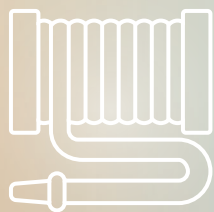


# VISTAR HOLDINGS LIMITED

熒德控股有限公司

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

## ANNUAL REPORT 2022/23



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

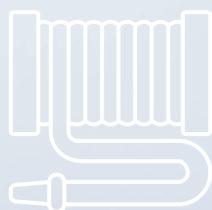
**Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded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

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

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

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Poon Ken Ching Keung  
*(Chairman and Chief Executive Officer)*

Mr. Ng Kwok Wai

Ms. Lee To Yin

### Non-Executive Director

Ms. Poon Kam Yee Odilia

### Independent Non-Executive Directors

Mr. Yung Chung Hing

Mr. Lam Chung Wai

Mr. Chan Shu Yan Stephen

## AUDIT COMMITTEE

Mr. Yung Chung Hing *(Chairman)*

Mr. Lam Chung Wai

Mr. Chan Shu Yan Stephen

## REMUNERATION COMMITTEE

Mr. Chan Shu Yan Stephen *(Chairman)*

Mr. Poon Ken Ching Keung

Mr. Yung Chung Hing

## NOMINATION COMMITTEE

Mr. Poon Ken Ching Keung *(Chairman)*

Mr. Lam Chung Wai

Mr. Chan Shu Yan Stephen

## COMPANY SECRETARY

Mr. Or Sek Hey Seky

## AUTHORISED REPRESENTATIVES

Mr. Poon Ken Ching Keung

Mr. Or Sek Hey Seky

## COMPLIANCE OFFICER

Mr. Poon Ken Ching Keung

## REGISTERED OFFICE IN CAYMAN ISLANDS

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

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

Unit 2, 13/F., Tak King Industrial Building  
27 Lee Chung Street

Chai Wan

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17th Floor, Far East Finance Centre  
No. 16 Harcourt Road  
Hong Kong

## AUDITOR

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

## PRINCIPAL BANKER

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

## COMPANY WEBSITE ADDRESS

[www.vistarholdings.com](http://www.vistarholdings.com)

## STOCK CODE

8535

## CHAIRMAN'S STATEMENT

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Vistar Holdings Limited (the “**Company**”), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**We**”) for the year ended 31 March 2023 (the “**Reporting Period**”) to the shareholders of the Company (“**Shareholders**”).

### BUSINESS AND FINANCIAL OVERVIEW

The Group's profit attributable to Shareholders was approximately HK\$4.86 million for the Reporting Period (2022: HK\$20.78 million). A decrease of 76.63% of profit attributable to Shareholders was recorded as compared to the last year ended 31 March 2022.

During the Reporting Period, the revenue of the Group decreased to approximately HK\$287.06 million from approximately HK\$405.17 million for the year ended 31 March 2022.

The Board considers that such profit decrement was mainly attributable to impacts of the consequence of the COVID-19 pandemic, the tense situation between Russia and Ukraine which disrupted the global supply chain and logistics, and the China-US trade tensions. Such events built up pressure on the revenue, labour and resources supply chain, which resulted in decrement of revenue and escalating labour costs and materials costs.

As such, there were revenue decrement and increase in direct costs, which resulted in lower gross profit margin for the Reporting Period when compared with that for the corresponding period in 2022.

The decrease in gross profit generated from the core business of the Group of approximately HK\$36.87 million was driven by less revenue being recognised from the projects of installation services in the completion or substantial completion stage and the new projects still being at an early stage with only marginal work performed during the Reporting Period, which in turn was offset by (i) the reduction of transfer listing expenses incurred of approximately HK\$11.21 million during the Reporting Period in relation to the proposed transfer of listing of the shares of the Company from GEM to the Main Board of the Stock Exchange as disclosed in the announcements of the Company dated 17 June 2021 and 31 December 2021 and which was discontinued as disclosed in the announcement of the Company dated 28 June 2022, (ii) the reduction of administrative and other operating expenses of approximately HK\$3.55 million, and (iii) the reduction of income tax expenses of approximately HK\$6.16 million attributable to the decrease in taxable income.

# CHAIRMAN'S STATEMENT

## PROSPECT

Looking forward to 2023, opportunities and challenges coexist, the Directors consider that 2023 is still a challenging year for the Group due to the high inflation and tense political issues around the world. Notwithstanding this, the Group will also closely monitor its existing projects' progress, communicate with suppliers and subcontractors, maintain close communication with customers on the latest project work schedules and arrangements, proactively follow up with potential customers on tenders and quotations submitted, and actively respond to any business enquiries, tender and quotation invitations to maintain market competitiveness. The Group will continue to strive to improve its operational efficiency and business profitability and will also proactively seek potential business opportunities that can broaden the sources of income of the Group and enhance value to the Shareholders.

Yet, we still look positively as our management will keep a close eye on the new policies to be implemented by the Hong Kong Government to enhance and speed up recovery of economy of Hong Kong and will manage their impact on the financial position and operating results of the Group.

## APPRECIATION

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

**Vistar Holdings Limited**

**Poon Ken Ching Keung**

*Chairman and Chief Executive Officer*

Hong Kong, 16 June 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

During the Reporting Period, the Group’s profit attributable to equity holders was approximately HK\$4.86 million, representing a decrease of approximately HK\$15.92 million when compared to the profit attributable to equity holders for the year ended 31 March 2022 which amounted to approximately HK\$20.78 million.

The Board considers that such profit decrement was mainly attributable to the consequence of global events including the COVID-19 pandemic, the Russo-Ukrainian War, and the China-US trade tensions, all of which have disrupted the global supply chain and logistics, causing allocation inefficiencies including labor, raw materials, and energy resources. The surging material and labour costs have directly escalated the Company’s cost of revenue, while inflationary pressure has created budgetary concerns for upstream contractors, thereby hindering project volume and work schedule, affecting revenue recognized by the Group.

The decrease in gross profit generated from the core business of the Group of approximately HK\$36.87 million was driven by less revenue being recognised from the projects of installation services in the completion or substantial completion stage during the Reporting Period, plus increased direct labour and material costs incurred on work performed as a result of inflation driven by shortage of labour and supply chain disruptions on global resources. The above decrease was offset by (i) the reduction of transfer listing expenses incurred of approximately HK\$11.21 million during the Reporting Period in relation to the proposed transfer of listing of the shares of the Company from GEM to the Main Board of the Stock Exchange as disclosed in the announcements of the Company dated 17 June 2021 and 31 December 2021 and which was discontinued as disclosed in the announcement of the Company dated 28 June 2022, (ii) the reduction of administrative and other operating expenses of approximately HK\$3.55 million, and (iii) the reduction of income tax expenses of approximately HK\$6.16 million attributable to the decrease in taxable income.

The Directors do not recommend the payment of a final dividend in respect of the Reporting Period (2022: HK cent 0.50 per share).

## OUTLOOK

Hong Kong’s economy remained weak last year and the overall business environment was tough in general. The hotel, catering and tourism industries failed to return to pre-pandemic levels, while the slowdown in the construction industry was more subtle but much more severe as it is prone to inflationary problems and political tension from global events. Although the COVID-19 pandemic has significantly clouded the global economy, there are some relief measures carried out by the Hong Kong Government, e.g., vaccination programs for COVID-19, subsidies provided to corporations under the Employment Support Scheme, and the Consumption Voucher Scheme were implemented to help ease the current difficult situation in an attempt to speed up the economic recovery in Hong Kong.

## MANAGEMENT DISCUSSION AND ANALYSIS

As the Central Government began to relax the anti-pandemic policy at the end of 2022, the Hong Kong Government also adjusted its measures in early 2023 accordingly, e.g., reopen the border with the Mainland is to rekindle tourism and it is a remarkable measure to boost the economy in Hong Kong. It is expected that other business industries in Hong Kong, such as the construction industry, will benefit indirectly and the economy in Hong Kong gradually reveals dawn.

Looking forward to 2023, opportunities and challenges coexist, the Directors consider that 2023 is still a challenging year for the Group due to the high inflation and tense political issues around the world. Notwithstanding this, the Group will also closely monitor its existing projects' progress, communicate with suppliers and subcontractors, maintain close communication with customers on the latest project work schedules and arrangements, proactively follow up with potential customers on tenders and quotations submitted, and actively respond to any business enquiries, tender and quotation invitations to maintain market competitiveness. The Group will continue to strive to improve its operational efficiency and business profitability and will also proactively seek potential business opportunities that can broaden the sources of income of the Group and enhance value to the shareholders of the Company. Yet, we still look positively as our management will keep a close eye on new policies to be implemented by the Hong Kong Government to enhance and speed up recovery of economy of Hong Kong and will manage its impact on the financial position and operating results of the Group.

### FINANCIAL REVIEW

#### Revenue

During the Reporting Period, the revenue of the Group decreased to approximately HK\$287.06 million from approximately HK\$405.17 million for the year ended 31 March 2022, representing a significant decrease of approximately HK\$118.11 million or 29.15%.

Such decrease was mainly attributed to a decrease in installation services with yearly revenue amounted to approximately HK\$126.57 million.

The decrease in revenue from installation services was attributable to less revenue being recognised in the completion or substantial completion stage and new projects still being at an early stage with only marginal work performed during the Reporting Period.

#### Cost of revenue

The Group's cost of revenue decreased from approximately HK\$336.33 million for the year ended 31 March 2022 to approximately HK\$255.09 million for the Reporting Period, representing a decrease of approximately HK\$81.24 million or 24.16%.

Such decrease in cost of revenue was in line with the decrease in revenue but in a slightly smaller proportional rate. Notwithstanding, the percentage cost of revenue increased during the Reporting Period as compared with the year ended 31 March 2022. Those are likely to be caused by the combination of events e.g., the COVID-19 pandemic, the Russo-Ukrainian War, and the China-US trade tensions, all of which have disrupted the global supply chain and logistics, causing allocation inefficiencies including labor, raw materials, and energy resources. The surging material and labour costs have directly escalated the Company's cost of revenue.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$36.87 million or 53.56% from approximately HK\$68.84 million for the year ended 31 March 2022 to approximately HK\$31.97 million for the Reporting Period. The gross profit margin was decreased from 16.99% to 11.14%.

The decrease in gross profit generated from the core business of the Group of approximately HK\$36.87 million was driven by less revenue being recognised from the projects of installation services in the completion or substantial completion stage during the Reporting Period, plus increased direct labour and material costs incurred on work performed as a result of inflation driven by shortage of labour and supply chain disruptions on global resources. Therein, the gross profit margin decreased from 16.99% for the year ended 31 March 2022 to 11.14% for the Reporting Period.

## Administrative and other operating expenses

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

The Group's administrative and other operating expenses decreased by approximately HK\$3.55 million or 11.86% from approximately HK\$29.97 million for the year ended 31 March 2022 to approximately HK\$26.42 million for the Reporting Period. The decrease in administrative and other operating expenses was primarily due to the decrease in the salary and benefits of the administrative and management staff.

## Finance costs

Finance costs of the Group were approximately HK\$1.50 million for the Reporting Period (2022: HK\$0.67 million). Finance costs consist of interest on bank borrowings and interest on lease liabilities. The increase in Group's finance costs for the Reporting Period was due to the increase in bank loans interest as more loans were secured for operation.

## Income tax expense

Income tax expense for the Group decreased by approximately HK\$6.16 million or 87.65% from approximately HK\$7.03 million for the year ended 31 March 2022 to approximately HK\$0.87 million for the Reporting Period. The decrease was mainly due to the decrease in taxable profit for the Reporting Period.

## Profit for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company decreased by approximately HK\$15.93 million or 76.63% from approximately HK\$20.78 million for the year ended 31 March 2022 to approximately HK\$4.86 million for the Reporting Period.

The Board considers that such profit decrement was mainly attributable to the consequence of global events including the COVID-19 pandemic, the Russo-Ukrainian War, and the China-US trade tensions, all of which have disrupted the global supply chain and logistics, causing allocation inefficiencies including labor, raw materials, and energy resources. The surging material and labour costs have directly escalated the Company's cost of revenue, while inflationary pressure has created budgetary concerns for upstream contractors, thereby hindering project volume and work schedule, affecting revenue recognized by the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2023, the Group had cash and bank balances of approximately HK\$39.36 million (2022: HK\$37.08 million).

As at 31 March 2023, the Group's total equity attributable to owners of the Company amounted to approximately HK\$151.61 million (2022: HK\$152.75 million). As of the same date, the Group's total debt, comprising bank borrowings and lease liabilities, amounted to approximately HK\$39.05 million (2022: HK\$20.51 million).

## BORROWINGS AND GEARING RATIO

As at 31 March 2023, the Group had borrowings of approximately HK\$34.17 million which was denominated in Hong Kong Dollars (2022: HK\$14.65 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 March 2023, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 22.54% (2022: 9.59%).

## TREASURY POLICY

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

## FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong Dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

## CAPITAL STRUCTURE

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

As at 31 March 2023, the Company's issued share capital was HK\$12 million and the number of its issued ordinary shares was 1,200,000,000 of HK\$0.01 each.

## CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any material capital commitments (2022: Nil).

## CHARGES ON THE GROUP'S ASSETS

As at 31 March 2023, the Group did not have any charges on the Group's assets (2022: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 31 March 2023, the Group did not have other plans for material investments or capital assets.

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

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

## CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any material contingent liabilities (2022: Nil).

## FINAL DIVIDENDS

The Directors do not recommend the payment a final dividend in respect of the Reporting Period (2022: HK cent 0.50 per share).

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group had 124 employees in total (2022: 133). The staff costs of the Group including directors' emoluments, and management, administrative and operational staff costs for the Reporting Period were approximately HK\$14.22 million (2022: HK\$15.97 million) in Hong Kong.

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

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

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

## SHARE OPTION SCHEME

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue at the time dealings in the shares first commenced on the Stock Exchange (excluding the shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) which amounts to 120,000,000 shares. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit. No share options were granted under the Share Option Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

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

- (a) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of the subsidiaries or any entity (the "Invested Entity") in which the Company holds an equity interest;
- (b) any non-executive Directors (including independent non-executive Directors) of the Company, any of the subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to the Company or any of its subsidiaries or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any shareholders of the Company or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

### EVENTS AFTER THE REPORTING PERIOD

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

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Poon Ken Ching Keung (潘正強) (“Mr. Ken Poon”)**, aged 65, being one of the controlling shareholders of the Company (“**Controlling Shareholders**”), was appointed as an executive Director on 27 June 2017, and was appointed as the chief executive officer of the Company and the Chairman of the Company on 17 July 2017. Mr. Ken Poon is responsible for our Group’s overall management, corporate development, and strategic planning. He has also been a director of Guardian Fire Engineers and Consultants Limited (“**GFE**”) since August 1991 and a director of Guardian Engineering Limited (“**GEL**”) since May 2000, both companies are subsidiaries of the Company. He graduated from the University of Regina in Canada with a bachelor’s degree in Administration in May 1981. He obtained his professional qualification as a certified management accountant in October 1985 from the Society of Management Accountants of Alberta, Canada. He has been a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department of Hong Kong since July 1981. He is a Licensed Plumber (Grade 1) licensed by the Water Supplies Department.

Mr. Ken Poon has over 34 years of experience in the fire services and water pump installation services. From 1981 to 1983, Mr. Ken Poon served as the assistant to deputy general manager of GFE, during which he was responsible for project planning and general management. He was regional financial controller of C.T.G. Inc., Alberta Canada (a company primarily engaged in telecommunication services) from 1987 to 1988. During both periods, he was responsible for operations and financial reporting. From January 1989 to March 1990, Mr. Ken Poon was employed as a controller of the Calgary Distribution Centre for Core – Mark Distributors, Inc. (a company primarily engaged in distribution of retail products), during which he was responsible for accounting and control procedures for improving the accuracy of financial information. From 1990 to 1991, he was responsible for corporate planning, marketing, and office administration as corporate controller of Liquidation World Inc. Canada (a company primarily engaged in the re-sell of discontinued products). As director and deputy general manager of GFE from 1991 to 2011, he was responsible for project management and office administration. From 2011 until present, he served as managing director, responsible for overall project management, administration, and internal control. Mr. Ken Poon is the elder brother of Mr. Poon Ching Tong Tommy, a project director of the Group, and Ms. Poon Kam Yee Odilia, the non-executive Director.

**Mr. Ng Kwok Wai (吳國威)**, aged 55, was appointed as our senior project manager on 1 April 2016 and appointed as an executive Director on 27 June 2017. He has been responsible for project management and project operations of the Group. He has also been a director of GFE since April 2016. Mr. Ng Kwok Wai obtained his high school diploma in Yu Chun Keung Memorial College in December 1985.

