retire in the 2023 AGM and, being eligible, offer themselves for re-appointment. The re-appointment of Moore has been recommended by the Audit Committee. A resolution for the re-appointment of Moore as Auditor of the Company will be proposed at the 2023 AGM.

The Audit Committee has reviewed the audited results of the Group for the year ended 31 March 2023.

## CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed “Corporate Governance Report” on pages 10 to 23 of this annual report.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands which oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## MANAGEMENT CONTRACTS

No contracts concerning management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 March 2023.

## NON-COMPETITION UNDERTAKING

The Controlling Shareholders have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a Deed of Non-competition dated 22 September 2017. The Independent Non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the Controlling Shareholders and duly enforced since the Listing Date and up to the date of this annual report.

## CHARITABLE DONATIONS

During the year ended 31 March 2023, charitable donations of approximately HK\$135,000 were made by the Group (2022: HK\$82,000).

## TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

## EVENT AFTER THE REPORTING PERIOD

There are no significant events which have taken place subsequent to the end of the year ended 31 March 2023.

## CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 11 September 2023 to Friday, 15 September 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. Shareholders of the Company are reminded to ensure all properly executed transfer forms accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Company’s branch share registrar in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 8 September 2023.

On behalf of the Board  
**Lumina Group Limited**  
**Fok Hau Fai**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 June 2023



# Independent Auditor's Report



## Moore Stephens CPA Limited

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## TO THE SHAREHOLDERS OF LUMINA GROUP LIMITED

*(Incorporated in the Cayman Islands as an exempted company with limited liability)*

### OPINION

We have audited the consolidated financial statements of Lumina Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 71 to 129, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS (continued)

### Key audit matter

### How our audit addressed the key audit matter

#### *Revenue and costs recognition for the fire safety system installation services contracts*

We identified contract revenue and contract costs as a key audit matter due to significant management judgment involved in estimating contract revenue and contract costs.

The Group recognised contract revenue and contract costs using the input method, which was to recognise revenue based on the proportion of actual costs incurred relative to the estimated total costs in fulfilling the relevant performance obligations.

As set out in notes 3 and 4 to the consolidated financial statements, management is required to exercise significant judgment 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 Group estimated total budgeted costs, which mainly comprised estimated subcontracting charges, cost of materials and cost of direct labour. These costs were based on contracts/quotations from time to time provided by the major subcontractors/suppliers/vendors and the experience of management of the Group, which involved management's best estimates and judgments. The actual outcome of the contract in terms of its total revenue and costs may be different from the estimates and this would affect the revenue and profit to be recognised.

Our procedures in relation to revenue and costs recognition for the fire safety system installation services contracts included:

- (a) Evaluating the Group's estimation of revenue and profit recognised from the provision of fire safety system installation services, on a sample basis, by:
  - obtaining and 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;
  - discussing with project managers to evaluate the estimated total contract costs and inspected the budget by matching against contracts and/or latest cost quotations provided by major subcontractors/suppliers/vendors, on a sample basis;
  - assessing the reasonableness of the total estimated contract costs of significant projects by checking against quotations, agreements or other correspondences provided by subcontractors or suppliers, on a sample basis;

# Independent Auditor's Report

## KEY AUDIT MATTERS (continued)

### Key audit matter

### How our audit addressed the key audit matter

#### *Revenue and costs recognition for the fire safety system installation services contracts (continued)*

- evaluating the reasonableness of the estimated profit margins of significant projects, on a sample basis, taking into account of the complexity and duration of the projects and margins of similar completed projects;
  - examining the accuracy of costs incurred to date and stage of completion by checking the certificates or invoices issued by the subcontractors or suppliers, on a sample basis;
  - checking the existence and valuation of variations to correspondences with customers; and
  - testing the calculations of contract revenue based on the proportion of actual costs incurred.
- (b) Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; and
- (c) 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.

## KEY AUDIT MATTERS (continued)

### Key audit matter

### How our audit addressed the key audit matter

#### *Impairment assessment of trade receivables and contract assets*

We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated financial position and the involvement of subjective judgment and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period.

As at 31 March 2023, the Group's net trade receivables and contract assets amounting to HK\$8,516,000 and HK\$49,443,000 respectively. As disclosed in note 29 to the consolidated financial statements, the Group's lifetime ECL on trade receivables and contract assets amounted to HK\$4,511,000 and HK\$13,494,000 respectively, as at 31 March 2023.

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

- Obtaining an understanding of how management estimates the loss allowance for trade receivables and contract assets;
- Testing the integrity of information used by management to develop the ECL assessment, including aging analysis of trade receivables as at 31 March 2023, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices;
- Evaluating the competence, capabilities and objectivity of the external valuation specialists appointed by management of the Group;
- Challenging management's basis and judgment in determining loss allowance on trade receivables and contract assets as at 31 March 2023, including their identification of credit-impaired trade receivables and contract assets and the basis of estimated loss rates applied (with reference to historical default rates and forward-looking information); and
- Evaluating the disclosures regarding the impairment assessment of trade receivables and contract assets in the notes to the consolidated financial statements.

