



# Sunray Engineering Group Limited

## 新威工程集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8616



# 2020/21

## ANNUAL REPORT

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

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This report, for which the directors (collectively the "**Directors**" and individually a "**Director**") of Sunray Engineering Group Limited (the "**Company**") 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. Lam Ka Wing (*Chairman and Chief Executive Officer*)  
Ms. Wong Pui Yee Edith

### Independent non-executive Directors

Mr. Ng Kwun Wan  
Ms. Cho Mei Ting  
Mr. Ho Ka Kit

## AUDIT COMMITTEE

Mr. Ng Kwun Wan (*Chairman*)  
Ms. Cho Mei Ting  
Mr. Ho Ka Kit

## REMUNERATION COMMITTEE

Ms. Cho Mei Ting (*Chairlady*)  
Mr. Ho Ka Kit  
Mr. Ng Kwun Wan

## NOMINATION COMMITTEE

Mr. Ho Ka Kit (*Chairman*)  
Ms. Cho Mei Ting  
Mr. Ng Kwun Wan

## COMPANY SECRETARY

Mr. Lo Kai Yeung Kenneth  
(*Member of the HKICPA*)

## COMPLIANCE OFFICER

Ms. Wong Pui Yee Edith

## AUTHORISED REPRESENTATIVES

Mr. Lam Ka Wing  
Mr. Lo Kai Yeung Kenneth

## PRINCIPAL BANKER

### Bank of China (Hong Kong) Limited

Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

### China Construction Bank (Asia) Corporation Limited

CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

## AUDITOR

### Deloitte Touche Tohmatsu

*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAW

### Hastings & Co.

5/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## COMPLIANCE ADVISER

### Alpha Financial Group Limited

Room A, 17/F  
Fortune House  
61 Connaught Road Central  
Central  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

### Tricor Investor Services Limited

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

### Ocorian Trust (Cayman) Limited

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## CAYMAN ISLANDS REGISTERED OFFICE

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 803-804, 8/F.  
Laford Centre  
838 Lai Chi Kok Road  
Cheung Sha Wan  
Kowloon, Hong Kong

## WEBSITE

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

## STOCK CODE

08616

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of Sunray Engineering Group Limited and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report for the year ended 31 March 2021 ("**FY2021**"). The ordinary shares of the Company (the "**Shares**") have been successfully listed on GEM of the Stock Exchange (the "**Listing**") on 23 April 2020 (the "**Listing Date**") by way of share offer (the "**Share Offer**"), which marked a significant milestone for our Group. Our Group has commenced the implementation of the future plans as mentioned in the prospectus of the Company dated 31 March 2020 (the "**Prospectus**").

FY2021 has been a turbulent period for the Hong Kong market as affected by the protracted China-US trade war and the outbreak of novel coronavirus ("**COVID-19**"), which led to an overall economic downturn in the year. Our Group recorded a total revenue of approximately HK\$178.9 million for FY2021, representing a decrease of approximately HK\$20.4 million or 10.2% as compared to that of approximately HK\$199.3 million for the year ended 31 March 2020 ("**FY2020**"). Profit and total comprehensive income for FY2021 was approximately HK\$12.4 million, representing a decrease of approximately HK\$7.0 million or 36.1% as compared to that of approximately HK\$19.4 million for FY2020, which was mainly attributable to the combined effect of the postponement and slowdown of certain construction projects in Hong Kong caused by the prolonged outbreak of COVID-19 during FY2021, as well as the increase in our Group's staff costs and professional fee after the Listing.

In view of the outbreak of COVID-19 in Hong Kong, our Group has implemented measures, including frequent workspace cleaning with disinfectant, ensuring the wearing of surgical masks of all staff at work, and conducting body temperature test, etc., to protect the health and safety of the employees. We will continue to closely monitor the development of COVID-19 and use every effort on epidemic prevention and control in our daily operations.

Despite the challenging economic environment during the first year after the Listing, we are confident in the prospect of the building protection industry in Hong Kong due to the expected growth of the construction industry in Hong Kong driven by the Hong Kong Government's initiatives to increase the land supply for housing as well as commercial buildings and community facilities. In addition, the development of building protection industry is closely related to the construction industry as a whole, and the building protection industry is expected to benefit from the rising housing supply and higher product quality requirements. In the future, our Group will continue to actively explore and identify more high-quality building protection products to create more reliable building protection solutions for customers. At the same time, our Group will improve the construction skills of workers by training. I believe that the public will understand the importance of building protection through our Group's high-quality services.