Mr. Ng Kwok Wai has over 25 years of experience of engineering work in Fire Services and Water Pump Installation. Mr. Ng Kwok Wai was appointed as assistant project manager for General Engineering (China) Co. Ltd. (a company primarily engaged in engineering services) in December 1996 which he was responsible for the supervision of site works.

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Lee To Yin (李桃賢)**, aged 63, was appointed as an executive Director on 31 October 2019. She is mainly responsible for tendering, general office administration and human resources. She is a director of GEL since May 2004. She is also a director of GFE, the principal operating subsidiary of the Group, since 1 February 2005. She has over 43 years of experience in accounting, administration and human resources management attained from previous posts in her career history. She joined GFE in April 1982 and since then has held different posts within the company. It ranges from overseeing the financials for the whole company to general administrative management.

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

### NON-EXECUTIVE DIRECTOR

**Ms. Poon Kam Yee Odilia (潘錦儀) (“Ms. Odilia Poon”)**, aged 62, was appointed as a non-executive Director on 27 June 2017 and is responsible for the strategic planning of the Group. She has also been a director of GFE since December 1986. She graduated from the University of East Asia Macau, Macau, with a bachelor’s degree in Business Administration in September 1985. She later received a master degree of Science, majoring in Business Studies, from the University of Salford, United Kingdom in July 1987. In June 1990, she obtained a diploma in marketing from the Chartered Institute of Marketing, United Kingdom.

Ms. Odilia Poon has over 35 years of experience in marketing and promotion as well as in human resources management and consultancy. From April 1988 to January 1994, she served with Rothmans (Far East) Limited (a company primarily engaged in the tobacco business) with her last position as the marketing manager. She then joined Tait (HK) Limited (a company primarily engaged in marketing and distribution) from February 1994 to August 1996 as a sales and marketing director. From September 1996 to July 1997, she served as a promotion and packaging director in Pepsico. Inc. (a company primarily engaged in the sale of soft drinks) and during August 1997 to December 1998, she worked as a marketing director for Carlsberg Brewery Hong Kong Limited (a company primarily engaged in selling of beer). From May 1999 to April 2005, she served Hudson Global Resources (HK) Limited (a company primarily engaged in recruitment) with her last role as a country manager. From April 2005 to October 2005, she was with Agilent Technologies Hong Kong Limited (a company primarily engaged in distribution of professional equipment) as the staffing manager. She then joined Talent2 Shanghai Co., Limited (a company primarily engaged in human resources business process outsourcing) and held the positions of operations director of the recruitment managing services division and the managing director in China from November 2005 to July 2013. From January 2014 to June 2017, she has been serving as a director in Motiva Consulting Limited (a company primarily engaged in recruitment) where she has been overseeing the overall management of the company. She has been a non-executive director of Luk Hing Entertainment Group Holdings Limited (a company primarily engaged in entertainment services), which is listed on GEM (stock code: 8052), since 2 March 2016, and resigned as non-executive director on 9 September 2021, and director of The Chapman Consulting Group Limited (a company primarily engaged in human resources) since 3 August 2015 and the title was changed to executive advisor since January 2019. Ms. Odilia Poon is the sister of Mr. Ken Poon and Mr. Poon Ching Tong Tommy, our Project Director.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yung Chung Hing (翁宗興)**, aged 62, was appointed as an independent non-executive Director on 24 January 2018. Mr. Yung Chung Hing obtained a Professional Diploma in Management Accountancy from Hong Kong Polytechnic (now Hong Kong Polytechnic University) in November 1984 and a Master degree of Business Administration from University of Hong Kong in November 1991. Mr. Yung Chung Hing has been an associate member of the Chartered Institute of Management Accountant in the United Kingdom since 27 January 1988 and an associate member of the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants) in Hong Kong since 19 April 1988.

Mr. Yung Chung Hing has over 32 years of experience in financial management. He served at The Hongkong Land Property Company Limited (a company primarily engaged in property development) from April 1986 to June 1995, with his last position as the group cash manager and chief money dealer of the company. From 1995 to 2012, Mr. Yung Chung Hing served with The Hongkong Land Group Limited (a company primarily engaged in property development) as assistant treasurer. During January 2013 to January 2015, he was the corporate finance manager (treasury) with the Hospital Authority. Within this period, he was the deputizing senior manager of financial control and operations for six months. From June 2016 to June 2017, he has been the general manager of Technic Essential Insurance and Reinsurance Brokers Ltd (a company primarily engaged in insurance brokerage). Since June 2017, he has been serving as a technical representative of AMG Wealth Management Limited (a company primarily engaged in private wealth management services).

**Mr. Lam Chung Wai (林仲煒)**, aged 43, was appointed as an independent non-executive Director on 24 January 2018. Mr. Lam Chung Wai graduated from the University of Hong Kong with a bachelor's degree in Laws in July 2001. He then obtained his Postgraduate Certificate in Laws in July 2002. Mr. Lam Chung Wai has qualified as a Barrister-at-law since September 2002.

Mr. Lam Chung Wai has been practicing as a Barrister-at-law since September 2002. He has been serving as a part time lecturer at the Department of Professional Legal Education of the University of Hong Kong intermittently during 2016 to 2023.

**Mr. Chan Shu Yan Stephen (陳樹仁)**, aged 40, was appointed as an independent non-executive Director on 2 September 2019. Mr. Chan Shu Yan Stephen is a registered architect in the Netherlands. He graduated from the University of Hong Kong with Bachelor of Arts in Architectural Studies, and Delft University of Technology, The Netherlands with Master of Science in Architecture, Urbanism and Sciences, respectively. Since 2015, Mr. Chan Shu Yan Stephen co-founded a design services studio in Hong Kong named AaaM Limited, to provide services on architecture, interior design, and master planning projects, and to promote architectural culture by engaging with the public as curator and columnist on both online and paper media platforms. Mr. Chan Shu Yan Stephen is currently a serving Director of AaaM Limited. Prior to this, Mr. Chan Shu Yan Stephen was employed by UNStudio (Shanghai) Limited from February 2011 to December 2014 and served with UNStudio Hong Kong Limited from January 2015 to March 2017 as an associate director/senior architect. He also served as guest lecturer for the University of Nottingham Ningbo China in the academic year 2020 and 2021.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Poon Ching Tong Tommy (潘正棠) (“Mr. Tommy Poon”)**, aged 56, being one of our Controlling Shareholders, was appointed our executive Director on 27 June 2017 and resigned on 31 October 2019. He is now the project director of the Group and is responsible for overseeing and managing the projects of our Group. He has also been a director of GFE since July 1991. He graduated from the University of Toronto in Canada with a bachelor’s degree in Applied Science in June 1989.

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

Mr. Tommy Poon has over 31 years of experience in electrical, mechanical, and building services engineering work. As of 2006, Mr. Tommy Poon was a technical director of our Group responsible for managing and overseeing our projects. Prior to 2007, Mr. Tommy Poon served as project manager, senior engineer, and engineer in construction and maintenance projects of our Group during which he was responsible for on-site coordination, since he joined the Group in July 2001 as engineer. Mr. Tommy Poon is the youngest brother of Mr. Ken Poon, an executive Director, and Ms. Odilia Poon, the non-executive Director.

**Mr. Ng Kam Por, Garry (吳錦波)**, aged 60, is the financial controller of the Group. He is principally responsible for supervision of the Group’s financial reporting, financial control, treasury and company secretarial matters. Mr. Ng Kam Por, Garry joined the Group in December 2017.

Mr. Ng Kam Por, Garry has about 35 years of experience in the areas of auditing, taxation, financial management and company secretarial. Prior to joining the Company, Mr. Ng Kam Por, Garry worked in an international audit firm, Inland Revenue Department, and held senior financial position as financial controller in several companies including listed companies. Before joining the Company, Mr. Ng Kam Por, Garry is a company secretary of a Main Board listed company from November 2015 to March 2017.

Mr. Ng Kam Por, Garry obtained a Master Degree of Corporate Governance from The Open University of Hong Kong (now known as Hong Kong Metropolitan University) in November 2014. He is a member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Or Sek Hey Seky (柯錫熙)**, aged 42, was appointed as our company secretary on 24 January 2018 and the authorised representative of our Company. He graduated from The University of Western Ontario with a Degree of Bachelor of Administrative and Commercial Studies in June 2003 and a Diploma in Accounting in October 2003. He was admitted as Chartered Accountant of the Institute of Chartered Accountants of Ontario in May 2009 and admitted as Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in May 2017.

Mr. Or Sek Hey Seky has more than 18 years of experience in the accounting and finance industry. He is currently the Associate Partner of AE Majoris Advisory Company Limited (a company principally engaged in corporate finance advisory). From July 2011 to May 2016, he worked at Goldman Sachs (Asia) L.L.C. (a company primarily engaged in financial services) with his last position being Associate in the Controllers Department. From August 2009 to April 2011, Mr. Or Sek Hey Seky worked at Excelsior Capital Asia (HK) Limited (a company primarily engaged in direct investment) as fund accountant, and from September 2004 to March 2009, he worked at Deloitte Touche Tohmatsu (a company primarily engaged in the provision of auditing services) in Toronto with his last position being a senior staff accountant in the Assurance & Advisory Practice.

**Mr. Lee Siu Ki (李兆琪)**, aged 37, was appointed as our project manager on 1 April 2016. He obtained a higher diploma in Building Services Engineering from the Hong Kong Institute of Vocational Education in July 2007. He then obtained a training certificate in Safe Use of Abrasive Wheels in April 2008 from the Occupational Safety and Health Council of Hong Kong, and further obtained a certificate of completion of a 42-hour Construction Safety Supervisor Course in August 2008 from the Construction Industry Council Training Academy of Hong Kong. Mr. Lee Siu Ki then graduated from the City University of Hong Kong in February 2012 with a bachelor's degree in Engineering in Building Services Engineering.

Mr. Lee Siu Ki has over 16 years of experience for engineering work in Fire Services and Water Pump Installation. On 1 June 2007, he joined GFE as assistant engineer, where he was responsible for on-site coordination and inspection until 31 March 2012. From 1 April 2012 to 31 March 2016, he was responsible for progress monitoring and site supervision. He has been project manager since 1 April 2016 and has been responsible for overall management, checking, and supervision of contract works.

**Mr. Lo Chi Kok (盧自覺)**, aged 58, has been appointed as our drafting department manager since 18 April 1988. He obtained his Diploma in Electrical Engineering in July 1986 from the Haking Wong Technical Institute of the Vocational Training Council. He is an electrical worker (Grade B) registered with the Electrical and Mechanical Services Department.

Mr. Lo Chi Kok has over 35 years of experience in engineering, design, and technical hardware production. As our drafting department manager, he has been responsible for overseeing the preparation and design of fire services layout shop drawings and details, progress programmes, and submission schedules. From October 1986 to March 1988, he served as a technician with Micro Electronics Limited (a company primarily engaged in semi-conductor manufacturing), where he was responsible for the repair and maintenance of semi-conductor bonder equipment of the production line.

## **DIRECTORS' REPORT**

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

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

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

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

### **RESULTS AND DIVIDENDS**

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income of this report. The state of affairs of the Group as at 31 March 2023 are set out in the consolidated statement of financial position. The Board does not recommend the payment of dividend for the year ended 31 March 2023 (2022: \$0.50 cent per share).

### **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group, as extracted from the consolidated financial statements of the Group in Annual Report since the year ended 31 March 2019 are set out in page 134 of this report.

### **SHARE CAPITAL**

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

### **RESERVES**

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

### **DISTRIBUTABLE RESERVES OF THE COMPANY**

As at 31 March 2023, the Company's distributable reserves, subject to solvent test, amounted to HK\$16,019,000.

### **PRE-EMPTIVE RIGHTS**

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

## **DIRECTORS' REPORT**

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

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

### **PROPERTY, PLANT AND EQUIPMENT**

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

### **MANAGEMENT CONTRACTS**

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

### **EQUITY-LINKED AGREEMENTS**

Save for the Share Option Scheme as set out in pages 9 to 10 of this report and note 26 to the consolidated financial statements of this report, no equity-linked agreements were entered into by our Group, or existed during the Reporting Period.

### **KEY RELATIONSHIPS WITH STAKEHOLDERS**

#### **Employees**

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

#### **Customers**

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

#### **Suppliers and subcontractors**

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

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

## **DIRECTORS' REPORT**

### **MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS**

For the Reporting Period, our largest customer accounted for approximately 17.70% (2022: 22.35%) of our total revenue, while the percentage of our total revenue is attributable to our five largest customers in aggregate which was approximately 49.47% (2022: 67.21%).

For the Reporting Period, our largest supplier accounted for approximately 14.85% (2022: 15.26%) of our total purchases incurred (excluding subcontracting charges incurred), while the percentage of our total purchases incurred (excluding subcontracting charges incurred) is attributable to our five largest suppliers in aggregate which was approximately 47.11% (2022: 45.03%).

For the Reporting Period, our largest subcontractor amounted to approximately 16.75% (2022: 18.83%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred is attributable to our five largest subcontractors in aggregate which was approximately 51.45% (2022: 51.68%).

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

### **ENVIRONMENTAL POLICY**

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

During the Reporting Period, our Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

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

# DIRECTORS' REPORT

## ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "2023 AGM") of the Company will be held on 16 August 2023 at 24/F, Admiralty Centre I, 18 Harbour Road, Hong Kong.

## TAX ALLOWANCES

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

## DIRECTORS

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

### Executive Directors

Mr. Poon Ken Ching Keung (*Chairman*)

Mr. Ng Kwok Wai

Ms. Lee To Yin

### Non-Executive Director

Ms. Poon Kam Yee Odilia

### Independent Non-Executive Directors

Mr. Yung Chung Hing

Mr. Lam Chung Wai

Mr. Chan Shu Yan Stephen

In accordance with Article 108(a) of the articles of association of the Company (the "Articles of Association"), at each annual general meeting of the Company ("AGM"), one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third), shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Particulars of Directors seeking re-election at the 2023 AGM are set out in the related circular to Shareholders.

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

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

## **DIRECTORS' REPORT**

### **DIRECTORS' SERVICE CONTRACT**

None of the Directors proposed for election at the 2023 AGM has or is proposed to have a service contract with the Company or any of its subsidiaries which is not determinable by our Group within one year without payment of compensation, other than statutory compensation.

### **PERMITTED INDEMNITY OF DIRECTORS**

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

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

### **DIRECTORS' INTERESTS IN CONTRACT**

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

### **DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS**

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

### **RETIREMENT BENEFITS PLANS**

The Group contributes to defined contribution retirement schemes which are available to all employees. For forfeited contributions that are not vested fully, if any, they may be used to reduce the existing level of contributions. As at 31 March 2023, there were no forfeited contributions available to reduce future obligations (2022: Nil). The Group does not have defined benefit plans.

### **REMUNERATION POLICY**

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

## DIRECTORS' REPORT

### DIRECTORS' INTEREST IN COMPETING INTERESTS

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

### INTEREST OF CONTROLLING SHAREHOLDERS

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

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

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

As disclosed in the prospectus of the Company dated 31 January 2018 (the "**Prospectus**"), all Controlling Shareholders have entered into the deed of non-competition undertakings ("**Deed of Non-competition**") in favour of the Company (for its own and on behalf of all members of the Group) on 26 January 2018, pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, undertakes and covenants with the Company that during the period that the Deed of Non-competition remains effective, each of the Controlling Shareholders shall not, and shall procure that none of his/her/its associates (except any member of the Group), directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved, whether as a shareholder, director, employee, partner, agent or otherwise (as the case may be), in any business in competition with or likely to be in competition with the Group's existing business activity and any business activities which may be undertaken by the Group from time to time and/or which any member of the Group may undertake in Hong Kong from time to time. Details of the Deed of Non-competition have been set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in the Prospectus.

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

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

## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

### CONNECTED/RELATED PARTY TRANSACTIONS

On 28 February 2022, the lease agreement (the "**Lease Agreement**") entered into between Vistar Alliance Limited owned as to 50% by Mr. Ken Poon and 50% by Mr. Tommy Poon, respectively (the "**Lessor**") and GFE (the "**Lessee**") for the Lessor to lease Workshop 2 on 13th Floor, Tak King Industrial Building, No. 27 Lee Chung Street, Chai Wan, Hong Kong of approximately 2,937 square feet to the Lessee was renewed for the term from 1 April 2022 to 31 March 2023 at a monthly rental of HK\$48,000.

On 8 March 2023, the Lease Agreement was renewed for the term from 1 April 2023 to 31 March 2025 at a monthly rental of \$50,000. Details of these transactions entered into by our Group are also set out in note 30 to the consolidated financial statements of this report.

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

### CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 26 to 41 of this report.

### SUFFICIENCY OF PUBLIC FLOAT

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

### DONATIONS

Total donations made by our Group for charitable and other purposes during the year amounted to HK\$50,000 (2022: HK\$6,000).