# Independent Auditor's Report

## OTHER INFORMATION

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# Independent Auditor's Report

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

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

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

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

### **Moore Stephens CPA Limited**

*Certified Public Accountants*

*Registered Public Interest Entity Auditors*

### **Lai Hung Wai**

Practising Certificate Number: P06995

Hong Kong, 30 June 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	5	78,448	78,260
Direct costs		(68,001)	(55,286)
Gross profit		10,447	22,974
Other income	6	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		78	(2,077)
Administrative expenses		(23,653)	(18,023)
Finance costs	8	(63)	(47)
(Loss) profit before tax	9	(24,341)	862
Income tax expense	10	(78)	(258)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company		(24,419)	604
<b>(Loss) earnings per share</b>			
Basic (HK cents)	12	(4.07)	0.10



# Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property and equipment	13	509	763
Right-of-use assets	14	959	2,164
Deferred tax assets	18	388	388
Deposits and prepayments	17	4,404	297
		<b>6,260</b>	3,612
<b>Current assets</b>			
Financial assets at fair value through profit or loss	15	2,611	2,533
Trade receivables	16	8,516	8,841
Deposits, other receivables and prepayments	17	976	428
Contract assets	19	49,443	57,085
Tax recoverable		4,390	3,670
Pledged bank deposits	20	4,188	4,150
Cash and cash equivalents	20	48,299	67,513
		<b>118,423</b>	144,220
<b>Current liabilities</b>			
Trade payables	21	8,205	6,306
Other payables and accrued charges	22	1,924	1,295
Lease liabilities	23	889	1,215
Contract liabilities	24	–	61
		<b>11,018</b>	8,877
<b>Net current assets</b>		<b>107,405</b>	135,343
<b>Total assets less current liabilities</b>		<b>113,665</b>	138,955
<b>Non-current liabilities</b>			
Lease liabilities	23	98	969
<b>Net assets</b>		<b>113,567</b>	137,986
<b>Capital and reserves</b>			
Share capital	25	6,000	6,000
Reserves		107,567	131,986
<b>Total equity</b>		<b>113,567</b>	137,986

The consolidated financial statements on pages 71 to 129 were approved and authorised for issue by the Board of Directors on 30 June 2023 and are signed on its behalf by:

**Fok Hau Fai**  
DIRECTOR

**Sung Sing Yan**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits HK\$'000	
At 1 April 2021	6,000	53,663	921	76,798	137,382
Profit and total comprehensive income for the year	-	-	-	604	604
At 31 March 2022	6,000	53,663	921	77,402	137,986
Loss and total comprehensive expense for the year	-	-	-	(24,419)	(24,419)
At 31 March 2023	6,000	53,663	921	52,983	113,567

Note: The other reserve represents (a) the difference between the share capital of Kin Ying Contracting Limited (“KY Contracting”) and Kin Ying F.S. Engineering Limited (“KY Engineering”) and the shares of Golden Second Limited (“Golden Second”) issued; and (b) difference between the carrying amount of the net assets of Golden Second upon transfer in ownership interest from Mr. Fok Hau Fai (“Mr. Fok”) and Team Vantage Limited, an independent third party to the Company, in consideration of the allotment and issuance of 94 shares of the Company to Foxfire Limited (“Foxfire”) (at the direction of Mr. Fok), the immediate holding company, pursuant to a group reorganisation in preparation for the listing of the Company’s shares.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before tax	(24,341)	862
Adjustments for:		
Depreciation of property and equipment	375	461
Depreciation of right-of-use assets	1,205	1,195
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	(78)	2,077
Bank interest income	(513)	(114)
COVID-19-related rent concessions	(10)	(48)
Finance costs	63	47
Operating cash flows before movements in working capital	(10,832)	6,888
(Increase) decrease in trade receivables	(1,618)	2,822
Decrease in deposits and prepayments	32	323
Increase in contract assets	(2,882)	(14,297)
Purchases of financial assets at fair value through profit or loss	–	(9,667)
Proceeds from disposal of financial assets at fair value through profit or loss	–	12,831
Increase in trade payables	1,899	1,179
Increase in other payables and accrued charges	629	332
Decrease in contract liabilities	(61)	(1,182)
Cash used in operations	(12,833)	(771)
Income tax paid	(798)	–
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(13,631)</b>	<b>(771)</b>
<b>INVESTING ACTIVITIES</b>		
Advance to a joint venture partner	(3,466)	–
Payment for production of an intangible asset	(641)	–
Advances to a non-controlling shareholder of a subsidiary	(580)	–
Purchases of property and equipment	(121)	(99)
Placement of pledged bank deposits	(53)	(2,658)
Bank interest received	513	114
Withdrawal of pledged bank deposits	15	49
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(4,333)</b>	<b>(2,594)</b>
<b>FINANCING ACTIVITIES</b>		
Repayments of lease liabilities	(1,187)	(1,157)
Payment of interest expenses	(63)	(47)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,250)</b>	<b>(1,204)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(19,214)</b>	<b>(4,569)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>67,513</b>	<b>72,082</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>48,299</b>	<b>67,513</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 1. GENERAL INFORMATION

Lumina Group Limited (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 addresses of the Company’s registered office and the principal place of business are disclosed in the “Corporate Information” section of the annual report.

The Company’s immediate and ultimate holding company is Foxfire, a private company incorporated in the British Virgin Islands (the “BVI”) and wholly owned by Mr. Fok.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of fire safety services in Hong Kong. The Company and its subsidiaries are hereinafter referred to as the Group (the “Group”).

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

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

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.1 Basis of preparation of consolidated financial statements (continued)

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

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

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

#### 3.2 Significant accounting policies

##### *Basis of consolidation*

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### *Basis of consolidation (continued)*

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

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

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

#### *Revenue from contracts with customers*

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

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

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

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

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

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### *Revenue from contracts with customers (continued)*

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

##### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

###### *Input method*

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

##### *Variable consideration*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

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

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

##### *Repair and maintenance services*

Revenue from the provision of repair and maintenance services is recognised when the repair and maintenance services are rendered, which are generally completed within a short period of time.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### *Property and equipment*

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

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

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

#### *Leases*

##### *Definition of a lease*

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *The Group as a lessee*

###### *Short-term leases*

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### *Leases (continued)*

##### *The Group as a lessee (continued)*

##### Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

##### Refundable rental deposits

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

##### Lease liabilities

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### *Leases (continued)*

#### *The Group as a lessee (continued)*

#### Lease liabilities (continued)

The lease payments include:

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

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

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

#### Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### *Leases (continued)*

##### *The Group as a lessee (continued)*

##### COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

##### *Impairment on property and equipment and right-of-use assets*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### *Impairment on property and equipment and right-of-use assets (continued)*

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

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

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments*

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

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

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

##### *Financial assets*

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income (“FVTOCI”) as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### *Financial assets (continued)*

Classification and subsequent measurement of financial assets (continued)

#### (i) Amortised cost and interest income

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

#### (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised costs or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the change in fair value of financial assets at FVTPL line item.