### AUDITOR

The consolidated financial statements for the Reporting Period have been audited by BDO Limited ("**BDO**"). BDO shall retire in the 2023 AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment as auditor of the Company will be proposed at the 2023 AGM. There has been no change in auditor since the date of the Listing.



# DIRECTORS' REPORT

## DISCLOSURE OF INTERESTS

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

As at 31 March 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the shares

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

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at 31 March 2023.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step Management Limited ("Success Step"). Success Step, in turn, directly holds 418,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced Limited ("Legend Advanced") as described in note 5 below.

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

- (4) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 shares of the Company.
- (5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital Concept Limited ("Noble Capital"). For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure – Reorganisation" in the Prospectus.

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

## DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2023, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2023, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Long position in the shares

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

## DIRECTORS' REPORT

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 shares of the Company in issue as at 31 March 2023.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, directly holds 418,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced as described in note 5 below.

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

- (4) Mr. Tommy Poon holds the entire issued share capital of Noble Capital. Noble Capital, in turn, directly holds 391,500,000 shares of the Company and is deemed to be interested as holder of equity derivative in the 90,000,000 shares of the Company held by Legend Advanced as described in note 5 below. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 shares of the Company which Noble Capital is deemed to be interested in.
- (5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in the Prospectus. Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, and Mr. Tommy Poon is deemed to be interested in the 90,000,000 shares of the Company held by Legend Advanced.
- (6) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 shares of the Company.
- (7) Ms. Deng Anna Man Li is the spouse of Mr. Ken Poon. By virtue of the SFO, Ms. Deng Anna Man Li is deemed to be interested in the shares of the Company held by Mr. Ken Poon.
- (8) Mr. Roberts Christopher John is the spouse of Ms. Odilia Poon. By virtue of the SFO, Mr. Roberts Christopher John is deemed to be interested in the shares of the Company held by Ms. Odilia Poon.

Save as disclosed above, as at 31 March 2023, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

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

Hong Kong, 16 June 2023

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

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

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. The Company has complied with the principles and applicable code provisions of the CG Code for the Reporting Period, except the deviation from code provision C.2.1 of the CG Code as disclosed below.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Ken Poon is the chairman and the chief executive officer of the Company. Mr. Ken Poon has been the key leadership figure of the Group with over 34 years of experience in the fire services and water pump installation services in Hong Kong. Mr. Ken Poon has been primarily involved in the overall business development, technical operations and strategic planning of the Group. The Directors are of the view that it would be in the Group's best interest for Mr. Ken Poon to continue performing the two roles, in order to maintain effective management and business development.

Having considered the above factors, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate and that the Company has complied with the principles and applicable code provisions of the CG Code during the Reporting Period.

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

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

### Responsibilities of the Board

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

### Corporate Governance Functions

The Board is responsible for, among others, performing the corporate governance duties as set out in code provision A.2.1 of the CG Code, which include:

- (a) to develop and review our Group's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- (e) to review our Group's compliance with the CG Code and disclosure in the corporate governance report.

# CORPORATE GOVERNANCE REPORT

## COMPOSITION OF THE BOARD

As at 31 March 2023, our Board consisted of seven Directors, comprising three executive Directors, namely Mr. Ken Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin, one non-executive Director, namely Ms. Odilia Poon and three INEDs, namely Mr. Yung Chung Hing, Mr. Lam Chung Wai and Mr. Chan Shu Yan Stephen.

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

Pursuant to the code provision B.1.3 of the CG Code, the board should review the implementation and effectiveness of the issuer's policy on board diversity on an annual basis. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of our Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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

### Relationships between members of the Board

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

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

## BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") which set out the approach to achieve a sustainable and balanced development of the Company and also enhance the quality of performance of the Company.

The Company recognizes and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

The Board Diversity Policy is available on the website of the Company at [www.vistarholdings.com](http://www.vistarholdings.com) for public information.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revision that may be required and recommend any such revisions to the Board for consideration and approval.

For the gender ratio in the workforce (including senior management), please refer to the Environmental, Social and Governance Report in this annual report.

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

## BOARD MEETINGS

Pursuant to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments, and the final version of the draft minutes are endorsed in the subsequent Board meeting. During the Reporting Period, six Board meetings were held on 17 May 2022, 28 June 2022, 10 August 2022, 9 November 2022, 8 February 2023, 30 March 2023 and an AGM was held on 16 August 2022. The individual attendance record of the Board meetings and the AGM is set out as follows:

### Number of Meetings and Directors' Attendance

Name of Directors	Meetings attended/ Eligible to attend Board meetings	Annual General Meeting
<b>Executive Directors</b>		
Mr. Poon Ken Ching Keung	6/6	1/1
Mr. Ng Kwok Wai	6/6	1/1
Ms. Lee To Yin	6/6	1/1
<b>Non-Executive Director</b>		
Ms. Poon Kam Yee Odilia	6/6	1/1
<b>Independent Non-Executive Directors</b>		
Mr. Yung Chung Hing	6/6	1/1
Mr. Lam Chung Wai	6/6	1/1
Mr. Chan Shu Yan Stephen	6/6	0/1

Under code provision F.2.2 of the CG Code, the chairman of the Board should attend annual general meetings of the Company and should also invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. Chan Shu Yan Stephen, the chairman of the remuneration committee of the Company was absent from the AGM held on 16 August 2022 due to personal reason. Other members of the remuneration committee of the Company were available to answer questions at the AGM held on 16 August 2022.

## **CORPORATE GOVERNANCE REPORT**

### **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

### **APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS**

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

In accordance with Article 108(a) of the Articles of Association, at each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. In accordance with Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Particulars of Directors seeking re-election at the 2023 AGM are set out in the related circular to Shareholders.

### **CONTINUOUS PROFESSIONAL DEVELOPMENT**

Our Group acknowledges the importance of continuing professional development for the Directors for better corporate governance and internal control system. In this regard and in compliance with code provision C.1.4 of the CG Code, our Group has provided funding to all Directors to participate in continuous professional development organised in the form of in-house training and seminars to keep them refreshed of their knowledge and skills and understanding of our Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the GEM Listing Rules and corporate governance practices.



## CORPORATE GOVERNANCE REPORT

Pursuant to the code provision C.1.4 of the CG Code, during the Reporting Period, all Directors had participated in continuous professional development in the following manner:

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

### BOARD COMMITTEES

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

### AUDIT COMMITTEE

An audit committee of the Company ("**Audit Committee**") has been established with its terms of reference in compliance with Rule 5.28 of the GEM Listing Rules, and code provisions D.3.3 and D.3.7 of the CG Code. As at 31 March 2023, the Audit Committee comprised three members, namely Mr. Yung Chung Hing, Mr. Lam Chung Wai and Mr. Chan Shu Yan Stephen, all being INEDs. Mr. Yung Chung Hing currently serves as the chairman of the Audit Committee.

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

## CORPORATE GOVERNANCE REPORT

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

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services;
- (d) to monitor the integrity of financial statements and the annual report and accounts, half-year report and quarterly reports of the Company, and to review significant financial reporting judgments contained in them; and
- (e) to discuss the internal control system of the Company with management to ensure that management has performed its duty to have an effective internal control system.

The members of the Audit Committee should meet at least twice a year. During the Reporting Period, four meetings of the Audit Committee were held on 17 May 2022, 10 August 2022, 9 November 2022 and 8 February 2023.

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

<b>Name of Audit Committee members</b>	<b>Meeting attended/ Eligible to attend</b>
Mr. Yung Chung Hing ( <i>Chairman</i> )	4/4
Mr. Lam Chung Wai	4/4
Mr. Chan Shu Yan Stephen	4/4

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

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

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

A remuneration committee of the Company (the “**Remuneration Committee**”) has been established with its terms of reference in compliance with code provision E.1.2 of the CG Code. As at 31 March 2023, the Remuneration Committee comprised three members, namely Mr. Ken Poon, the executive Director, chairman and chief executive officer of the Company, and Mr. Yung Chung Hing and Mr. Chan Shu Yan Stephen, being INEDs of the Company. Mr. Chan Shu Yan Stephen currently serves as the chairman of the Remuneration Committee.

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

- (a) to assess, review and make recommendations to the Board, once a year, or, as and when required, in respect of the remuneration packages and overall benefits for the Chairman, the executive Directors and the senior management of the Company;
- (b) to make recommendations to the Board in relation to all consultancy agreements and service contracts, or any variations, renewals or modifications thereof, entered into between the Company and the Directors of the Company or any associate company or any of them;
- (c) to consider what details of the Chairman’s and executive Directors’ and senior management’s remuneration payable should be disclosed in addition to those required by law or the GEM Listing Rules in the Company’s annual report and how those details should be presented;
- (d) to be charged with the responsibility of making recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing policy on such remuneration and also placing recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors and senior management from time to time;
- (e) to review and approve the management’s remuneration proposals with reference to the Board’s corporate goals and objectives;
- (f) to determine with delegated responsibility, the remuneration packages of individual executive Directors and senior management, or to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (g) to make recommendations to the Board on the remuneration of non-executive Directors;
- (h) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

## CORPORATE GOVERNANCE REPORT

- (i) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (j) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (k) to ensure that no Director or any of his/her associates (as defined in the GEM Listing Rules) is involved in deciding his own remuneration;
- (l) to ensure that adequate retirement arrangements are put in place and maintained in respect of the Chairman, executive Directors and the senior management of the Company in the light of their performance during their time with the Company and not merely in regard to the previous one year's performance;
- (m) to enable the Company to be in a position to offer and maintain competitive and attractive overall benefits to recruit and maintain high quality personnel at the Board level;
- (n) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board;
- (o) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the GEM Listing Rules or applicable law;
- (p) to ensure the chairman of the Committee, or in the absence of the chairman, another member of the Committee or failing this his duly appointed delegate, to be available to answer questions at the AGM of the Company; and
- (q) to review and/or approve matters relating to share schemes under Chapter 23 of the GEM Listing Rules.

The members of the Remuneration Committee should meet at least once a year. A meeting of the Remuneration Committee was held on 9 November 2022 during the Reporting Period. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the Reporting Period.

## CORPORATE GOVERNANCE REPORT

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

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

### NOMINATION COMMITTEE

A nomination committee of the Company ("**Nomination Committee**") has been established with its terms of reference in compliance with paragraph B.3.1 of the CG Code. As at 31 March 2023, the Nomination Committee comprised three members, namely Mr. Ken Poon, the executive Director, chairman and chief executive officer of the Company, and Mr. Lam Chung Wai and Mr. Chan Shu Yan Stephen, being INEDs of the Company. Mr. Ken Poon currently serves as the chairman of the Nomination Committee.

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

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) to assess the independence of INEDs; and
- (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer of the Company.

# CORPORATE GOVERNANCE REPORT

## Board Nomination Policy

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

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

- (a) commitment for responsibilities of the Board in respect of available time and effort;
- (b) qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;
- (c) reputation for integrity;
- (d) experience in the Company's principal business and/or the industry in which the Company operates;
- (e) in the case of an INED, the independence requirements set out in the GEM Listing Rules; and
- (f) diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and the number of directorships in other listed/public companies, and in the case of INEDs, the length of service, where an INED serving more than nine years could be relevant to the determination of a non-executive Director's independence.

## Director Nomination Procedures

The Nomination Committee shall convene a meeting to invite nominations of candidates from Directors (if any) or it may also nominate candidates for its consideration. The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The members of the Nomination Committee should meet at least once a year. A meeting of the Nomination Committee was held on 17 May 2022 during the Reporting Period. The Nomination Committee has reviewed the board diversity policy including its purpose, vision, policy statement, measurable objectives, monitoring and reporting procedures. The Nomination Committee has also reviewed the structure, size and composition of the Board and made recommendations related to its re-election.

## CORPORATE GOVERNANCE REPORT

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

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

### AUDITORS' REMUNERATION

BDO is appointed as the external auditor of the Group.

For the Reporting Period, the remuneration paid or payable to BDO in respect of audit and non-audit services provided is set out below:

<b>Services rendered</b>	<b>Remuneration paid/payable (HK\$'000)</b>	
	<b>2023</b>	<b>2022</b>
Annual audit	<b>860</b>	860
Acting as reporting accountants in relation to the Proposed Transfer of Listing	<b>68</b>	1,282
<b>Total</b>	<b>928</b>	2,142

### COMPANY SECRETARY

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

### COMPLIANCE OFFICER

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

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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



## CORPORATE GOVERNANCE REPORT

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

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

### Whistle-blowing Policy

The Group has adopted a whistle-blowing policy to allow the employees or other stakeholders (such as suppliers and customers) of the Group to raise concerns, in confidence, with the Audit Committee about the possible improprieties in any matter related to the Group.

### Anti-corruption Policy

The Group does not allow or tolerate any forms of corruption. The Group has adopted the Anti-corruption Policy, which outlines the Group's zero-tolerance stance against bribery and corruption and sets out the responsibilities of all business units and employees of the Group to comply with the applicable anti-corruption laws, rules and regulations.

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

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

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

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of our Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 March 2023, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

## CORPORATE GOVERNANCE REPORT

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditor, BDO, about their reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditor's report on pages 64 to 69 of this report.

### DIVIDEND POLICY

The Board has adopted a revised dividend policy effective on 17 May 2022 as disclosed in the announcement of the Company dated 17 May 2022 (the "**Dividend Policy**") where under normal circumstances, the annual dividend to be distributed by the Company to the Shareholders shall not be less than 30% of the Group's consolidated net profit attributable to Shareholders in any financial year, subject to the criteria set out in the Dividend Policy. In general, any declaration, payment and amount of dividend in the future are subject to the Board's sole discretion having regard to the Group's actual and expected financial performance, working capital requirements and future expansion plans, general economic and market conditions and other factors that the Board deems appropriate.

### SHAREHOLDERS' RIGHTS

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

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

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

### Procedures for Shareholders to Convene an Extraordinary General Meeting and Procedures for Shareholders to put Forward Proposals at Shareholders' Meetings

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

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the voting rights on an one vote per share basis in the share capital of the Company. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may also use this same method to put forward proposals for the general meeting.

# CORPORATE GOVERNANCE REPORT

## Procedures for Raising Enquiries

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

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

## INVESTOR RELATIONS AND COMMUNICATION

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

A Shareholder's communication policy was adopted by the Board at the Board meeting held on 9 February 2018 aiming at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. The Board reviewed the implementation and effectiveness of the Shareholder's communication policy and considered it to be effective.

## Significant Changes in Constitutional Documents

At the 2022 AGM, a special resolution was passed to adopt a new memorandum and articles of association of the Company (the "M&A") in order to bring the M&A in line with the amendments made to Appendix 3 to the GEM Listing Rules which became effective on 1 January 2022 and the applicable laws of the Cayman Islands and to incorporate certain housekeeping amendments. Details of the amendments were set out in the circular of the Company dated 6 June 2022. A copy of the latest consolidated version of the M&A is posted on the Company's and the Stock Exchange's respective websites.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

Vistar Holdings Limited (the “**Company**”), together with its subsidiaries (the “**Group**” or “**we**”) is an established electrical and mechanical (“**E&M**”) engineering service provider in Hong Kong, specialising in the installation, maintenance, alterations and other modifications of fire service systems. Unless specified, this Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”) encompasses the most significant ESG impacts contributed by the Group.

This ESG Report summarises the ESG initiatives, plans and performances of the Group and demonstrates its efforts toward sustainable development. The Group is committed to handling its ESG affairs effectively and responsibly, with its core strategy aligned to make optimal use of resources and create a sustainable future for all.

### The ESG Governance Structure

The Group conducts a top-down management approach regarding its ESG issues. The board of directors (“**Board**”) oversees and sets out ESG strategies for the Group. It is responsible for ensuring the effectiveness of the Group’s risk management and internal controls, as well as evaluating, prioritising and managing material ESG-related issues. The Board sets ESG-related goals for the Group and reviews the progress towards these goals regularly, with an ultimate aim of achieving low-carbon operations.

To manage ESG issues systematically, the Group has set up an ESG working group (“**ESG Working Group**”) comprised of staff from various departments. The ESG Working Group is responsible for collecting ESG data and compiling the ESG Report. It periodically reports to the Board, assists in the assessment and identification of the Group’s ESG risks, and evaluates the effectiveness of internal controls. The ESG Working Group also reviews the Group’s ESG performance, including environmental aspects, employment and labour practices, among others.

The ESG Report has been approved by the Board on 16 June 2023.

## SCOPE OF REPORTING

This ESG Report covers the Group’s major business of providing E&M engineering services, which is under the Group’s direct control. The scope of reporting aligns with the Group’s annual report for the year ended 31 March 2023. The ESG key performance indicators (“**KPIs**”) data are gathered from the Group’s offices at Chai Wan, Tsim Sha Tsui and a workshop at Yuen Long. The Group will extend the scope of disclosures when and where applicable. The KPIs and explanatory notes are shown in the ESG Report to establish benchmarks for gauging performance.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) contained in Appendix 20 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the “**HKEX**”). For the Group’s corporate governance practices, please refer to the section “Corporate Governance Report” included in pages 26 to 41 of this annual report.

## REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2023 (the “**Reporting Period**” or “**FY2023**”).

## REPORTING PRINCIPLES

During the preparation for this ESG Report, the Group has applied the following reporting principles:

*Materiality:* The materiality of issues was reviewed and confirmed by the management. For further details, please refer to the sections headed “Stakeholder Engagement” and “Materiality Assessment”.

*Quantitative:* The standards, methodologies and applicable assumptions used in the calculation of KPIs data were supplemented by explanatory notes.

*Consistency:* Unless otherwise stated, the preparation approach of this ESG Report is consistent with the previous report for comparison. If there are any changes in the scope of disclosure or calculation methodologies that may affect the comparison with previous reports, explanations will be provided to the corresponding data.

*Balance:* The ESG Report impartially describes the Group’s performance during the Reporting Period to avoid any improper influence on the decisions or judgements of ESG Report readers.

## STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback. It takes stakeholders’ expectations into consideration while formulating its businesses and ESG strategies. In order to understand and address their key concerns, the Group has established communication channels with its key stakeholders, including but not limited to shareholders and investors, the Board, customers and business partners, employees, suppliers and subcontractors, regulatory bodies and government authorities, as well as media, non-governmental organisations (“**NGOs**”) and the public. The key engagement channels and stakeholder expectations are outlined below:

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Stakeholder Expectations and Engagement Channels

Stakeholders	Expectations and Concerns	Communication Channels
Shareholders and investors	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Corporate governance</li> <li>• Business compliance</li> </ul>	<ul style="list-style-type: none"> <li>• General meeting and other shareholder meetings</li> <li>• Financial reports</li> <li>• Announcements and circulars</li> <li>• Group website</li> </ul>
The Board	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Financial performance</li> <li>• Strategic development</li> </ul>	<ul style="list-style-type: none"> <li>• Board meetings</li> <li>• Board committee meetings</li> </ul>
Customers and business partners	<ul style="list-style-type: none"> <li>• High quality products and services</li> <li>• Protect the rights of customers</li> </ul>	<ul style="list-style-type: none"> <li>• Service Improving Team</li> <li>• Customer support hotline and email</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Employees' compensation and benefits</li> <li>• Career development</li> <li>• Health and safety working environment</li> </ul>	<ul style="list-style-type: none"> <li>• Training, seminars and briefing sessions</li> <li>• Regular performance reviews</li> <li>• Emails and notice boards</li> </ul>
Suppliers and subcontractors	<ul style="list-style-type: none"> <li>• Sustainable supply chain</li> <li>• Fair and open procurement</li> <li>• Stable business relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Subcontractors' management</li> <li>• Supplier audit</li> <li>• Regular meetings</li> <li>• Vendor evaluations</li> </ul>
Regulatory bodies and government authorities	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Environmental protection</li> <li>• Contribution to society</li> </ul>	<ul style="list-style-type: none"> <li>• Group 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>
Media, NGOs and the public	<ul style="list-style-type: none"> <li>• Involvement in communities</li> <li>• Environmental protection awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Community Investment Activities and Partner Programs</li> <li>• Public welfare events</li> <li>• ESG Report</li> <li>• Media</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MATERIALITY ASSESSMENT

The Group has considered feedback from the relevant stakeholders to identify ESG issues and assess the importance of these issues to its businesses and stakeholders. The materiality of these issues was reviewed and confirmed by the management, and the results of which are shown below:



### Key ESG Issues

- |  |  |
|--|--|
| 1. Health and safety                     | 9. Technology innovation and fire fighting equipment |
| 2. Compliance to laws and regulations    | 10. Greenhouse gas emissions                         |
| 3. Service quality and standard          | 11. Supply chain management                          |
| 4. Prevention of child and forced labour | 12. Community participation                          |
| 5. Customer satisfaction                 | 13. Employment practice                              |
| 6. Energy management                     | 14. Waste management                                 |
| 7. Development and training              | 15. Climate change                                   |
| 8. Anti-corruption                       |  |

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CONTACT US

The Group welcomes stakeholders' opinions and suggestions. You can provide valuable input related to this ESG Report or the Group's performances in sustainable development by sending email to [info@vistarholdings.com](mailto:info@vistarholdings.com).

## SUSTAINABILITY PERFORMANCE OVERVIEW

Emission	Unit	FY2023	FY2022
<b>Environmental</b>			
<b>Exhaust Gas Emissions (KPI A1.1)</b>			
Nitrogen Oxides (NOx)	kg	<b>128.87</b>	246.94
Sulphur Oxides (SOx)	kg	<b>0.27</b>	0.36
Respirable Suspended Particulates (PM)	kg	<b>12.51</b>	18.36
<b>GHG Emissions<sup>1</sup> (KPI A1.2)</b>			
Direct GHG Emissions (Scope 1)	tonnes CO <sub>2</sub> e	<b>46.83</b>	62.07
Energy Indirect GHG Emissions (Scope 2)	tonnes CO <sub>2</sub> e	<b>35.17</b>	38.44
Total GHG Emissions (Scope 1 & Scope 2)	tonnes CO <sub>2</sub> e	<b>82.00</b>	100.71
Emission Intensity <sup>2</sup>	tonnes CO <sub>2</sub> e per employee	<b>0.66</b>	0.74
<b>Solid Waste (KPI A1.3, KPI A1.4)</b>			
Hazardous Waste	kg	-	-
Hazardous Waste Intensity	kg per employee	-	-
Non-hazardous Waste	kg	<b>2,476.79</b>	2,514.37
Non-hazardous Waste Intensity	kg per employee	<b>19.97</b>	18.35
<b>Energy Consumption<sup>3</sup> (KPI A2.1)</b>			
<b>Direct Energy Consumption</b>			
Unleaded Petrol	kWh	<b>77,055.99</b>	83,394.14
Diesel Oil	kWh	<b>103,018.64</b>	157,787.09
<b>Indirect Energy Consumption</b>			
Electricity	kWh	<b>68,808.00</b>	73,555.00
<b>Total Energy Consumption</b>			
Energy Intensity	kWh per employee	<b>2,007.12</b>	2,297.34
<b>Water Consumption (KPI A2.2)</b>			
Water	m <sup>3</sup>	<b>82.00</b>	93.00
Water Intensity	m <sup>3</sup> per employee	<b>0.66</b>	0.68

Notes:

- GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the "Sustainability Report 2022" published by the Hong Kong Electric Investments Limited, the "2022 Sustainability Report" published by the CLP Power Hong Kong, and "Global Warming Potential Values" from the IPCC Fifth Assessment Report (AR5), 2014.
- As of the end of the Reporting Period, the Group had a total of 124 employees (FY2022: 137 employees). The data is also used for calculating other intensity data.
- The calculation of unit conversion refers to the Energy Statistics Manual issued by the International Energy Agency.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

### Environmental Goal Setting (KPI A1.5, KPI A1.6, KPI A2.3, KPI A2.4)

The Group has set environmental targets during the year prior to the Reporting Period in four areas, namely GHG reduction, waste management, energy conservation and water conservation. The Group will strive to achieve its targets by implementing appropriate measures and reviewing the progress periodically. The progress towards the targets set will be reported to the Board by the ESG Working Group at least once a year, and recommendations on related matters will be made to the Board when appropriate. The corresponding measures to achieve such target are disclosed in details in the sections headed "Emissions", "Waste Management", "Energy Conservation" and "Water Conservation".

The following table summarises the goals set by the Group:

Aspect	Targets
GHG Emissions	Using FY2022 as the baseline year, the Group will gradually reduce its total GHG intensity.
Waste Management	Using FY2022 as the baseline year, the Group will gradually reduce its total non-hazardous waste intensity.
Energy Conservation	Using FY2022 as the baseline year, the Group will gradually reduce its total energy consumption intensity.
Water Conservation	Using FY2022 as the baseline year, the Group will gradually reduce its total water consumption intensity.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A1. Emissions

The Group recognises its responsibilities towards the potential direct and indirect negative environmental impacts associated with its business operations. A firm-wide philosophy of “Green Construction and Energy Conservation” has been ingrained in the Group’s day-to-day operations, and it serves to direct the Group’s collective efforts in becoming a green enterprise. It also conveys the Group’s vision for a sustainable future, and inspires and raises employee awareness on environmental protection.

Specifically, the Group has integrated environmental considerations into its decision-making process. This is achieved through implementing measures that promote energy conservation, waste reduction and any other green initiatives in its procurement and provision of E&M engineering service. The Group is also committed to complying with the relevant environmental laws and regulations.

In order to minimize wastage, the Group has adopted policies to apply the waste management principle of “Reduce”, “Reuse”, “Recycle” and “Replace” (“4Rs”). Along with the green philosophy mentioned above, the Group’s waste management principle serves to ensure wastes generated from its operations are disposed of in an environmentally-responsible manner.

The Group has obtained the certification of ISO 14001 Environmental Management System since 2010, which manifested the Group’s efforts on ESG aspects. Apart from the regular review and adjustments made to existing measures, the Group has also appointed external consultants to assess the relevant environmental matters for ensuring compliance with the Group’s overall environmental strategy.

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

### Exhaust Gas Emissions (KPI A1.1, KPI A1.2, KPI A1.5)

Due to the Group’s business nature, air emissions generated from the Group’s business operations are limited. The Group will continue to reduce the exhaust gas generated from its operations as much as possible.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

The major sources of the Group's GHG emissions are electricity consumed in its offices and workshop, as well as petrol and diesel consumed by company-owned vehicles. The Group has adopted the following measures to reduce emissions from these sources:

- Use local suppliers to the greatest extent possible to reduce unnecessary transportation;
- Include more construction projects in the "BEAM Plus New Buildings" certification to reduce the impact of the projects to the environment;
- Transition from petrol-powered vehicles to hybrid vehicles to lower the usage of fossil fuels; and
- Apply biodegradable engine oil as needed to increase the life span of vehicles and minimize any repairment required.

With all the efforts made, the Group has continued to reduce the amount of total GHG emissions generated in the last year. The consumption of electricity is one of the major sources of GHG emissions among all types of GHG emissions. The Group has implemented measures to control electricity consumption. These measures are further described under the section headed "Energy Conservation".

### Waste Management

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

Due to the Group's business nature, hazardous wastes generated from the Group's business operations are insignificant, and therefore no targets for the reduction of hazardous wastes have been set. The Group has established guidelines governing the management and disposal of hazardous wastes. When hazardous wastes are produced, the Group will use government waste disposal facilities, and comply with the relevant environmental rules and regulations.

#### Non-hazardous Waste Management (KPI A1.4, KPI A1.6)

The Group adheres to the 4Rs waste management principle mentioned above, and strives to manage and dispose wastes properly as per established guidelines. Its waste management practices comply with the prevailing laws and regulations related to environmental protection. The non-hazardous wastes generated by the Group mainly consist of paper waste from its offices, and a small amount of scrap metals from its operations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly abides by the laws and regulations from the Environmental Protection Department of the Hong Kong Special Administration Region regarding construction projects. The Group's Project Environmental Plan effectively put the 4Rs waste management principle into actual practice. Guidelines for classifying and handling non-hazardous wastes are well-established. The Group advises all its employees to implement and follow such plan closely. It also conducts monthly inspection using the Environmental Monthly Office Inspection Checklist.

Administrative staff of the Group collectively take the responsibilities for waste management in the Group's offices and they have been actively promoting the implementation of the following measures:

- Use electronic communication among staff to the extent possible;
- Recycle paper and toners by placing recycle bins and collection boxes for single-sided paper in the offices;
- Provide waste classification boxes for processing recyclables;
- Sort wastes into appropriate receptacles, and educate employees on proper sorting;
- Encourage double-sided printing and reduce the frequency of printing by using the Enterprise Resource Planning ("ERP") system and reviewing before printing; and
- Engage a qualified metal recycling company to collect and recycle metal waste.

To provide more information and transparency, the Group has extended its disclosure of non-hazardous waste to include scrap metal generated from its operations during the Reporting Period. This inclusion has resulted in an increase in the intensity for non-hazardous waste. The actual non-hazardous waste generated, however, did not increase significantly.

### Sewage Discharges

Sewage discharges are insignificant, as the Group has subcontracted out the construction projects to its main contractors. The Group will increase its scope of disclosure on sewage discharges when appropriate.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A2. Use of Resources

The Group endeavours to optimise the use of resources on all fronts of its business operations. For energy and water consumption, the Group has put in place procedures and policies to ensure efficient use of energy and water resources, and reduce unnecessary consumption.

### Energy Conservation (KPI A2.1, KPI A2.3)

The Group has positioned itself as a green enterprise through adherence to the aforementioned “Green Construction and Energy Conservation” philosophy. The Group participated in the Earth Hour organised by World Wide Fund (“**WWF**”) as an effort to protect the earth by consuming less energy. The Group pledges to maintain the indoor temperature between 24-26°C so as to reduce energy consumption and electricity cost. The Group also keeps updated with the latest environmental news and trends for optimising existing services, thereby reducing emissions and pollution. The Group’s offices have taken the following energy conservation measures to reduce energy consumption:

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

During the Reporting Period, the use of petrol and diesel has decreased due to the moderated use of the Group’s vehicles. The Group is striving to reduce unnecessary use of company-owned vehicles and rationalize logistics requirements of its operations.

Additionally, the Group has lowered the amount of total energy consumption and its energy intensity has decreased correspondingly during the Reporting Period. In the long run, the Group will continue to track its energy consumption for any substantial surge of usage and improve its energy-saving management where appropriate.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Case Study: The Use of Solar Power

The Group is pleased to share that it has commenced the use of solar panels, which are installed on the rooftop of its Yuen Long workshop. Solar power is a renewable energy source to as opposed to depletable fossil fuels. The area of solar panels installed totalled 225 m<sup>2</sup>.



*Solar power is one of the earth's most plentiful sources of renewable energy, converting the radiant energy of the sun to heat and electricity, which in turn, provides energy for commercial and residential uses.*

The use of solar power results in various advantages to the Group and the environment, the following being the major benefits:

#### **Clean Source of Power**

- Solar energy is clean, it powers the Group's business operations but does not result in any carbon emissions for the Group.

#### **Lower Electricity Costs**

- Excess solar energy generated can be sold back to the utility company via the power grid, resulting in a reduction of the Group's electricity costs.

#### **Mitigation of Climate Risks**

- Increasing the use of alternative energy will lower the Group's reliance on fossil fuels, which is an effective mitigation of climate risks.

#### **Positive Corporate Image**

- The use of solar power greatly enhances the Group's corporate image, and with the global consumer preference shifting towards a favour for socially-responsible corporations, this will result in more business opportunities for the Group in the future.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

The Group does not consume a significant amount of water due to its business nature. Nonetheless, the Group has displayed prominent signages to remind employees to save water and enhance their environmental awareness. The Group also endeavours to foster a culture of cherishing natural resources among its employees and encourage them to better utilise water whenever possible. With all efforts aforementioned, the Group's water intensity has reduced during the Reporting Period.

Due to the Group's business nature and its operations being based in Hong Kong, the Group does not experience any difficulty in sourcing water that is fit for its purpose.

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

The use of packaging materials is not considered to be a material ESG aspect for the Group, as it is principally a provider of E&M engineering services, and the final products delivered to customers are typically being packaged by its suppliers.

### A3. The Environment and Natural Resources

The Group pursues the best practices in environment protection and focuses on controlling the impact of its business operations on the environment and surrounding neighbourhood. In addition, the Group has integrated the concept of environmental protection into its decision-making process and daily operations, with the aim of moving towards carbon neutrality.

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

## Indoor Air Quality (KPI A3.1)

Indoor air quality in the Group's offices is regularly observed and monitored. Policies such as the "No Smoking Policy" has been enforced in the workplace to maintain the quality of indoor air, thereby protecting the health of the Group's office employees.

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

The potential environmental impact of the Group's projects includes air pollution and non-hazardous waste discharge. In order to control and mitigate the adverse environmental impacts of its projects, the Group has formulated a series of procedures to assess the environmental risks of its projects in accordance with the standard of ISO 14001 Environmental Management System. Measures to minimize the corresponding environment risks are carried out with regard to the result of the assessment. Moreover, an internal audit on the effectiveness and adequate compliance of the Environmental Management System is carried out annually.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A4. Climate Change (KPI A4.1)

The management of the Group understands that climate change may adversely impact our business and the global economy as a whole.

Therefore, other than reducing the carbon footprint caused by the Group's operations, the Group also strives to identify any physical and transition risks caused by climate change, and formulate relevant policies to adapt to any sudden changes and mitigate those identified major risks.