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

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, deposits, other receivables, amounts due from a non-controlling shareholder of a subsidiary, pledged bank deposits and cash and cash equivalents) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets. Trade receivables and contract assets are assessed collectively using a provision matrix with appropriate groupings, except for those trade receivables and contract assets that are credit-impaired or significant to the Group would be assessed their ECL individually.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments (continued)*

##### *Financial assets (continued)*

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

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

##### *(i) Significant increase in credit risk*

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

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### *Financial assets (continued)*

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

#### (ii) Definition of default

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

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

#### (iii) Credit-impaired financial assets

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

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

#### (iv) Write-off policy

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments (continued)*

##### *Financial assets (continued)*

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

##### *(v) Measurement and recognition of ECL*

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

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### *Financial liabilities and equity instruments*

#### Classification as debt or equity

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

#### Equity instruments

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

#### Financial liabilities

The Group's financial liabilities including trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

#### *Derecognition of financial assets and financial liabilities*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

#### *Cash and cash equivalents*

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### *Cash and cash equivalents (continued)*

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

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 31.

##### *Investments in subsidiaries*

Investments in subsidiaries are stated at cost less any accumulated impairment loss.

##### *Employee benefits*

###### *Retirement benefits costs*

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered services entitling them to the contributions.

###### *Short-term employee benefits*

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

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

##### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Significant accounting policies (continued)

#### *Borrowing costs*

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

#### *Government grants*

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

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

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

#### *Taxation*

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

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

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Significant accounting policies (continued)

##### *Taxation (continued)*

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amount 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 estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

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

### Fire safety system installation services contracts

The Group reviews and revises the estimates of contract revenue and contract costs prepared for fire safety system installation services contract of the Group as the contract progresses. Progress towards complete satisfaction of performance obligation of construction contract is measured according to the input method of individual contract, which is measured based on the proportion of actual costs incurred relative to the estimated total costs in fulfilling the relevant performance obligations. 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 judgment and involves estimation uncertainty. Estimated contract costs of individual contract 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.

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 judgment by the management. Notwithstanding that the management regularly reviews and revises the estimates of contract costs 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.

The contract revenue generated from fire safety system installation services contracts amounted to HK\$69,935,000 (2022: HK\$67,734,000) was recognised in the profit or loss during the year ended 31 March 2023. The carrying amounts of contract assets from fire safety system installation services, before allowance for credit losses, were HK\$60,412,000 (2022: HK\$56,649,000) as at 31 March 2023.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

##### Impairment assessment under ECL model on trade receivables and contract assets

The management of the Group estimates the amount of lifetime ECL of the trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering 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 would be assessed their ECL individually.

The contract assets relate to unbilled revenue and retention receivables, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical observed default rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product and the unemployment rate in Hong Kong in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as default if the counterparty fails to make contractual payments within 90 days when they past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The assessment of credit risk of trade receivables and contract assets involves high degree of estimation uncertainty and the provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables, contract assets and their ECL provision are disclosed in notes 16, 19 and 29, respectively.

The carrying amounts of trade receivables and contract assets were HK\$8,516,000 (2022: HK\$8,841,000), net of ECL of HK\$4,511,000 (2022: HK\$2,568,000), and HK\$49,443,000 (2022: HK\$57,085,000), net of ECL of HK\$13,494,000 (2022: HK\$2,970,000), respectively, as at 31 March 2023.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Estimated impairment of property and equipment and right-of-use assets

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

As at 31 March 2023, the carrying amounts of property and equipment and right-of-use assets subject to impairment assessment were HK\$509,000 and HK\$959,000 (2022: HK\$763,000 and HK\$2,164,000) respectively, no impairment loss on property and equipment and right-of-use assets for the year ended 31 March 2023 and 31 March 2022.

## 5. REVENUE AND SEGMENT INFORMATION

### Revenue

Revenue represents the fair value of amounts received and receivable from the provision of fire safety system installation and fire safety system repair and maintenance (“Repair and Maintenance”) services by the Group to external customers in Hong Kong. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced, or the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs. Revenue is recognised for these services based on the proportion of actual costs incurred relative to the estimated total costs in fulfilling the relevant performance obligations using input method.

The Group’s fire safety system installation services and Repair and Maintenance services include payment schedules which require payments over the contract period once certain specified milestones are reached and upon completion of services. The Group requires new customers to provide upfront deposits, when the Group receives a deposit before contract commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, if any, is recognised over the period in which the fire safety system installation services and Repair and Maintenance services are performed representing the Group’s right to consideration for the services performed because the rights are conditioned on the Group’s future performance in achieving specified milestones for fire safety system installation or completion of services for Repair and Maintenance services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables based on billing. The Group grants credit terms of 0-30 days to its customers from the date of invoices on progress billings of contract.

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Revenue (continued)

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.

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

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

#### (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 HK\$'000	Repair and Maintenance services HK\$'000
Within one year	28,657	–
More than one year but not more than two years	3,687	–
	<b>32,344</b>	–

*As at 31 March 2022*

	Fire safety system installation services HK\$'000	Repair and Maintenance services HK\$'000
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	–
	<b>81,025</b>	1,825

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### 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	69,935	8,513	78,448
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	(7,922)	(4,545)	(12,467)
Segment profit (loss)	512	(2,532)	(2,020)
Other income			1,317
Change in fair value of financial assets at FVTPL			78
Administrative expenses			(23,653)
Finance costs			(63)
Loss before tax			(24,341)

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Segment results (continued)

Year ended 31 March 2022

	Fire safety system installation services HK\$'000	Repair and Maintenance services HK\$'000	Consolidated HK\$'000
Segment revenue	67,734	10,526	78,260
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	(2,020)	(388)	(2,408)
Segment profit	17,548	3,018	20,566
Other income			443
Change in fair value of financial assets at FVTPL			(2,077)
Administrative expenses			(18,023)
Finance costs			(47)
Profit before tax			862

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Segment information (continued)

#### Segment results (continued)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. 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.

#### Other segment information

Year ended 31 March 2023

	Fire safety system installation services HK\$'000	Repair and Maintenance services HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit (loss):					
Depreciation of property and equipment	-	-	-	375	375
Depreciation of right-of-use assets	-	-	-	1,205	1,205
Impairment losses on trade receivables and contract assets, net of reversal	7,922	4,545	12,467	-	12,467

Year ended 31 March 2022

	Fire safety system installation services HK\$'000	Repair and Maintenance services HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit:					
Depreciation of property and equipment	-	-	-	461	461
Depreciation of right-of-use assets	-	-	-	1,195	1,195
Impairment losses on trade receivables and contract assets, net of reversal	2,020	388	2,408	-	2,408

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### 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 HK\$'000	2022 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.

## 6. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Government grants (note)	750	35
Bank interest income	513	114
Dividend income	44	29
COVID-19-related rent concessions (note 14)	10	48
Insurance claimed	–	217
	<b>1,317</b>	<b>443</b>

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and chief executive's emoluments

Mr. Fok and Mr. Sung Sing Yan ("Mr. Sung") were appointed as executive directors of the Company on 3 September 2016. Mr. Hung Kin Sang ("Mr. Hung"), Mr. Lee Yin Sing ("Mr. Lee") and Mr. Wan Chun Kwan ("Mr. Wan") were appointed as the independent non-executive directors of the Company on 22 September 2017. The emoluments paid or payable to the directors and chief executive of the Company are as follows:

	Executive directors		Independent non-executive directors			Total HK\$'000
	Mr. Fok HK\$'000 (note (i))	Mr. Sung HK\$'000	Mr. Hung HK\$'000	Mr. Lee HK\$'000	Mr. Wan HK\$'000	
<b>Year ended 31 March 2023</b>						
Fees	-	-	120	120	120	360
Other emoluments						
Salaries and other benefits	3,600	612	-	-	-	4,212
Discretionary bonus (note (ii))	4,300	51	-	-	-	4,351
Retirement benefit scheme contributions	18	18	-	-	-	36
<b>Total emoluments</b>	<b>7,918</b>	<b>681</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>8,959</b>
<b>Year ended 31 March 2022</b>						
Fees	-	-	120	120	120	360
Other emoluments						
Salaries and other benefits	3,600	612	-	-	-	4,212
Discretionary bonus (note (ii))	4,300	51	-	-	-	4,351
Retirement benefit scheme contributions	18	18	-	-	-	36
<b>Total emoluments</b>	<b>7,918</b>	<b>681</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>8,959</b>

Notes:

- (i) Mr. Fok acts as the chief executive of the Company.
- (ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (iii) The emoluments of executive directors shown above were for their services in connection with management of the affairs of the Group and the Company. The emoluments of independent non-executive directors shown above were for their services as a director of the Company. Remuneration committee has approved the increment of salaries and discretionary bonus for the year ended 31 March 2023.

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### (a) Directors' and chief executive's emoluments (continued)

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any remuneration during both years.

### (b) Employees' emoluments

The five highest paid individuals included Mr. Fok whose emolument is included in the disclosures in note 7(a) above. The emoluments of the remaining four (2022: three) individuals were as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	2,595	1,803
Discretionary bonus (note)	626	589
Retirement benefit scheme contributions	68	50
	<b>3,289</b>	<b>2,442</b>

Note: The bonus was determined on a discretionary basis with reference to the individual's performance.

Their emoluments were within the following bands:

	2023 Number of employees	2022 Number of employees
Nil to HK\$1,000,000	4	3

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 8. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	63	47

## 9. (LOSS) PROFIT BEFORE TAX

	2023 HK\$'000	2022 HK\$'000
(Loss) profit before tax has been arrived at after charging:		
Staff costs		
Directors' remuneration (note 7)	8,959	8,959
Other staff costs		
Salaries and other benefits	11,017	10,412
Retirement benefit scheme contributions	410	390
Total staff costs	20,386	19,761
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

## 10. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Hong Kong Profits Tax:		
Current tax	–	295
Underprovision in prior years	78	–
	78	295
Deferred taxation (note 18)	–	(37)
	78	258

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.

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

	2023 HK\$'000	2022 HK\$'000
(Loss) profit before tax	(24,341)	862
Tax at Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	(4,015)	142
Tax effect of expenses not deductible for tax purpose	29	356
Tax effect of income not taxable for tax purpose	(228)	(33)
Tax effect of tax losses not recognised	2,910	–
Tax effect of utilisation of tax loss previously not recognised	–	(15)
Tax effect of temporary difference not recognised	1,304	–
Utilisation of deductible temporary differences previously not recognised	–	(27)
Income tax at concessionary rate	–	(165)
Underprovision in prior years	78	–
Income tax expense for the year	78	258

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 11. DIVIDENDS

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.