### Physical Risks

Extreme weather events are occurring more frequently with increasing severity. Disasters such as floods, rainstorms, and typhoons can greatly impact the Group's supply chain and assets. Events like typhoons pose risks to operations as they may affect power supply, and damage the operation sites. Staff also face the risk of work disruption, injuries and casualties. Damages to the Group's assets and interruption to its supply chain and production are detrimental to the Group's business due to incremental repair costs and suspension of business operations.

In view of these risks, the Group has established relevant policies to better adapt and mitigate these potential risks and to protect our employees and facilities when extreme weather events are about to occur.

### Transition Risks

Governments around the world are tightening environmental regulations and enacting climate-related legislation under the global movement for decarbonisation. Hong Kong government has also announced the "Hong Kong's Climate Action Plan 2050" with the participation of the whole community in order to achieve the carbon neutrality before 2050. It is expected that the government authorities will implement more stringent policies and regulations to reduce GHG emissions and waste to promote the awareness of the public on the climate change.

Other than tightening emission regulations, businesses are also required to follow increasingly stringent disclosure and compliance measures for the ESG reporting. The general public is also becoming more aware of the sustainability of different businesses and their commitment to conducting green businesses. Thus, the Group recognises the potential compliance risks such as lawsuits and claims, as well as reputational risks if non-compliance occurs.

The Group will closely monitor the changes in the business environment and policy, and capitalise on the opportunities whenever possible to fulfil its role as a global citizen. In addition, the Group will also adjust and formulate appropriate business strategies to support the global vision of decarbonisation.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL

### B1. Employment

Human resources are the Group's most valuable assets. Hence, the Group has established the Employment Policy for better talent management and capitalise on the full potential of its employees. The Employment Policy is formally documented, and covers topics such as recruitment, compensation, promotion, working hours, rest periods, diversity and equal opportunity. The Group reviews, and when necessary, revises this policy and its employment practices at least annually to ensure continuous improvement of its employment standards.

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

Employee Composition (KPI B1.1, KPI B1.2)

As of 31 March 2023, the Group had a total of 124 employees, and all of them are full-time employees located in Hong Kong. The employee breakdown by gender, age, and employee category are illustrated below:

	Number of Employees	Percentage
<b>By Gender</b>		
Male	93	75.00%
Female	31	25.00%
<b>By Age</b>		
Below 30 years old	45	36.29%
31-50 years old	43	34.68%
Above 50 years old	36	29.03%
<b>By Employee Category</b>		
Management	21	16.94%
Technical Staff	76	61.29%
General Staff	27	21.77%

Recruitment, Promotion and Dismissal

The Group hires its employees through open recruitment, as well as fair and just appraisals with reference to a set of clear and transparent appraisals standards. The assessment criteria are based on the qualifications, capabilities and work experience of the applicants.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Any promotion of the Group's employees is based on the result of regular performance appraisals. The Group offers promotion and development opportunities for employees with exceptional performance through an open and fair assessment system, so as to give opportunities for employees to develop their full potential, build their careers and meet the Group's needs for continuous growth. The Group ensures that the promotion of employees will not be affected by their genders, ages, nationalities, races, religions, or sex orientations.

Any appointment, promotion or termination of recruitment is based on reasonable and lawful grounds, and is in alignment with the Group's internal policies, such as the Employee Handbook. The Group strictly prohibits any kind of unfair or illegitimate dismissal.

During the Reporting Period, the Groups' employee total turnover rate<sup>4</sup> is approximately 29.03%, employee turnover rate by gender and age are as follows:

	<b>Turnover Rate</b>
<b>By Gender<sup>5</sup></b>	
Male	<b>29.03%</b>
Female	<b>29.03%</b>
<b>By Age<sup>5</sup></b>	
Below 30 years old	<b>33.33%</b>
31-50 years old	<b>41.86%</b>
Above 50 years old	<b>8.33%</b>

Notes:

4. Employee total turnover rate = Total number of employees leaving employment during the Reporting Period/Total number of employees at the end of the Reporting Period\*100%.
5. Employee turnover rate by category = Total number of employees leaving employment during the Reporting Period by category/Total number of employees as at the end of the Reporting Period by category\*100%.

### Compensation and Remuneration

The Group regularly reviews its remuneration and benefits package with reference to the prevailing market benchmarks and is committed to safeguarding the rights and interests of its staff. Remuneration and benefits are adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions. For those who have unsatisfactory performance, the Group will give out a verbal warning before issuing a written warning. For those who commit a serious dereliction of duty, or is involved in a severe violation of local laws and regulations, the Group will dismiss the person in accordance with relevant laws in Hong Kong. The Group conducts exit interviews to collect feedback from resigned employees for continuous improvement.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Working Hours and Rest Periods

The Group is concerned with employee health and ensures that its employees can achieve a work-life balance. In addition to basic paid annual leaves and statutory holidays as stipulated by the Employment Ordinance, employees are also entitled to various allowances and leaves such as transportation allowance, training allowance and examination leaves. For employees living in remote areas, flexible working hours are provided.

## Diversity, Equal Opportunities and Anti-discrimination

The Group is dedicated to providing equal opportunities in recruitment and promotion. It endeavours to maintain 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 has published an Employee Handbook outlining the terms and conditions of employment, expectations for employee conduct and behaviours, as well as employee rights and benefits. The Group has also established and implemented policies that promote a harmonious and respectful workplace. The Group has zero tolerance for sexual harassment or abuse in any form.

## Communication with Employees

The Group upholds an open and equal work environment. Direct communication with employees is essential to realising this goal. The Group's employees are encouraged to make suggestions or complaints in horizontal or vertical communications via different communication channels, including emails or meetings.

## B2. Health and Safety (KPI B2.1, KPI B2.2)

The Group prides itself in providing a safe, effective and congenial work environment to its employees. It takes responsibility of the occupational health and safety at all of its offices and construction sites, and follows the Occupational Health and Safety Guidelines recommended by the Labour Department and Occupational Safety and Health Council.

In order to enhance employee health and safety in the workplace, the Group has introduced suitable plant and equipment, and provided adequate training and protective equipment, to avoid any accidents that may happened in the workplace.

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

The number of lost days due to work injury and the number of work-related fatalities in the last three years are listed below. The Group has recorded zero work-related fatalities in the last three years.

	FY2023	FY2022	FY2021
Number of Lost Days Due to Work Injury	100	16	62
Work-related Fatalities	0	0	0

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Risk Assessment (KPI B2.3)

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

Moreover, an internal audit on the effectiveness and adequate compliance of occupational health and safety management system is carried out annually. Measures to mitigate any safety risks are carried out in accordance with the results of the project assessment. Different types of protective equipment will be provided with reference to the circumstances of the projects.

## Occupational Health and Safety Management (KPI B2.3)

The Group has outlined specific instructions on workplace safety, and it actively promotes the importance of occupational health and safety among its employees. The Group has set up an accountability mechanism regarding safety affairs. It has also appointed a third-party organisation to conduct annual assessment, to ascertain the quality and effectiveness of its safety management measures. Measures to avoid accidents include regular safety inspections of construction sites and site equipment, and the implementation of corrective measures when risks are identified.

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

## Safety Training (KPI B2.3)

Employees are required to attend the safety training organised by the Group. Emergency and evacuation procedures have been established to respond timely and orderly in event of major accidents. Employees are also encouraged to provide feedback on improving workplace safety.

## Coronavirus Disease 2019 ("COVID-19") Preventive Measures (KPI B2.3)

With the outbreak of the COVID-19 pandemic, the Group is highly conscious of the potential health and safety hazards to its staff, and therefore has encouraged infected staff to stay at home. Apart from strengthening the sanitization of facilities, precautionary measures such as temperature screening before entering the office premises, provision of disinfection supplies, and the mandatory use of surgical face masks are also taken.

## B3. Development and Training

### Employee Development and Training (KPI B3.1, KPI B3.2)

The professional development of employees is essential to the success of the Group. The Group provides ongoing training to help employees refresh existing skills, while acquiring new skills to cope with the fast-changing and evolving industrial landscape.

The Group encourages and supports employees' effort in personal and professional training. On-the-job training is provided to engineers and new joiners, and the culture of knowledge and experience sharing is nurtured within the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, approximately 116.94%<sup>6</sup> of employees participated in training. The figure is inclusive of employees who received company training but left during the Reporting Period. The average training hours completed per employee<sup>7</sup> is approximately 2.15 hours. The breakdown of the number of employees trained, percentage of employees trained and the amount of average training hours by gender and employee category are as follows:

	Breakdown for employees trained <sup>8</sup>	Percentage of employees trained <sup>9</sup>	Average training hours completed per employee <sup>10</sup>
<b>By Gender</b>			
Male	78.62%	122.58%	2.26
Female	21.38%	100.00%	1.82
<b>By Employee Category</b>			
Management	37.93%	261.90%	4.86
Technical Staff	47.59%	90.79%	1.70
General Staff	14.48%	77.78%	1.33

Notes:

- Total percentage of employees trained = Total employees trained during the Reporting Period/Total number of employees as of 31 March 2023\*100%.
- Average training hours completed per employee = Total training hours completed during the Reporting Period/Total number of employees as of 31 March 2023.
- Breakdown for employees trained = Total employees trained during the Reporting Period by category/Total employees trained during the Reporting Period\*100%.
- Percentage of employees trained by category = Number of employees trained during the Reporting Period by category/Number of employees as of 31 March 2023 by category\*100%.
- The average training hours completed per employee by category = Number of training hours completed during the Reporting Period by category/Number of employees as of 31 March 2023 by category.

### Professional Training and Skill Development

In order to enhance employees' professional skills and keep them abreast with the latest technological trends in fire service installation, the Group provides on-the-job training and organises seminars periodically for its employees. The Group is also dedicated to establishing a technical team to enhance employees' professional knowledge, techniques and skills.

### Orientation and Induction Training

The Group has organised orientation and induction training for new employees to help them adapt to the Group's culture and environment. Topics of induction training include an introduction of the Group's background, general practices and briefing on the Employee Handbook. Employees will then be able to get familiar with their responsibilities and benefits.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B4. Labour Standards

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

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

Child labour is strictly prohibited during the recruitment process. Identification records are collected during the recruitment process to assist in the selection of suitable candidates and to verify candidates' personal data. The Human Resources Department also ensures identity documents are carefully checked.

Forced labour is strictly prohibited within the Group, and standard office hours are regulated by the Employee Handbook. The Group has offered flexible working hours subject to the job requirement. If any violation of the child or forced labour is discovered, it will be handled strictly according to the policy stated in the Group's Employee Handbook.

## B5. Supply Chain Management (KPI B5.1)

The Group understands the importance of supply chain management in mitigating indirect environmental and social risks. The Group takes consideration of the environmental and social practices of its suppliers and subcontractors, and tries to engage suppliers and subcontractors who has more comprehensive measures towards environmental protection.

During the Reporting Period, the Group had a total of 85 major suppliers (FY2022: 94 suppliers), all of which are located in Hong Kong.

### Supplier Appointment (KPI B5.2, KPI B5.3)

In order to ensure that the suppliers and subcontractors have met the Group's requirements regarding quality, environmental and safety standards, the Group has formulated standards and stringent procedures in selecting suppliers and subcontractors. Suppliers' and subcontractors' environmental and social performances are also considered as criteria for establishing a long-term relationship. The project directors will maintain an approved list of suppliers and subcontractors. During the Reporting Period, the Group has implemented practices to engage with all major suppliers.

Assessments of the work performed and materials sourced from suppliers and subcontractors are conducted by the project directors and managing director on a regular basis. If the suppliers or subcontractors continuously fail to meet the standards of the Group, they may be suspended or removed from the approved list. The supplier relationship may also be terminated in the event of any substantial violation of environmental and labour laws and regulations. The Group will review supply chain policies and practices to ensure their effectiveness regularly.

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Sustainable Procurement (KPI B5.4)

The Group has adopted the green procurement philosophy and formulated strategies for daily operations. It has actively advocated green procurement when evaluating suppliers. The Group considers a variety of environmental factors on the part of its suppliers, such as higher energy efficiency, lower impact on the environment by using recycled materials or even second-hand equipment.

The Group will leverage on its green procurement strategy to manage risks in its supply chain. It will also take advantage of the Group's purchasing power to build a sustainable supply chain.

## B6. Product Responsibility (KPI B6.1, KPI B6.2)

Maintenance of high-quality services is crucial to the sustainable development of the Group. Satisfactory project completion is instrumental to growing the business, building reputation and also increasing business opportunities in the future. In order to ensure that the Group delivers high-quality services to its customers, the process of projects is controlled and monitored regularly by the ISO 9001 Quality Management System.

The Group strictly complies with related laws and regulations in Hong Kong, including but not limited to the Trade Description Ordinance, the Sale of Goods Ordinance, the Personal Data (Privacy) Ordinance and the Supply of Services (Implied Terms) Ordinance of Hong Kong. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services provided that would have a significant impact on the Group. In the Reporting Period, there are no product recalls for safety and health reasons and service-related significant written complaints.

## Quality Assurance (KPI B6.2, KPI B6.4)

With Quality Management System established in accordance with the requirements of ISO 9001, the Group has developed a sustainable culture to pursue continuous improvement on quality rather than adopting a short-term and project-based approach. It has developed a customer satisfaction review for evaluating the quality of customer service. In event of any complaints on quality and safety, the Group will immediately conduct an investigation to find out the cause, and adopt appropriate measures to minimise its impacts.

## Protection of Customers' Information and Privacy (KPI B6.5)

To protect customer's data and privacy, the Group strictly complies with the Hong Kong Personal Data (Privacy) Ordinance. The IT system and server of the Group are properly protected by security system and only authorised persons with passwords can access such information. The system is monitored continuously, if there is any data leakage or violations, the Group will take appropriate actions.

## Protection of Intellectual Property Rights (KPI B6.3)

To protect the intellectual property rights, the Group complies with relevant industry standards and specifications and it will only purchase genuine products under its procurement policy.

## Advertising and Labelling

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B7. Anti-corruption (KPI B7.1, KPI B7.3)

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

The Group strictly complies with the relevant laws and regulations, including but not limited to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Prevention of Bribery Ordinance, the Personal Data (Privacy) Ordinance, and the Supply of Services (Implied Terms) Ordinance. During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that would have a significant impact on the Group, nor did it had any concluded legal cases regarding corrupt practices brought against the Group or its employees.

During the Reporting Period, 7 directors have attended approximately 7 hours of training which covers anti-corruption training materials, and 48 employees have attended approximately 48 hours training that was provided by the Independent Commission Against Corruption of Hong Kong (the "ICAC"). Such training serves to enrich their professional skills and knowledge regarding anti-corruption and business ethics.

### Anti-corruption (KPI B7.2)

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

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

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

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B8. Community Investment

Being a responsible corporation, the Group is committed to emboldening and supporting the public by the means of community participation. The Group formulated internal policy to understand the needs of the community and allocate appropriate resources to empower the community. The Group has identified youth empowerment and local charity as our focus of community investment.

### Corporate Social Responsibility (KPI B8.1, KPI B8.2)

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

The Group has joined a Trainee Subsidy Scheme, namely the "Student to Work Program", since 2013, to assist the youths in developing strengths and talents. During the Reporting Period, the Group has cooperated with vocational training institutions and human resources consultancy agencies for the provision of internship opportunities to students.

During the Reporting Period, the Group also donated HK\$50,000 to the Community Chest, to support the Sports for Millions project. The event featured an array of sports competitions and team-building games to promote a healthy lifestyle and team spirit. Proceeds of the event were used to support the projects designed to promote positive attitudes, cope with difficulties faced by young people, and develop sense of responsibility for the youth community.

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

The Group encourages employees to participate in charity events, volunteer works, and environmental protection activities in order to make contributions to the society. The Group believes that through participation in these activities, its employees can build positive value and be a socially-responsible citizen.

# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF VISTAR HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Vistar Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 70 to 133, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

#### Revenue recognition of provision of Construction Works

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

The Group is engaged in the provision of installation services, alteration and addition works of electrical and mechanical engineering systems in Hong Kong (together the “**Construction Works**”). The Group’s revenue from provision of the Construction Works of approximately HK\$278,956,000 for the year ended 31 March 2023 was recognised over time using the input method by reference to the total contract costs to completion and stage of completion of each construction contract.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

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

We identified the revenue recognition of provision of the Construction Works as a key audit matter given the significant judgements and estimates involved in determining the total budgeted contract costs and the contract costs incurred for work performed to date as the contract progress towards complete satisfaction of the performance obligation on individual contract.

#### Our response:

Our procedures in relation to the revenue recognition of provision of the Construction Works included the following:

- (i) Evaluating the Group's estimation of revenue and profit recognised from the provision of the Construction Works, on a sample basis, by:
  - Comparing the contract sum and budgeted costs to respective signed contracts and approved budgets;
  - Obtaining an understanding from management and project managers about how the approved budgets were prepared and the progress towards complete satisfaction of the performance obligation was determined with reference to the status of completion of each contract at the end of the reporting period;
  - Assessing the reasonableness of key judgements inherent in the approved budgets;
  - Checking the existence and valuation of variations to correspondences with customers;
  - Checking the management's assessment on the Group's ability to deliver contracts within budgeted timescales by comparing the progress of the contracts against the terms stipulated in the contracts; and
  - Testing the calculations of contract revenue based on the estimate of the progress of contract work.
- (ii) Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; and
- (iii) Assessing the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

### Impairment assessment on trade receivables and contract assets

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

As at 31 March 2023, the Group's gross trade receivables and contract assets and their related impairment allowances amounted to HK\$39,508,000, HK\$168,446,000, and HK\$1,033,000 respectively.

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

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

#### Our response:

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

- (i) Understanding, on a sample basis, the key management controls in place over the credit control, debt collection and assessment on ECLs for trade receivables and contract assets;
- (ii) Discussing with management to understand the methodologies, inputs and estimates used to assess the ECLs rates for trade receivables and contract assets. Evaluating management's estimated ECLs by considering the reputation and financial capability of the customers against the publicly available information, and the cash collection performance against the historical payment records and also considering and evaluating the appropriateness of the ECLs model adopted by management;
- (iii) Challenging management's judgement in determining the ECLs of trade receivables and contract assets, including reasonableness of ECLs rates for customers that are assessed individually;
- (iv) Evaluating whether management's assessment on the current and forward-looking macroeconomic factors that impact on the ability of customers to settle the receivables in the future was appropriate by considering the external market information; and
- (v) Testing the accuracy of information prepared by management to assess ECLs including aging categories of trade receivables by checking to the related invoices on a sample basis.

# **INDEPENDENT AUDITOR'S REPORT**

## **OTHER INFORMATION IN THE ANNUAL REPORT**

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

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

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

## **DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

## *INDEPENDENT AUDITOR'S REPORT*

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

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

**BDO Limited**

*Certified Public Accountants*

**Wendy W.Y. Fong**

Practising Certificate no. P06821

Hong Kong

16 June 2023

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	7	287,061	405,171
Cost of revenue		(255,089)	(336,330)
Gross profit		31,972	68,841
Other income and gains and losses	8	1,392	827
Reversal of impairment losses of trade receivables and contract assets, net		1,345	1,065
Administrative and other operating expenses		(26,417)	(29,972)
Transfer listing expenses		(1,064)	(12,276)
Finance costs	10	(1,504)	(673)
<b>Profit before income tax</b>	9	<b>5,724</b>	27,812
Income tax	11(a)	(868)	(7,030)
<b>Profit and total comprehensive income for the year</b>		<b>4,856</b>	20,782
<b>Earnings per share – basic and diluted (HK cents)</b>	12	<b>0.40 cents</b>	1.73 cents



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	5,371	6,676
Intangible assets	16	61	89
Pledged bank deposits	21	2,981	–
Deferred tax assets	11(b)	400	426
<b>Total non-current assets</b>		<b>8,813</b>	7,191
<b>Current assets</b>			
Trade and other receivables	18	48,918	43,080
Contract assets	19(a)	168,195	157,975
Financial assets at fair value through profit or loss	17	4,453	4,504
Income tax recoverable		920	–
Pledged deposits	20	1,045	4,502
Pledged bank deposits	21	2,608	2,105
Cash and cash equivalents		39,356	37,081
<b>Total current assets</b>		<b>265,495</b>	249,247
<b>Current liabilities</b>			
Trade and other payables	22	79,022	78,290
Contract liabilities	19(b)	4,628	1,021
Lease liabilities	23	3,052	2,788
Bank borrowings, secured	24	34,171	14,647
Income tax payable		–	3,872
<b>Total current liabilities</b>		<b>120,873</b>	100,618
<b>Net current assets</b>		<b>144,622</b>	148,629
<b>Total assets less current liabilities</b>		<b>153,435</b>	155,820
<b>Non-current liabilities</b>			
Lease liabilities	23	1,830	3,071
<b>Net assets</b>		<b>151,605</b>	152,749
<b>Capital and reserves</b>			
Share capital	25	12,000	12,000
Reserves	28	139,605	140,749
<b>Total equity</b>		<b>151,605</b>	152,749

On behalf of the board of directors

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

**Mr. Ng Kwok Wai**  
Executive Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Reserves						Total equity
	Share capital	Share premium	Other reserve	Legal reserve	Retained earnings	Total reserves	
	(Note 25) HK\$'000	(Note 28(a)) HK\$'000	(Note 28(b)) HK\$'000	(Note 28(c)) HK\$'000	HK\$'000	HK\$'000	
<b>Balance at 1 April 2021</b>	12,000	25,841	38,860	24	66,642	131,367	143,367
Profit and total comprehensive income for the year	-	-	-	-	20,782	20,782	20,782
Dividends paid (Note 13)	-	(11,400)	-	-	-	(11,400)	(11,400)
<b>Balance at 31 March 2022 and 1 April 2022</b>	<b>12,000</b>	<b>14,441</b>	<b>38,860</b>	<b>24</b>	<b>87,424</b>	<b>140,749</b>	<b>152,749</b>
Profit and total comprehensive income for the year	-	-	-	-	4,856	4,856	4,856
Dividend paid (Note 13)	-	-	-	-	(6,000)	(6,000)	(6,000)
<b>Balance at 31 March 2023</b>	<b>12,000</b>	<b>14,441</b>	<b>38,860</b>	<b>24</b>	<b>86,280</b>	<b>139,605</b>	<b>151,605</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>Operating activities</b>		
Profit before income tax	5,724	27,812
Adjustments for:		
Amortisation of intangible assets	28	218
Changes in fair value of financial assets at fair value through profit or loss	51	34
Depreciation on property, plant and equipment (including right-of-use assets)	3,797	3,901
Effect of lease modifications	–	(8)
Finance costs	1,504	673
Interest income	(474)	(229)
Loss on disposal of property, plant and equipment	–	53
Reversal of impairment losses of trade receivables and contract assets, net	(1,345)	(1,065)
Operating profit before working capital changes	9,285	31,389
Increase in trade and other receivables	(4,869)	(6,663)
Increase in contract assets	(9,844)	(27,525)
Decrease in pledged deposits	3,457	613
(Increase)/decrease in pledged bank deposits	(3,484)	2,012
Increase in trade and other payables	732	470
Increase/(decrease) in contract liabilities	3,607	(23)
Cash (used in)/generated from operating activities	(1,116)	273
Income tax paid	(5,634)	(4,870)
<b>Net cash used in operating activities</b>	<b>(6,750)</b>	<b>(4,597)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(374)	(360)
Purchase of intangible assets	–	(112)
Interest received	474	229
<b>Net cash from/(used in) investing activities</b>	<b>100</b>	<b>(243)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>Financing activities (Note 33(b))</b>		
Proceeds from bank borrowings	29,118	8,517
Repayment of bank borrowings	(15,442)	(928)
Interest paid on bank borrowings	(1,288)	(385)
Repayment of principal portion of the lease liabilities	(3,095)	(2,990)
Interest paid on lease liabilities	(216)	(288)
Dividends paid	(6,000)	(11,400)
<b>Net cash from/(used in) financing activities</b>	<b>3,077</b>	<b>(7,474)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,573)</b>	<b>(12,314)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>37,081</b>	<b>49,395</b>
<b>Cash and cash equivalents at end of year</b>	<b>33,508</b>	<b>37,081</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	39,356	37,081
Bank overdrafts (Note 24)	(5,848)	–
	<b>33,508</b>	<b>37,081</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Company and its subsidiaries (together the “**Group**”) are engaged in the provision of installation services, alteration and addition works and maintenance services of electrical and mechanical engineering systems in Hong Kong (together the “**Construction Works**”). As at 31 March 2023 and 31 March 2022, the particulars of the Company’s subsidiaries are as follows:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### (a) Adoption of amended HKFRSs

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

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 HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

None of these amended HKFRSs and HKASs has a significant impact on the Group’s results and financial position for the current or prior period.

The Group has not early adopted any amended HKFRSs that are not yet effective for the current accounting period.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ <b>2020 Amendments</b> ”) <sup>2,3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “ <b>2022 Amendments</b> ”) <sup>2</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>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 April 2024

<sup>3</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 April 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

#### Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The 2020 Amendments provide clarification that if an entity’s right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 April 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

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

#### Amendments to HKAS 1, Non-current Liabilities with Covenants

The 2022 Amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification as current or non-current. The 2022 Amendments are effective for annual periods beginning on or after 1 April 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted.

Based on the Group’s outstanding liabilities as at 31 March 2023, the directors of the Company do not anticipate that the application of the amendments will result in reclassification of the Group’s liabilities.

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

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

#### Amendments to HKAS 8, Definition of Accounting Estimates

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

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

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

#### Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

#### Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

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

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

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

### (b) Subsidiaries

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

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

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

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

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

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

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

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

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

### (d) Government grants

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### (e) Leases

The Group as a lessee

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

#### *Right-of-use asset*

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

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

The Group presents right-of-use assets within the same line item of “property, plant and equipment”.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

The Group as a lessee *(Continued)*

#### *Lease liability*

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

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

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

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

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

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

The Group as a lessee *(Continued)*

*Lease liability (Continued)*

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

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient in accordance with the amendment to HKFRS 16 COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

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

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

Computer system	4 years
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- (ii) Subsequent expenditure  
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.
- (iii) Derecognition of intangible assets  
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.
- (iv) Impairment of intangible assets  
Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(m)).

### (g) Financial instruments

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

#### (i) Financial assets *(Continued)*

##### *Debt instruments*

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

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

##### *Unlisted investment fund*

Unlisted investment fund is stated in the consolidated statements of financial position at fair value with changes in fair value recognised in the consolidated statements of comprehensive income in the other income and gains and losses line based on the net asset value of the respective fund obtained from the relevant fund administrator. When the net asset value of an investment fund is not executable, the Group reviews the valuations of the underlying investments to assess the appropriateness of the net asset value as provided by the relevant fund administrator.

#### (ii) Impairment loss on financial assets

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

- (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience except for the amounts have been more than 365 days past due, which are assessed individually. The ECLs also adjusted for forward-looking factors specific to the debtors and the economic environment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

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

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

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

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

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

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

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

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

#### (iii) Financial liabilities

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

#### *Financial liabilities at amortised cost*

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

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

#### (iv) Effective interest method

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

#### (v) Equity instruments

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

#### (vi) Financial guarantee contracts

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

#### (vii) Derecognition

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### (h) Revenue recognition

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

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

- (i) provides all of the benefits received and consumed simultaneously by the customer;
- (ii) creates or enhances an asset that the customer controls as the Group performs; or
- (iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

#### Provision of Construction Works

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

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

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

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

#### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

#### Provision of maintenance services

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

#### Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

#### Interest income

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

### (i) Cash and cash equivalents

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

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash and cash equivalents as defined above, net of 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### (j) Income taxes

Income taxes comprise current tax and deferred tax.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### (k) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the “**functional currency**”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

### (l) Employee benefits

#### (i) Short-term employee benefits

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

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

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

#### (ii) Defined contribution retirement plans

The Group’s subsidiaries which operates in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

#### (iii) Termination benefits

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### (n) Borrowing costs

Borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

### (o) Provisions and contingent liabilities

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### (p) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group or the Company's parent.
- (c) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:
  - (i) that person's children and spouse or domestic partner;
  - (ii) children of that person's spouse or domestic partner; and
  - (iii) dependents of that person or that person's spouse or domestic partner.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

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

### Key sources of estimation uncertainty

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

(a) Revenue recognition of provision of the Construction Works

Management measured the progress towards complete satisfaction of performance obligation of individual construction contract using the input method by reference to the total contract costs to completion and stage of completion of each contract. Total contract costs to completion of individual contract, which mainly comprise subcontracting charges, cost of materials and direct labour, are estimated based on latest available budgets prepared by the management on the basis of estimated costs quoted by subcontractors, suppliers or vendors as well as the experience of the project team. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary.

Notwithstanding that the management regularly reviews and revises the estimates of contract costs for each construction contract as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

(b) Impairment of trade receivables and contract assets

The impairment allowances for trade receivables and contract assets are measured by lifetime ECLs. The management estimated the ECLs rates by considering the market conditions, management's knowledge about the customers (including their reputation, financial capability and historical payment history), and the current and forward-looking information on macroeconomic factors that relevant to determine the ability of customers to settle the receivables at the end of each of the reporting period. As at 31 March 2023, the Group's gross trade receivables and contract assets and their related impairment allowances amounted to HK\$39,508,000, HK\$168,446,000, and HK\$1,033,000 (2022: HK\$41,746,000, HK\$158,602,000, and HK\$2,378,000) respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### Key sources of estimation uncertainty (Continued)

(c) Estimated IBR in the lease

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and condition of the lease. The Group estimates the IBR using observable inputs (such as market interest rate) when available and is required to make certain entity specific estimates (such as the subsidiary's stand-alone credit rating). As at 31 March 2023, the Group's lease liabilities amounted to HK\$4,882,000 (2022: HK\$5,859,000).

(d) Fair value measurement

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

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

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

The Group estimates the fair value of the financial assets at FVTPL using unobservable inputs (such as the value of the underlying investments held by the investment fund) by assessing the appropriateness of the net asset value as provide by the relevant fund administrator. As at 31 March 2023, the fair value of the Group's financial assets at FVTPL amounted to HK\$4,453,000 (2022: HK\$4,504,000). For more detailed information in relation to the fair value measurement of these financial assets, please refer to Note 36.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 6. SEGMENT REPORTING

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

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

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

- Installation services – supply and carrying out installation services;
- Alteration and addition works – provision of alteration and addition works on existing system of customers; and
- Maintenance services – provision of repair and maintenance services.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 6. SEGMENT REPORTING (Continued)

### (a) Business segments

For the year ended 31 March 2023

	Installation services HK\$'000	Alteration and addition works HK\$'000	Maintenance services HK\$'000	Total HK\$'000
<b>Segment revenue</b>				
Revenue from external customers	180,329	98,627	8,105	287,061
Segment profit	22,090	9,199	683	31,972
Other income and gains and losses				1,392
Reversal of impairment losses of trade receivables and contract assets, net				1,345
Staff costs				(13,809)
Corporate expenses				(12,608)
Transfer listing expenses				(1,064)
Finance costs				(1,504)
Profit before income tax				5,724

For the year ended 31 March 2022

	Installation services HK\$'000	Alteration and addition works HK\$'000	Maintenance services HK\$'000	Total HK\$'000
<b>Segment revenue</b>				
Revenue from external customers	306,900	91,152	7,119	405,171
Segment profit	56,467	11,333	1,041	68,841
Other income and gains and losses				827
Reversal of impairment losses of trade receivables and contract assets, net				1,065
Staff costs				(14,481)
Corporate expenses				(15,491)
Transfer listing expenses				(12,276)
Finance costs				(673)
Profit before income tax				27,812

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 6. SEGMENT REPORTING (Continued)

### (b) Information about major customers

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

	2023 HK\$'000	2022 HK\$'000
Installation services:		
Customer I	- <sup>1</sup>	90,524
Customer II	<b>50,815</b>	90,245

<sup>1</sup> There is no revenue contributed from the customer for the respective year.

## 7. REVENUE

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

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

	2023 HK\$'000	2022 HK\$'000
Revenue from installation services	<b>180,329</b>	306,900
Revenue from alteration and addition works	<b>98,627</b>	91,152
Revenue from maintenance services	<b>8,105</b>	7,119
	<b>287,061</b>	405,171

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 7. REVENUE (Continued)

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

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

	2023 HK\$'000	2022 HK\$'000
Provision of installation services	298,417	188,499
Provision of alteration and addition works	10,251	9,441

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price amounting to HK\$308,668,000 (2022: HK\$197,940,000) allocated to the contracts under installation services and alteration and addition works as at 31 March 2023 will be recognised as revenue in the next 36 months (2022: 28 months).