## 12. (LOSS) EARNINGS PER SHARE

	2023 HK\$'000	2022 HK\$'000
(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)	(24,419)	604
	'000	'000
Number of shares: Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	600,000	600,000

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

### 13. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>				
At 1 April 2021	822	1,329	1,248	3,399
Additions	-	99	-	99
At 31 March 2022	822	1,428	1,248	3,498
Additions	-	121	-	121
At 31 March 2023	822	1,549	1,248	3,619
<b>ACCUMULATED DEPRECIATION</b>				
At 1 April 2021	618	1,078	578	2,274
Provided for the year	136	137	188	461
At 31 March 2022	754	1,215	766	2,735
Provided for the year	68	119	188	375
At 31 March 2023	822	1,334	954	3,110
<b>CARRYING AMOUNTS</b>				
At 31 March 2023	-	215	294	509
At 31 March 2022	68	213	482	763

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

Leasehold improvements	Over lease terms or useful lives of 5 years, whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 14. RIGHT-OF-USE ASSETS

	Office equipment HK\$'000	Office premises HK\$'000	Total HK\$'000
At 31 March 2023 Carrying amount	207	752	959
At 31 March 2022 Carrying amount	284	1,880	2,164
Depreciation charge for the year ended 31 March 2023	110	1,095	1,205
Depreciation charge for the year ended 31 March 2022	105	1,090	1,195
	<b>Year ended 31 March 2023 HK\$'000</b>	Year ended 31 March 2022 HK\$'000	
Total cash outflow for leases	1,250	1,204	
Additions to right-of-use assets	–	2,345	

For both years, the Group leases office premises and certain office equipment for its operations. The lease terms are ranging from one to five years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of the lease maturity analysis of lease liabilities are set out in note 23.

### Rent concessions

During the year ended 31 March 2023, lessors of office premises provided rent concessions to the Group through rent reductions over 1 month (2022: 2 months).

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$10,000 (2022: HK\$48,000) were recognised as variable lease payments (see note 6).

## 15. FINANCIAL ASSETS AT FVTPL

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

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).

## 16. TRADE RECEIVABLES

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

As at 1 April 2021, trade receivables from contracts with customers amounted to HK\$12,231,000.

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 HK\$'000	2022 HK\$'000
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
<b>Total</b>	<b>8,516</b>	<b>8,841</b>

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$7,495,000 (2022: HK\$7,427,000) which are past due as at the reporting date. Out of the past due balances, HK\$5,693,000 (2022: HK\$5,635,000) has been past due 90 days or more and is not considered as in default since the Group is still engaging with those corresponding debtors in active projects or the Group considers good cooperation relationships with these debtors exist and with good repayment record. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables are set out in note 29.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 17. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2023 HK\$'000	2022 HK\$'000
Rental deposits	297	297
Other deposits	10	15
Prepayments	386	413
Prepayment to a joint venture partner (Note (i))	3,466	–
Prepayment for production of an intangible asset (Note (ii))	641	–
Amounts due from a non-controlling shareholder of a subsidiary	580	–
<b>Total</b>	<b>5,380</b>	725
Presented as non-current assets	4,404	297
Presented as current assets	976	428
<b>Total</b>	<b>5,380</b>	725

Notes:

- (i) During the year ended 31 March 2023, the Group entered into a joint venture agreement with a joint venture partner, Shanghai Ruqiong Network Technology Co., Ltd. (上海儒瓊網絡科技有限公司) (“Shanghai Ruqiong”), a company established in the People’s Republic of China (the “PRC”) with limited liability, to establish a company to engage in short videos production and operation business. The Group has made a payment of Renminbi (“RMB”) 3,000,000 (equivalent to approximately HK\$3,466,000) to Shanghai Ruqiong for fulfilling its first portion of the capital contribution. Details of which are set out in the Company’s announcement dated 9 January 2023. On 7 April 2023, Shanghai Haidan Ruqiong Culture Co., Ltd. (上海海胆儒瓊文化有限公司) was incorporated pursuant to a joint venture agreement.
- (ii) During the year ended 31 March 2023, the Group entered into another joint venture agreement with another joint venture partner, Fujian Yuanwang Culture and Technology Co. Ltd. (福建元王文化科技有限公司) (“Fujian Yuanwang”), a company established in the PRC with limited liability, pursuant to which the parties have agreed to form another company in the PRC to engage in a project to produce and distribute an animation series adapted from the novel “Ode to the Gallantry (俠客行)” as well as projects involving other novels of Jin Yong (金庸). Details of which are set out in the Company’s announcement dated 1 February 2023 and the Company’s circular dated 8 March 2023. For the purpose of soliciting investors to participate in the production of the project, the parties determined to produce a teaser video and its production cost is estimated to be RMB1,200,000 (equivalent to approximately HK\$1,400,000). The Group has prepaid RMB550,000 (equivalent to approximately HK\$641,000) to Uni Power Limited, a company incorporated in Hong Kong, for the partial production cost of the teaser video. On 19 June 2023, Shanghai Haidan Yuanwang Culture Development Co., Ltd. (上海海胆元王文化發展有限公司) was incorporated pursuant to another joint venture agreement.

## 18. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised and movements thereon during the current and prior years:

	<b>Tax losses</b> HK\$'000	<b>ECL provision</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2021	77	274	351
(Charge) credit to profit or loss (note 10)	(77)	114	37
At 31 March 2022 and 2023	–	<b>388</b>	<b>388</b>

At 31 March 2023, the Group has unused tax losses of approximately HK\$17,892,000 (2022: HK\$254,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

At 31 March 2023, the Group has deductible temporary differences for ECL provision of approximately HK\$10,067,000 (2022: HK\$2,352,000). At 31 March 2023, no deferred tax asset has been recognised in relation to such deductible temporary differences of HK\$7,715,000 as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. At 31 March 2022, a deferred tax asset has been recognised in respect of approximately HK\$2,352,000 of such deductible temporary differences.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 19. CONTRACT ASSETS

	2023 HK\$'000	2022 HK\$'000
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)
	<b>49,443</b>	57,085

Movement in contract assets (net of loss allowance):

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	57,085	44,626
Revenue recognised during the year	62,487	59,237
Progress billing during the year	(59,605)	(44,938)
Impairment of contract assets	(10,524)	(1,840)
At the end of the year	<b>49,443</b>	57,085

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.

#### 19. CONTRACT ASSETS (continued)

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

Details of the impairment assessment on contract assets are set out in note 29.