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

## 8. OTHER INCOME AND GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Bank interest income	249	4
Interest income from financial assets at fair value through profit or loss	225	225
Effect of lease modifications (Note 23(b))	-	8
Changes in fair value of financial assets at fair value through profit or loss (Note 36)	(51)	(34)
Others	969	624
	<b>1,392</b>	<b>827</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 9. PROFIT BEFORE INCOME TAX

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

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration	860	860
Depreciation in respect of:		
– Owned assets	684	787
– Right-of-use assets	3,113	3,114
	<b>3,797</b>	3,901
Amortisation of intangible assets	28	218
Employee benefit expenses (including directors' emoluments (Note 14))		
– Salaries, allowances and other benefits	34,533	37,222
– Contribution to defined contribution retirement plan (note (ii))	1,609	1,451
	<b>36,142</b>	38,673
Loss on disposal of property, plant and equipment	–	53
Interest on lease liabilities (Note 23(b))	216	288
Short-term lease expenses (Note 23(b))	314	235
Government grants (note (i))	(3,132)	–
Net exchange gain	(272)	–

Notes:

- (i) The amount represented government grants of HK\$3,132,000 obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees during the year ended 31 March 2023. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group had no unfulfilled obligations relating to this program as at 31 March 2023. The grants were deducted from payroll expenses recorded in cost of revenue and administrative and other operating expenses respectively.
- (ii) For the years ended 31 March 2023 and 31 March 2022, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 March 2023 and 31 March 2022, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the government defined contribution retirement benefit scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 10. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on bank borrowings	1,288	385
Interest on lease liabilities (Note 23(b))	216	288
	<b>1,504</b>	673

## 11. INCOME TAX AND DEFERRED TAX

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

	2023 HK\$'000	2022 HK\$'000
Current tax		
– Hong Kong profits tax	852	6,938
– Overprovision in prior years	(10)	(3)
Deferred tax (note (b))	26	95
	<b>868</b>	7,030

For the years ended 31 March 2023 and 31 March 2022, subsidiaries operating in Hong Kong are subject to Hong Kong profits tax. Under two-tiered profits tax rates regime, if the entity has one or more connected entity, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. Hong Kong profits tax of the nominated entity is calculated at 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

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

	2023 HK\$'000	2022 HK\$'000
Profit before income tax	5,724	27,812
Tax thereon at Hong Kong profits tax rate of 16.5% (2022: 16.5%)	944	4,589
Tax effect of income not taxable for tax purposes	(640)	(32)
Tax effect of expenses not deductible for tax purposes	749	2,661
Income tax at concessionary rate	(165)	(165)
Overprovision in prior years	(10)	(3)
Tax relief	(10)	(20)
Income tax	868	7,030

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

	Tax losses carried forward HK\$'000	Accelerated tax depreciation HK\$'000	Provision for impairment of trade receivables and contract assets HK\$'000	Total HK\$'000
At 1 April 2021	–	(138)	659	521
Credited/(charged) to profit or loss	–	176	(271)	(95)
At 31 March 2022 and 1 April 2022	–	38	388	426
Credited/(charged) to profit or loss	194	(1)	(219)	(26)
<b>At 31 March 2023</b>	<b>194</b>	<b>37</b>	<b>169</b>	<b>400</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 12. BASIC AND DILUTED EARNINGS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
<b>Earnings</b>		
Profit for the year	4,856	20,782

	2023 Number'000	2022 Number'000
<b>Number of shares</b>		
Weighted average number of ordinary shares	1,200,000	1,200,000

Weighted average of 1,200,000,000 shares for the years ended 31 March 2023 and 31 March 2022 represents the number of shares in issue throughout the year.

Diluted earnings per share was the same as the basic earnings per share as the Group had no dilutive potential ordinary shares during the years ended 31 March 2023 and 31 March 2022.

## 13. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Interim dividend of HK cents 0.35 per share	-	4,200
Final dividend in respect of prior year of HK cents 0.50 per share (2022: HK cents 0.60 per share)	6,000	7,200
	6,000	11,400

The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2023 (2022: HK cents 0.50 per share).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### (a) Directors' emoluments

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

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonuses HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
<b>Year ended 31 March 2023</b>					
<b>Executive directors (note (i))</b>					
Mr. Poon Ken Ching Keung	-	1,352	-	15	1,367
Mr. Ng Kwok Wai	-	965	-	18	983
Ms. Lee To Yin	-	965	-	18	983
Total	-	3,282	-	51	3,333
<b>Non-executive director (note (i))</b>					
Ms. Poon Kam Yee Odilia	-	170	-	6	176
<b>Independent non-executive directors (note (ii))</b>					
Mr. Yung Chung Hing	120	-	-	-	120
Mr. Lam Chung Wai	120	-	-	-	120
Mr. Chan Shu Yan	120	-	-	-	120
Total	360	-	-	-	360

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

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

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonuses HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
<b>Year ended 31 March 2022</b>					
<b>Executive directors (note (i))</b>					
Mr. Poon Ken Ching Keung	–	1,206	–	18	1,224
Mr. Ng Kwok Wai	–	874	–	18	892
Ms. Lee To Yin	–	874	–	18	892
<b>Total</b>	<b>–</b>	<b>2,954</b>	<b>–</b>	<b>54</b>	<b>3,008</b>
<b>Non-executive director (note (i))</b>					
Ms. Poon Kam Yee Odilia	–	120	–	6	126
<b>Independent non-executive directors (note (ii))</b>					
Mr. Yung Chung Hing	120	–	–	–	120
Mr. Lam Chung Wai	120	–	–	–	120
Mr. Chan Shu Yan	120	–	–	–	120
<b>Total</b>	<b>360</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>360</b>

Notes:

- (i) Salaries, allowance and benefits in kind paid to or for the executive directors and non-executive director are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.
- (ii) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.
- (iii) During the years ended 31 March 2023 and 31 March 2022, no emoluments were paid by the Group to the directors or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 3 (2022: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining highest paid non-director individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and other benefits	1,862	1,790
Contribution to pension scheme	36	36
	<b>1,898</b>	<b>1,826</b>

Remuneration of these individuals was within the following bands:

	2023 Number of individuals	2022 Number of individuals
HK\$Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	1	1

### (c) Senior management's emoluments

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

	2023 Number of individuals	2022 Number of individuals
HK\$Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 April 2021	10,566	534	2,854	2,535	879	17,368
Additions	1,999	100	223	-	37	2,359
Disposals	-	-	(81)	-	-	(81)
Effect of lease modifications	(624)	-	-	-	-	(624)
At 31 March 2022 and 1 April 2022	<b>11,941</b>	<b>634</b>	<b>2,996</b>	<b>2,535</b>	<b>916</b>	<b>19,022</b>
Additions	<b>1,507</b>	-	<b>207</b>	<b>167</b>	-	<b>1,881</b>
Disposals	-	-	(18)	-	-	(18)
Effect of lease modifications	<b>611</b>	-	-	-	-	<b>611</b>
At 31 March 2023	<b>14,059</b>	<b>634</b>	<b>3,185</b>	<b>2,702</b>	<b>916</b>	<b>21,496</b>
<b>Accumulated depreciation</b>						
At 1 April 2021	3,137	393	2,505	1,997	471	8,503
Charge for the year	3,114	102	194	295	196	3,901
Disposals	-	-	(28)	-	-	(28)
Effect of lease modifications	(30)	-	-	-	-	(30)
At 31 March 2022 and 1 April 2022	<b>6,221</b>	<b>495</b>	<b>2,671</b>	<b>2,292</b>	<b>667</b>	<b>12,346</b>
Charge for the year	<b>3,113</b>	<b>88</b>	<b>180</b>	<b>253</b>	<b>163</b>	<b>3,797</b>
Disposals	-	-	(18)	-	-	(18)
At 31 March 2023	<b>9,334</b>	<b>583</b>	<b>2,833</b>	<b>2,545</b>	<b>830</b>	<b>16,125</b>
<b>Net carrying amount</b>						
At 31 March 2023	<b>4,725</b>	<b>51</b>	<b>352</b>	<b>157</b>	<b>86</b>	<b>5,371</b>
At 31 March 2022	5,720	139	325	243	249	6,676

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

### Right-of-use assets

	Properties leased for own use HK\$'000	Motor vehicle HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 April 2021	6,721	91	617	7,429
Additions	1,295	–	704	1,999
Depreciation	(2,884)	(77)	(153)	(3,114)
Effect of lease modifications	(29)	–	(565)	(594)
At 31 March 2022 and 1 April 2022	<b>5,103</b>	<b>14</b>	<b>603</b>	<b>5,720</b>
Additions	<b>1,399</b>	–	<b>108</b>	<b>1,507</b>
Depreciation	<b>(2,927)</b>	<b>(14)</b>	<b>(172)</b>	<b>(3,113)</b>
Effect of lease modifications	<b>577</b>	–	<b>34</b>	<b>611</b>
<b>At 31 March 2023</b>	<b>4,152</b>	–	<b>573</b>	<b>4,725</b>

## 16. INTANGIBLE ASSETS

	Computer system HK\$'000
<b>Cost</b>	
At 1 April 2021	780
Additions	112
At 31 March 2022 and 31 March 2023	892
<b>Accumulated amortisation</b>	
At 1 April 2021	585
Charge for the year	218
At 31 March 2022 and 1 April 2022	803
Charge for the year	28
At 31 March 2023	831
<b>Net carrying amount</b>	
At 31 March 2023	61
At 31 March 2022	89

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

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

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets measured at FVTPL</b>		
Unlisted investment fund	<b>4,453</b>	4,504

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

The management expects to realise the unlisted investment fund within twelve months after the reporting period.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 18. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	39,508	41,746
Less: Provision for impairment	(782)	(1,751)
Trade receivables, net (note (a), note (b) and note (d))	<b>38,726</b>	39,995
Prepayments (note (c))	8,525	1,898
Deposits and other receivables (note (d))	1,667	1,187
	<b>48,918</b>	43,080

Notes:

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

	2023 HK\$'000	2022 HK\$'000
Within 30 days	21,406	20,928
31 – 60 days	12,761	10,119
61 – 90 days	1,893	5,839
91 – 180 days	873	1,397
181 – 365 days	1,793	1,712
	<b>38,726</b>	39,995

- (b) As at 1 April 2021, the balance of trade receivables, net of impairment, was HK\$28,904,000.
- (c) The prepayments major included prepaid material costs for the Construction Works of the Group to suppliers and prepared costs for the Construction Works of the Group which had subcontracted to outsider service providers.
- (d) The Group recognised impairment of the trade and other receivables for the years ended 31 March 2023 and 31 March 2022 based on the accounting policies stated in Note 4(g)(ii). Further details are set out in Note 35(a).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 19. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	2023 HK\$'000	2022 HK\$'000
<b>Contract assets</b>		
Arising from performance under installation services and alteration and addition works	146,816	129,374
Retention receivables (note (i))	21,630	29,228
	<b>168,446</b>	158,602
Less: Provision for impairment (note (iii))	(251)	(627)
Contract assets, net	<b>168,195</b>	157,975

Changes of contract assets during the year ended 31 March 2023 were mainly due to net impact on: (1) decrease in the amount of retention receivables in accordance with the number of completed contracts after the defect liability period; and (2) increase in unbilled revenue due to the size and number of contracts in respect of the Construction Works that the relevant services were provided but yet certified by customers or external surveyors at the end of the reporting period.

Notes:

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

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

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

	2023 HK\$'000	2022 HK\$'000
Within one year	152,564	142,990
More than one year and less than two years	12,625	10,574
More than two years and less than three years	3,006	4,411
Total contract assets	<b>168,195</b>	157,975

- (ii) As at 1 April 2021, the balance of contract assets, net of impairment, was HK\$130,523,000.
- (iii) The Group recognised impairment of contract assets for the years ended 31 March 2023 and 31 March 2022 based on the accounting policies stated in Note 4(g)(ii). Further details are set out in Note 35(a).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 19. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

### (b) Contract liabilities

	2023 HK\$'000	2022 HK\$'000
<b>Contract liabilities</b>		
Billings in advance of performance under installation services and alteration and addition works	4,628	1,021

Typical payment terms which impact on the amount of contract liabilities are set in Note 19(a) above.

	2023 HK\$'000	2022 HK\$'000
<b>Movements in contract liabilities</b>		
At 1 April	1,021	1,044
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(808)	(779)
Increase as a result of billing in advance of installation services and alteration and addition works, net	4,415	756
At 31 March	4,628	1,021

## 20. PLEDGED DEPOSITS

Pledged deposits are placed with financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts (Note 31). The Group has unconditionally and irrevocably agreed to indemnify the financial institutions for claims and losses the financial institutions may incur in respect of the surety bonds.

## 21. PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged to secure facilities of the Group granted by financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts (Note 31).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 22. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables (note (a))	64,242	64,407
Retention payables (note (b))	6,150	6,220
Accruals	7,432	6,682
Other payables	1,198	981
	<b>79,022</b>	<b>78,290</b>

Notes:

- (a) The credit period granted by suppliers and contractors is normally 30 to 90 days.

The ageing analysis of trade payables, based on invoice date as at the end of each of the reporting period is as follows:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	18,748	28,352
31 – 60 days	17,582	15,453
61 – 90 days	2,644	8,843
Over 90 days	25,268	11,759
	<b>64,242</b>	<b>64,407</b>

- (b) Retention monies are retained by the Group when the relevant projects are completed. The retention payables will be released upon expiry of defect liability period as specified in the subcontracting agreements, which is usually 12 months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 23. LEASE LIABILITIES

### Nature of leasing activities

The Group leases a number of properties in Hong Kong and the periodic rent is fixed over the lease term. The Group also leases certain items of office equipment and motor vehicles. Leases of office equipment and motor vehicles comprise only fixed payments over the lease terms.

### (a) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 April	5,859	7,452
New leases	1,507	1,999
Interest recognised during the year	216	288
Lease payments	(3,311)	(3,278)
Effect of lease modifications	611	(602)
At 31 March	<b>4,882</b>	5,859

Future lease payments are due as follows:

	Future lease payments 31 March 2023 HK\$'000	Interest 31 March 2023 HK\$'000	Present value 31 March 2023 HK\$'000
Not later than one year	3,222	170	3,052
Later than one year and not later than two years	1,635	50	1,585
Later than two years and not later than five years	256	11	245
	<b>5,113</b>	<b>231</b>	<b>4,882</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 23. LEASE LIABILITIES (Continued)

### (a) Lease liabilities (Continued)

Future lease payments are due as follows: (Continued)

	Future lease payments 31 March 2022 HK\$'000	Interest 31 March 2022 HK\$'000	Present value 31 March 2022 HK\$'000
Not later than one year	2,982	194	2,788
Later than one year and not later than two years	2,183	91	2,092
Later than two years and not later than five years	1,010	31	979
	<b>6,175</b>	<b>316</b>	<b>5,859</b>

Note: The maturity analysis of lease liabilities is disclosed in Note 35(c) to the consolidated financial statements.

The present value of future lease payments are analysed as:

	2023 HK\$'000	2022 HK\$'000
Current liabilities	<b>3,052</b>	2,788
Non-current liabilities	<b>1,830</b>	3,071
	<b>4,882</b>	5,859

### (b) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities (Note 9 and Note 10)	<b>216</b>	288
Depreciation charge of right-of-use assets (Note 15)	<b>3,113</b>	3,114
Effect of lease modifications (Note 8)	-	(8)
Short-term lease expenses (Note 9)	<b>314</b>	235

Note: The Group regularly entered into short-term leases for car parks and warehouses. As at 31 March 2023 and 31 March 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 24. BANK BORROWINGS, SECURED

	2023 HK\$'000	2022 HK\$'000
<b>Current liabilities</b>		
<i>Secured and interest-bearing bank borrowings</i>		
Bank loans subject to repayment on demand clause		
– Bank loans due for repayment within one year	28,323	11,693
– Bank loans due for repayment after one year (note (c))	–	2,954
– Bank overdrafts	5,848	–
	<b>34,171</b>	<b>14,647</b>

Notes:

- (a) Bank loans are interest-bearing at floating rate. The interest rates of the Group's bank loans as at 31 March 2023 granted under banking facilities are ranged from 4.4% to 6.5% (2022: 2.4% to 4.0%) per annum.
- (b) All bank loans contain a repayment on demand clause in the loan agreements.
- (c) The current liabilities as at 31 March 2022 include such bank loans that are not scheduled to repay within one year after the end of the reporting period. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year. During the year ended 31 March 2023, those bank loans due for repayment more than one year were early repaid in full.
- (d) The Group's bank facilities are secured by corporate guarantee of the Company.

The Group's bank borrowings were scheduled to repay as of the end of the reporting period as follows:

	2023 HK\$'000	2022 HK\$'000
On demand or within one year	34,171	11,693
More than one year, but not exceeding two years	–	1,005
More than two years but less than five years	–	1,949
	<b>34,171</b>	<b>14,647</b>

The amounts due as disclosed above are based on the scheduled repayment dates in the loan agreements and no effect of any repayment on demand clause is taken into account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 25. SHARE CAPITAL

	Number '000	Amount HK\$'000
<b>Authorised:</b>		
<i>Ordinary shares of HK\$0.01 each</i>		
At 1 April 2021, 31 March 2022 and 31 March 2023	3,800,000	38,000
<hr/>		
	Number '000	Amount HK\$'000
<b>Ordinary shares, issued and fully paid:</b>		
<i>Ordinary shares of HK\$0.01 each</i>		
At 1 April 2021, 31 March 2022 and 31 March 2023	1,200,000	12,000

## 26. SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was approved and adopted by the Company on 24 January 2018.

The Scheme is effective for a period of 10 years commencing on 12 February 2018 of the Company. Under the Scheme, the board of directors may in its absolute discretion determine the subscription price at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the granting of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

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

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue at the time dealings in the shares first commenced on the Stock Exchange (excluding the shares which may be issued pursuant to the exercise of the options that may be granted under the Scheme) which amounts to 120,000,000 shares. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Investment in a subsidiary		—*	—*
<b>Current assets</b>			
Financial assets at fair value through profit or loss	17	4,453	4,504
Amounts due from subsidiaries		64,606	59,848
Prepayments		391	257
Cash and cash equivalents		11	147
Total current assets		69,461	64,756
<b>Current liabilities</b>			
Accruals		2,582	2,928
<b>Net assets</b>		<b>66,879</b>	<b>61,828</b>
<b>Capital and reserves</b>			
Share capital	25	12,000	12,000
Reserves	28	54,879	49,828
<b>Total equity</b>		<b>66,879</b>	<b>61,828</b>

\* The balance is less than HK\$1,000

On behalf of the board of directors

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 28. RESERVES

Details of the movements in the Group's reserves are as set out in the consolidated statement of changes in equity in these consolidated financial statements. The natures and purposes of reserves within equity are as follows:

- (a) Share premium account of the Company represents the excess of the proceeds received over the par value of the Company's shares issued.
- (b) Other reserve account represents the difference between the consideration of the GFE acquisition and the par value of the shares of the Company issued in exchange thereof pursuant to a reorganisation underwent in 2017.
- (c) In accordance with the provisions of the Macau Commercial Code, the Group is required to transfer a minimum of 25% of the annual net profit arising from its branch in Macau to legal reserve on the appropriation of profits to dividends until the reserve equals half of the Group's capital injection in the branch.

Details of the movements on the Company's reserves are as follows:

	Share premium HK\$'000	Other reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2021	25,841	38,860	(22,725)	41,976
Profit for the year	-	-	19,252	19,252
Dividends paid	(11,400)	-	-	(11,400)
Balance at 31 March 2022 and 1 April 2022	<b>14,441</b>	<b>38,860</b>	<b>(3,473)</b>	<b>49,828</b>
Profit for the year	-	-	11,051	11,051
Dividend paid	-	-	(6,000)	(6,000)
Balance at 31 March 2023	<b>14,441</b>	<b>38,860</b>	<b>1,578</b>	<b>54,879</b>

## 29. PARTICULARS OF SUBSIDIARIES

Please refer to the Note 1 for the details of the Company's subsidiaries as at 31 March 2023 and 31 March 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 30. RELATED PARTY TRANSACTIONS

- (a) Save for those disclosed elsewhere in these consolidated financial statements, the Group has the following significant transaction with a related party:

Related party identity and relationship	Type of transaction	2023 HK\$'000	2022 HK\$'000
Vistar Alliance Limited (“ <b>Vistar Alliance</b> ”), a related company	Lease payments (note)	576	576

Note:

Vistar Alliance is owned by Mr. Poon Ken Ching Keung and Mr. Poon Ching Tong Tommy. GFE and Vistar Alliance renewed a lease agreement dated 28 February 2022, pursuant to which Vistar Alliance agreed to lease the leasehold land and buildings to GFE for a term of not more than two years from the date of the lease agreement at a monthly rental of HK\$48,000 (2022: HK\$48,000).

On 8 March 2023, GFE further renewed the lease agreement for a term of two more years from 1 April 2023 to 31 March 2025 at a monthly rental of HK\$50,000.

The terms of the above transaction was based on those agreed between the Group and the related company and the director.

## (b) Compensation of key management personnel

Remuneration of key management personnel, who are directors of the Company, during the reporting period were disclosed in Note 14.

## 31. GUARANTEES

The Group provided guarantees in respect of the surety bonds issued in favour of the customers of certain engineering contracts. Details of these guarantees as of the end of the reporting period are as follows:

	2023 HK\$'000	2022 HK\$'000
Aggregate value of the surety bonds issued in favour of customers	24,309	22,288

The directors are of the opinion that it is not probable that the financial institutions would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made as at the end of the reporting period.

As at the end of the reporting period or during the reporting period, unless stated otherwise, the Group's bonding lines granted by the financial institutions are secured by:

- (i) the Group's deposits in financial institutions (Note 20 and Note 21); and
- (ii) corporate guarantees of group companies and the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 32. CAPITAL COMMITMENTS

As at 31 March 2023 and 31 March 2022, the Group did not have any significant capital commitments.

## 33. NOTES SUPPORTING CASH FLOWS STATEMENT

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$1,507,000 (2022: HK\$1,999,000) and HK\$1,507,000 (2022: HK\$1,999,000) respectively in respect of leasing arrangements for properties and office equipment.

### (b) Reconciliation of liabilities arising from financing activities

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

	Dividend payable HK\$'000	Interest payable on bank borrowings, secured HK\$'000	Bank borrowings, secured HK\$'000	Lease liabilities HK\$'000
<b>At 1 April 2021</b>	–	–	7,058	7,452
<b>Changes from financing cash flows:</b>				
Proceeds from bank borrowings	–	–	8,517	–
Repayment of bank borrowings	–	–	(928)	–
Interest paid	–	(385)	–	(288)
Repayment of principal portion of the lease liabilities	–	–	–	(2,990)
Dividends paid	(11,400)	–	–	–
Total changes from financing cash flows	(11,400)	(385)	7,589	(3,278)
<b>Other changes:</b>				
New leases	–	–	–	1,999
Finance costs	–	385	–	288
Effect of lease modifications	–	–	–	(602)
Dividends declared	11,400	–	–	–
Total other changes	11,400	385	–	1,685
<b>At 31 March 2022</b>	–	–	14,647	5,859

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

### 33. NOTES SUPPORTING CASH FLOWS STATEMENT *(Continued)*

#### (b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Dividend payable HK\$'000	Interest payable on bank borrowings, secured HK\$'000	Bank borrowings, secured HK\$'000	Lease liabilities HK\$'000
<b>At 1 April 2022</b>	-	-	14,647	5,859
<b>Changes from financing cash flows:</b>				
Proceeds from bank borrowings	-	-	29,118	-
Repayment of bank borrowings	-	-	(15,442)	-
Interest paid	-	(1,288)	-	(216)
Repayment of principal portion of the lease liabilities	-	-	-	(3,095)
Dividend paid	(6,000)	-	-	-
Total changes from financing cash flows	(6,000)	(1,288)	13,676	(3,311)
<b>Other changes:</b>				
New leases	-	-	-	1,507
Finance costs	-	1,288	-	216
Effect of lease modifications	-	-	-	611
Increase in bank overdrafts	-	-	5,848	-
Dividend declared	6,000	-	-	-
Total other changes	6,000	1,288	5,848	2,334
<b>At 31 March 2023</b>	-	-	34,171	4,882

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets</b>		
<b>Financial assets at FVTPL</b>		
– Unlisted investment fund	4,453	4,504
<b>Financial assets at amortised cost</b>		
– Trade and other receivables	40,393	41,182
– Pledged deposits	1,045	4,502
– Pledged bank deposits	5,589	2,105
– Cash and cash equivalents	39,356	37,081
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
– Trade and other payables	79,022	78,290
– Bank borrowings, secured	34,171	14,647

Note:

The carrying amounts of the financial assets at amortised cost included above approximate their fair values due to their short-term nature.

The carrying amounts of the financial liabilities (including current portion of bank borrowings) included above approximate their fair values due to their short-term nature.

The fair values of the non-current portion of bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank borrowings as at 31 March 2022 were assessed to be insignificant. The carrying values of the non-current portion of bank borrowings also approximate their fair values as at 31 March 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, interest rate risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

### (a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, contract assets, pledged deposits, pledged bank deposits and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

The Group does not obtain collateral from the counterparties. At the end of the reporting period, the Group has a certain concentration of credit risk as 34% (2022: 48%) of the total trade receivables was due from the Group's five largest customers.

#### Trade receivables and contract assets

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECLs. To measure the ECLs, the trade receivables and contracts assets have been grouped based on shared credit risk characteristics, such as past due status. The ECLs on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure except for the amounts have been more than 365 days past due, which are assessed individually. The ECLs also incorporated forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

At the end of each of the reporting period, the provision made against the gross amount of trade receivables and contract assets is as follows:

	ECLs rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	HK\$'000	HK\$'000	HK\$'000
<b>31 March 2023</b>				
<b>Collective assessment</b>				
Current (not past due)	0.1	186,168	276	185,892
0 – 60 days past due	0.2	18,078	28	18,050
61 – 90 days past due	0.6	609	4	605
91 – 180 days past due	2.1	1,182	25	1,157
181 – 365 days past due	16.5	1,457	240	1,217
		<b>207,494</b>	<b>573</b>	<b>206,921</b>
Individual assessment		460	460	–
		<b>207,954</b>	<b>1,033</b>	<b>206,921</b>
<b>31 March 2022</b>				
<b>Collective assessment</b>				
Current (not past due)	0.4	178,834	705	178,129
0 – 60 days past due	0.4	15,399	54	15,345
61 – 90 days past due	0.4	2,207	9	2,198
91 – 180 days past due	0.5	614	3	611
181 – 365 days past due	0.7	1,699	12	1,687
		<b>198,753</b>	<b>783</b>	<b>197,970</b>
Individual assessment		1,595	1,595	–
		<b>200,348</b>	<b>2,378</b>	<b>197,970</b>

ECLs are based on actual loss experience over the past 3 (2022: 3) years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The movements in the allowances for impairment of trade receivables and contract assets are as follows:

	Trade receivables HK\$'000	Contract assets HK\$'000	Total HK\$'000
At 1 April 2021	2,889	554	3,443
Impairment losses recognised during the year	–	73	73
Reversal of impairment losses recognised during the year	(1,138)	–	(1,138)
At 31 March 2022 and 1 April 2022	<b>1,751</b>	<b>627</b>	<b>2,378</b>
Impairment losses recognised during the year	<b>166</b>	<b>–</b>	<b>166</b>
Reversal of impairment losses recognised during the year	<b>(1,135)</b>	<b>(376)</b>	<b>(1,511)</b>
At 31 March 2023	<b>782</b>	<b>251</b>	<b>1,033</b>

Other receivables

ECLs model for other receivables is summarised below:

Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECLs are measured on a 12-month basis.

- If a significant increase in credit risk (as define below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The ECLs are measured on lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The ECLs are measured on lifetime basis.
- At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial instrument subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting period to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

### (a) Credit risk *(Continued)*

#### Other receivables *(Continued)*

As at 31 March 2023 and 31 March 2022, no provision was made against the gross amount of other receivables because the Group considered the impact of the impairment of other receivables to be insignificant based on past credit history and the nature of the other receivables.

#### Pledged deposits, pledged bank deposits and bank balances

In respect of bank balances, pledged deposits and pledged bank deposits, the credit risk is limited because majority of the deposits are placed with reputable financial institutions.

The Group provides guarantees in respect of the surety bonds issued in favour of several customers. As at 31 March 2023 and 31 March 2022, the maximum exposure to credit risk of guarantees issued by the Group represented the maximum amount the Group could be required to pay if the guarantees were called on, which are disclosed in Note 31. Management considers that it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in managing the Group's exposure.

### (b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank borrowings. Borrowings arranged at variable rates exposes the Group to cash flow interest rate risk.

All of the Group's bank borrowings at the end of the reporting period bear interest at floating rates. Details of bank borrowings are disclosed in Note 24.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (b) Interest rate risk (Continued)

#### Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating-rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(decrease) in profit and retained earnings	
	2023 HK\$'000	2022 HK\$'000
<b>Changes in interest rate</b>		
+1%	(285)	(122)
-1%	285	122

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowings period of the bank borrowing outstanding at the end of the reporting period resembles that of the corresponding financial years or periods. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next 12-month period.

### (c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, bank borrowings and lease liabilities, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group for years and is considered to be effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loans with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contains repayment on demand clause which can be exercised at banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if any of the lender was to invoke its unconditional rights to call the loan with immediate effect.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
<b>At 31 March 2023</b>					
Trade and other payables	79,022	79,022	79,022	-	-
Lease liabilities	4,882	5,113	3,222	1,635	256
Bank loans subject to repayment on demand clause	34,171	34,171	34,171	-	-
Financial guarantee	-	24,309	12,356	6,109	5,844
	<b>118,075</b>	<b>142,615</b>	<b>128,771</b>	<b>7,744</b>	<b>6,100</b>

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
<b>At 31 March 2022</b>					
Trade and other payables	78,290	78,290	78,290	-	-
Lease liabilities	5,859	6,175	2,982	2,183	1,010
Bank loan subject to repayment on demand clause	14,647	14,647	14,647	-	-
Financial guarantee	-	22,288	16,288	6,000	-
	<b>98,796</b>	<b>121,400</b>	<b>112,207</b>	<b>8,183</b>	<b>1,010</b>

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

The following tables summarise the maturity analysis of the Group's bank loans with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time banding in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
<b>Bank loans subject to repayment on demand clause</b>					
As at 31 March 2023	34,171	34,171	34,171	-	-
As at 31 March 2022	14,647	14,962	11,832	1,105	2,025

### (d) Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debts to equity. Total debts include bank borrowings and lease liabilities. Equity represents total equity of the Group.

The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

## 35. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (d) Capital management (Continued)

The gearing ratios as at the end of the reporting period were as follows:

	2023 HK\$'000	2022 HK\$'000
Bank borrowings, secured	34,171	14,647
Lease liabilities	4,882	5,859
Total debts	39,053	20,506
Total equity	151,605	152,749
Gearing ratio	25.8%	13.4%

## 36. FAIR VALUE MEASUREMENTS

Fair values of the Group's financial assets and liabilities at amortised cost are not materially different from their carrying amounts as explained in Note 34.

### Financial instruments measured at fair value

Fair value hierarchy

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

- Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3: Fair value measured using significant unobservable inputs (i.e. not derived from market data).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 36. FAIR VALUE MEASUREMENTS (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 April	4,504	4,538
Changes in fair value recognised in profit or loss (Note 8)	(51)	(34)
At 31 March	4,453	4,504

The following table presents the Group's assets that are measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
--	---------------------	---------------------	---------------------	-------------------

### Financial assets at FVTPL (Current)

– Unlisted investment fund

At 31 March 2023	–	–	4,453	4,453
At 31 March 2022	–	–	4,504	4,504

The Group reviews the valuations of the underlying investments held by the investment fund by assessing the appropriateness of the net asset value as provided by the relevant fund administrator, and may make adjustments as it considers appropriate.

The Group considers that the change in the input to the valuation models disclosed above would not have a significant effect on the consolidated financial statements. No quantitative analysis has been presented.

As at 31 March 2023 and 31 March 2022, the investment fund was stated with reference to the net asset value provided by the relevant administrator.

A 1% increase/decrease in the fair value of assets and liabilities of the investee would result in an increase/a decrease in the fair value of the unlisted fund investment of HK\$45,000 (2022: HK\$45,000).

The Group did not have financial liabilities measured at fair value as at 31 March 2023 and 31 March 2022.

## 37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2023 were approved and authorised for issue by the board of directors on 16 June 2023.

## FIVE-YEAR FINANCIAL SUMMARY

	<b>2023</b>	2022	2021	2020	2019
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Note (a)</b>	Note (a)	Note (a)	Note (a)	Note (a)
<b>For the year</b>					
Revenue	<b>287,061</b>	405,171	305,158	235,027	365,662
Profit before income tax	<b>5,724</b>	27,812	33,025	11,935	28,337
Profit attributable to equity holders of the Company	<b>4,856</b>	20,782	28,511	9,595	22,946
<b>Cashflows</b>					
Net cash (used in)/generated from operating activities	<b>(6,750)</b>	(4,597)	26,962	(32,340)	24,338
<b>As at year end</b>					
Total assets	<b>274,308</b>	256,438	238,548	189,040	190,082
Total liabilities	<b>122,703</b>	103,689	95,181	71,184	81,821
Total equity	<b>151,605</b>	152,749	143,367	117,856	108,261
Cash and bank balances	<b>39,356</b>	37,081	49,395	26,885	62,280
<b>Per share data</b>					
Earnings per share-basic and diluted (HK cents)	<b>0.40 cents</b>	1.73 cents	2.38 cents	0.80 cents	1.91 cents

Note:

(a) The financial figures were extracted from the consolidated financial statements in the annual reports.

The summary above does not form part of the audited consolidated financial statements in the annual reports.