#### 20. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Pledged bank deposits represent deposits pledged to banks to secure the bank facilities (representing performance guarantees as disclosed in note 31) granted to the Group, and carried with prevailing market interest rate ranging from 0.30% to 3.50% (2022: 0.08% to 1.50%) per annum.

Cash and cash equivalents comprise deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.15% to 3.50% (2022: 0.01% to 2.20%) per annum.

As at 31 March 2023, cash and cash equivalents include deposits of HK\$79,000 (2022: HK\$21,627,000) that were placed with the securities brokers for trading securities in Hong Kong. The amounts were unrestricted and withdrawable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

## 22. OTHER PAYABLES AND ACCRUED CHARGES

	2023 HK\$'000	2022 HK\$'000
Other payables	260	210
Accrued charges	1,664	1,085
	<b>1,924</b>	<b>1,295</b>

## 23. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
<b>Lease liabilities payable:</b>		
Within one year	889	1,215
Within a period of more than one year but not more than two years	98	879
Within a period of more than two years but not more than five years	–	90
	<b>987</b>	<b>2,184</b>
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(889)</b>	<b>(1,215)</b>
Amount due for settlement after 12 months shown under non-current liabilities	<b>98</b>	<b>969</b>

The weighted average incremental borrowing rate applied to lease liabilities is 3.50% (2021: 3.50%) per annum.

## 24. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Fire safety system installation, presented as current liabilities	–	61
<b>Movement in contract liabilities</b>		
	<b>2023 HK\$'000</b>	<b>2022 HK\$'000</b>
At the beginning of the year	<b>61</b>	1,243
Revenue recognised upon the provision of contract works	<b>(61)</b>	(1,182)
At the end of the year	–	61

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

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 25. SHARE CAPITAL OF THE COMPANY

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

## 26. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the year is as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	6,399	6,375
Discretionary bonus	4,911	4,940
Retirement benefit scheme contributions	86	86
	11,396	11,401

## 27. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted, pursuant to a resolution passed on 22 September 2017 which became effective and unconditional upon the listing of the Company's shares on the GEM of the Stock Exchange on 25 October 2017, for the purpose of providing incentives to any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants of the Group for their contribution to the Group. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years.

Pursuant to the Scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the Scheme, and other schemes offered by the Company, as from the date of adoption of the Scheme, shall not exceed 60,000,000 shares, being 10% of the shares in issue on the Listing Date. The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the Scheme to each eligible participant in any 12-month period shall not exceed 1% of the issued share capital of the Company. The option shall remain open for acceptance by the eligible participant for a period of not less than 5 business days. HK\$1 shall be payable by the participants on acceptance of the offer of the Scheme.

## 27. SHARE OPTION SCHEME (continued)

The exercisable period of the share options granted is determinable by the board of directors, but no later than 10 years from the date of grant of the options. The subscription price for the shares in respect of which options are granted is determinable by board of directors, but shall be no less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of one share of the Company.

No share option has been granted, exercised, expired, cancelled or lapsed under Scheme since its adoption by the Company and up to 31 March 2023.

## 28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital disclosed in note 25 and reserves as disclosed in consolidated statement of changes in equity.

The directors of the Company review the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings.

## 29. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets</b>		
Mandatorily measured at FVTPL		
–Held-for-trading	2,611	2,533
Amortised cost	61,890	80,816
	<b>64,501</b>	83,349
<b>Financial liabilities</b>		
Amortised cost	8,465	6,516
Lease liabilities	987	2,184

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade receivables, deposits, other receivables, amounts from a non-controlling shareholder of a subsidiary, pledged bank deposits, cash and cash equivalents, trade payables, other payables and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Market risks

#### Currency risk

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. Accordingly, management of the Group considers that the Group's exposure to foreign currency risk is minimal.

#### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities.

The Group's cash flow interest rate risk primarily relates to the pledged bank deposits and cash and cash equivalents (as disclosed in note 20) as at 31 March 2023 and 2022.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on the interest income on pledged bank deposits and cash and cash equivalents and hence sensitivity analysis is not presented.

#### Equity price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. For equity securities measured at FVTPL quoted in the Stock Exchange, management of the Group manages this exposure by maintaining a portfolio of investments with different risks. Decisions to buy and sell equity securities measured at FVTPL are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Group's liquidity needs. Management of the Group monitors the equity price risk and will consider hedging the risk exposure should the need arise.

#### Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis of equity securities with fair value measurement categorised within Level 1, the sensitivity rate is increased to 10% in current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% higher/lower, the post-tax loss for the year ended 31 March 2023 would decrease/increase by HK\$218,000 (2022: post-tax profit would increase/decrease by HK\$212,000) as a result of the changes in value of financial assets at FVTPL.

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### *Credit risk and impairment assessment*

At the end of the reporting period, the maximum exposure to credit risk of the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management of the Group. Credit evaluation is performed on a regular basis.

#### *Trade receivables and contract assets arising from contracts with customers*

In order to minimise the credit risk on trade receivables and contract assets, management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. The contract assets relate to unbilled revenue and retention receivables, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The management of the Group estimates the amount of lifetime ECL of the trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering 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 would be assessed their ECL individually.

In calculating the expected credit loss rates, the Group considers historical observed default rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product and the unemployment rate in Hong Kong in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as default if the counterparty fails to make contractual payments within 90 days when they past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In this regard, management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

The Group has concentration of credit risks with exposure limited to certain customers. For trade receivables, the Group's largest debtor contributed approximately 11% (2022: 16%) of the Group's trade receivables and the Group's five largest debtors contributed approximately 36% (2022: 38%) of the Group's trade receivables. For contract assets, the Group's largest customer contributed approximately 16% (2022: 10%) of the Group's contract assets and the Group's five largest customers contributed approximately 55% (2022: 39%) of the Group's contract assets as at 31 March 2023.

#### *Deposits and amounts due from a non-controlling shareholder of a subsidiary*

For deposits and amounts due from a non-controlling shareholder of a subsidiary, management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of deposits based on past experience, and also available reasonable and supportive forward-looking information. Management of the Group believes that there is no material credit risk inherent in the Group's deposits and amounts due from a non-controlling shareholder of a subsidiary at the end of the reporting period.

#### *Pledged bank deposits and cash and cash equivalents*

The credit risk on pledged bank deposits and cash and cash equivalents of the Group is limited because the counterparties with good reputation and no history of default in the past and no loss allowance provision for pledged bank deposits and cash and cash equivalents was recognised as at 31 March 2023 and 2022. The Group has concentration of credit risks with exposure limited to certain financial institutions. The Group's largest banker contributed approximately 94% (2022: 51%) of the Group's cash and cash equivalents as at 31 March 2023. The Group has limited exposure to any single financial institution.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts	
					2023 HK\$'000	2022 HK\$'000
<b>Financial assets at amortised cost</b>						
Trade receivables	16	N/A	Note a	Lifetime ECL (significant balances, not credit-impaired)	2,146	3,081
	16	N/A	Note a	Lifetime ECL (provision matrix, not credit-impaired)	7,298	6,309
	16	N/A	Note a	Lifetime ECL (credit-impaired)	3,583	2,019
					<b>13,027</b>	<b>11,409</b>
Deposits	17	N/A	Note b	12m ECL	307	312
Amounts due from a non-controlling shareholder of a subsidiary	17	N/A	Note b	12m ECL	580	-
Pledged bank deposits	20	A1	N/A	12m ECL	4,188	4,150
Cash and cash equivalents						
– Financial institutions	20	A1-Baa2	N/A	12m ECL	48,220	45,886
– Brokerage companies	20	Baa3-N/A	N/A	12m ECL	79	21,627
<b>Other items</b>						
Contract assets	19	N/A	Note a	Lifetime ECL (significant balances, not credit-impaired)	30,063	21,669
	19	N/A	Note a	Lifetime ECL (provision matrix, not credit-impaired)	28,519	37,220
	19	N/A	Note a	Lifetime ECL (credit-impaired)	4,355	1,166
					<b>62,937</b>	<b>60,055</b>

Notes:

- a For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime ECL. Except for trade receivables and contract assets that are credit-impaired or significant to the Group, the Group determines the ECL on these items by using a provision matrix, grouped by shared credit risk characteristics and days past due.
- b For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. All of these balances are not past due at 31 March 2023 and 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

*Credit risk and impairment assessment (continued)*

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 March 2023 and 2022 within lifetime ECL.

As at 31 March 2023

Internal credit rating	Average loss rate	Gross carrying amount		ECL	
		Trade receivables HK\$'000	Contract assets HK\$'000	Trade receivables HK\$'000	Contract assets HK\$'000
Low risk	5.3%	4,521	13,770	51	919
Watch list	10.9%	1,031	74	112	8
Doubtful	39.1%	1,746	14,675	670	5,754
		7,298	28,519	833	6,681

As at 31 March 2022

Internal credit rating	Average loss rate	Gross carrying amount		ECL	
		Trade receivables HK\$'000	Contract assets HK\$'000	Trade receivables HK\$'000	Contract assets HK\$'000
Low risk	2.3%	1,782	32,860	10	785
Watch list	8.0%	2,932	3,257	225	275
Doubtful	14.1%	1,595	1,103	225	155
		6,309	37,220	460	1,215

Note:

	Description
Low risk	Listed company or government authority with undue invoices.
Watch list	Debtors with invoices overdue for 90 days or more but frequently repay after due dates and usually settle in full.
Doubtful	Debtors with invoices overdue 90 days with slow repayment pattern.

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates.

#### Movement of impairment allowance

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) Trade receivables HK\$'000	Lifetime ECL (credit-impaired) Trade receivables HK\$'000	Total HK\$'000
<b>As at 1 April 2021</b>	533	1,467	2,000
Changes due to financial instruments recognised as at 1 April 2021:			
– Transfer to credit-impaired	(89)	89	–
– Impairment losses recognised	217	1,114	1,331
– Impairment losses reversed	(276)	(651)	(927)
New financial assets originated	164	–	164
<b>As at 31 March 2022</b>	<b>549</b>	<b>2,019</b>	<b>2,568</b>
Changes due to financial instruments recognised as at 1 April 2022:			
– Transfer to credit-impaired	(252)	252	–
– Impairment losses recognised	620	2,164	2,784
– Impairment losses reversed	(128)	(852)	(980)
New financial assets originated	139	–	139
<b>As at 31 March 2023</b>	<b>928</b>	<b>3,583</b>	<b>4,511</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Movement of impairment allowance (continued)

	Lifetime ECL (not credit-impaired) Contract assets HK\$'000	Lifetime ECL (credit-impaired) Contract assets HK\$'000	Total HK\$'000
<b>As at 1 April 2021</b>	1,130	-	1,130
Changes due to financial instruments recognised as at 1 April 2021:			
- Transfer to credit impaired	(63)	63	-
- Impairment losses recognised	1,032	1,103	2,135
- Impairment losses reversed	(553)	-	(553)
New financial assets originated	258	-	258
<b>As at 31 March 2022</b>	<b>1,804</b>	<b>1,166</b>	<b>2,970</b>
Changes due to financial instruments recognised as at 1 April 2022:			
- Transfer to credit impaired	(317)	317	-
- Impairment losses recognised	6,480	3,495	9,975
- Impairment losses reversed	(293)	(623)	(916)
New financial assets originated	1,465	-	1,465
<b>As at 31 March 2023</b>	<b>9,139</b>	<b>4,355</b>	<b>13,494</b>

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate %	On demand or within 1 year HK\$'000	More than 1 year but within 2 years HK\$'000	More than 2 years but within 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 March 2023						
Trade payables	N/A	8,205	-	-	8,205	8,205
Other payables	N/A	260	-	-	260	260
Lease liabilities	3.50	912	100	-	1,012	987
		9,377	100	-	9,477	9,452
At 31 March 2022						
Trade payables	N/A	6,306	-	-	6,306	6,306
Other payables	N/A	210	-	-	210	210
Lease liabilities	3.50	1,297	902	92	2,291	2,184
		7,813	902	92	8,807	8,700

#### Fair value measurements of financial instruments

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 30. RETIREMENT BENEFIT PLAN

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount was HK\$1,500 per employee per month.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the scheme by the Group to directors of the Company and staff employees are disclosed in notes 7 and 9, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 31. PERFORMANCE GUARANTEES

As at 31 March 2023, performance guarantees of approximately HK\$4,188,000 (2022: HK\$4,150,000) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were secured by the pledged bank deposits as disclosed in note 20.

At the end of each reporting period, the directors of the Company do not consider it is probable that a claim will be made against the Group.

## 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<b>Lease liabilities HK\$'000</b>
At 1 April 2021	1,044
Financing cash flows (note)	(1,204)
New lease entered	2,345
Interest expense	47
COVID-19-related rent concessions (note 14)	(48)
At 31 March 2022	<b>2,184</b>
Financing cash flows (note)	<b>(1,250)</b>
Interest expense	<b>63</b>
COVID-19-related rent concessions (note 14)	<b>(10)</b>
<b>At 31 March 2023</b>	<b>987</b>

Note: The financing cash flows include the payment of lease liabilities and related interests paid.

## 33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2022, the Group entered into new lease agreements for the use of certain office premises and office equipment for 2-5 years. On the lease commencement date, the Group recognised HK\$2,345,000 (2023: nil) of right-of-use assets and HK\$2,345,000 (2023: nil) of lease liabilities.

### 34. CAPITAL COMMITMENTS

	2023 HK\$'000	2022 HK\$'000
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	6,628	–
	7,257	–

### 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and full paid share capital	Proportion ownership interest and voting power held by the Company as at 31 March		Principal activities
				2023	2022	
KY Contracting	Hong Kong	Hong Kong	HK\$610,000	100%	100%	Provision of fire safety services
KY Engineering	Hong Kong	Hong Kong	HK\$10,000	100%	100%	Provision of fire safety services
Golden Second	BVI	Hong Kong	USD1,000	100%	100%	Investment holding and trading of equity securities listed in Hong Kong

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length. Additionally, the directors of the Company believed that no non-controlling interests were material to the Group, and therefore, the non-controlling interests were not disclosed.

Golden Second is directly held by the Company. KY Contracting and KY Engineering are indirectly held by the Company. All subsidiaries are limited liability companies and have adopted 31 March as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2023 HK\$'000	2022 HK\$'000
<b>Non-current asset</b>			
Investments in subsidiaries		49,277	49,277
<b>Current assets</b>			
Prepayments		187	187
Amounts due from subsidiaries		22,468	24,567
Tax recoverable		86	–
Bank balances		1,004	993
		<b>23,745</b>	25,747
<b>Current liabilities</b>			
Other payables and accrued charges		1,071	890
Net current assets		<b>22,674</b>	24,857
Total assets less current liabilities		<b>71,951</b>	74,134
<b>Capital and reserves</b>			
Share capital	25	6,000	6,000
Reserves		65,951	68,134
		<b>71,951</b>	74,134

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)  
Movement in the Company's reserves

	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits/ accumulated loss HK\$'000	Total HK\$'000
At 1 April 2021	53,663	12,977	1,303	67,943
Profit and total comprehensive income for the year	–	–	191	191
At 31 March 2022	53,663	12,977	1,494	68,134
Loss and total comprehensive expense for the year	–	–	(2,183)	(2,183)
At 31 March 2023	<b>53,663</b>	<b>12,977</b>	<b>(689)</b>	<b>65,951</b>

Note: The amount of other reserve represents the difference between the investment cost in Golden Second and the nominal value of shares of the Company issued for the acquisition of the entire issued share capital of Golden Second during group reorganisation.

# Financial Summary

## RESULTS

Consolidated results	For the year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Note ii)	2019 HK\$'000 (Note i)
Revenue	78,448	78,260	57,608	110,068	120,788
Gross profit	10,447	22,974	15,123	37,264	38,960
(Loss) profit before tax	(24,341)	862	(834)	21,074	28,414
(Loss) profit for the year	(24,419)	604	(483)	17,162	24,091

## ASSETS AND LIABILITIES

Consolidated assets and liabilities	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000 (Note ii)	2019 HK\$'000 (Note i)
Total assets	124,683	147,832	145,757	153,087	131,768
Total liabilities	11,116	9,846	8,375	15,222	11,065
Net assets	113,567	137,986	137,382	137,865	120,703

Notes:

- (i) Since 1 April 2018, the Group has applied HKFRS 15 “Revenue from Contracts with Customers” and HKFRS 9 “Financial Instruments”, issued by the Hong Kong Institute of Certified Public Accountants, without restating comparative information (see note 2 to the consolidated financial statements of 2019 annual report for details). Accordingly, certain comparative financial information for the years ended 31 March 2016, 2017 and 2018 may not be comparable to that for the year ended 31 March 2019. Accounting policies resulting from application of HKFRS 15 and HKFRS 9 are disclosed in note 3 to the consolidated financial statements of 2019 annual report.
- (ii) Since 1 April 2019, the Group has applied HKFRS 16 “Leases” and other amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, without restating comparative information (see note 2 to the consolidated financial statements of this annual report for details). The comparative information for the years ended 31 March 2016, 2017, 2018 and 2019 have not been restated on initial application of HKFRS 16. Accounting policies resulting from application of HKFRS 16 are disclosed in note 3 to the consolidated financial statements of this annual report.