As a building protection solution provider, our Group fully understands that we have an obligation to reduce the impact of operations on the environment. Our Group advocates the importance of environmental protection to employees, adopts the latest rules and standards relating to the environment and the society, uses environmentally friendly products and encourages recycling and reuse of materials in order to promote environmental protection. By continuously improving the environmental sustainability of our Group's business, I believe that our Group could continue to fulfil our responsibilities to both the environment and community.

Lastly, on behalf of the Board and the management of our Group, I would like to thank all employees for their devoted efforts during FY2021, and shareholders for their steadfast support to our Group. In addition, I would like to extend my sincere gratitude to shareholders, investors, customers, suppliers, and business partners for their dedicated support.

**Lam Ka Wing**

*Chairman*

Hong Kong, 29 June 2021

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a Hong Kong-based building protection solution provider and our solutions integrate the provision of building protection works; and the supply of building protection products. Building protection works generally refer to the selection and use of appropriate building protection products in a building for protection against water, thermal, acoustic and fire.

The Group's building protection works focus on waterproofing works; and are complemented by flooring works and joint sealant works.

The supply of building protection products refer to identifying, sourcing, promoting and distributing suitable building protection products to our customers to meet their varying needs and requirements. The building protection products supplied by us include waterproofing products, tiling products, flooring and other products.

During the year ended 31 March 2021, the Group had taken up 265 projects with an original contract sum of approximately HK\$595.6 million in which the Group had completed 24 projects with an original contract sum of approximately HK\$44.1 million. As at 31 March 2021, the Group had 242 contracts in progress with an original contract sum of approximately HK\$551.5 million.

## FINANCIAL REVIEW

### Revenue

The table below sets forth a breakdown of our revenue by types of services for the year indicated:

	Year ended 31 March			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Provision of building protection works	110,176	61.6	120,602	60.5
Supply of building protection products	68,767	38.4	78,676	39.5
Total	178,943	100.0	199,278	100.0

The Group's revenue decreased from approximately HK\$199.3 million for the year ended 31 March 2020 to approximately HK\$178.9 million for the year ended 31 March 2021, representing a decrease of approximately HK\$20.4 million, or 10.2%. Such decrease in revenue was due to the decrease in revenue generated from both the provision of building protection works and the supply of building protection products.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Provision of building protection works*

Revenue recognised:

	Year ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Public sector projects	70,511	43,370
Private sector projects	39,665	77,232
Total	<u>110,176</u>	<u>120,602</u>

Number of projects by the range of revenue recognised:

	Year ended 31 March	
	2021	2020
HK\$1,000,000 or above	20	27
HK\$100,000 to below HK\$1,000,000	69	53
Below HK\$100,000	177	130
Total	<u>266</u>	<u>210</u>

The Group's revenue recognised from the provision of building protection works decreased from approximately HK\$120.6 million for the year ended 31 March 2020 to approximately HK\$110.2 million for the year ended 31 March 2021, representing a decrease of approximately HK\$10.4 million, or 8.6%. Such decrease was mainly attributable to the delay in commencement and work progress of some private sector projects caused by the prolonged COVID-19 outbreak during FY2021. Revenue recognised from the provision of building protection works for the year ended 31 March 2021 mainly includes (i) Kai Tak Sports Park; (ii) a sport complex in Tai Po; and (iii) some public housing projects in Kowloon.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Supply of building protection products

The following table sets forth the breakdown of our revenue by types of building protection products for the year indicated:

	Year ended 31 March			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Waterproofing products	42,450	61.7	52,157	66.3
Tiling products	23,117	33.6	25,802	32.8
Flooring and other products	3,200	4.7	717	0.9
Total	<u>68,767</u>	<u>100.0</u>	<u>78,676</u>	<u>100.0</u>

The Group's revenue recognised from the supply of building protection products decreased from approximately HK\$78.7 million for the year ended 31 March 2020 to approximately HK\$68.8 million for the year ended 31 March 2021, representing a decrease of approximately HK\$9.9 million, or 12.6%. Such decrease was mainly attributable to the decrease in demand from customers in Macau for waterproofing products and tiling products.

### Cost of Sales and Services

Cost of sales and services decreased from approximately HK\$121.2 million for the year ended 31 March 2020 to approximately HK\$120.0 million for the year ended 31 March 2021, representing a decrease of approximately HK\$1.2 million, or 1.0%. Such decrease in cost of sales and services was generally in line with the decrease in revenue.

### Gross Profit and Gross Profit Margin

Gross profit decreased from approximately HK\$78.1 million for the year ended 31 March 2020 to approximately HK\$58.9 million for the year ended 31 March 2021, representing a decrease of approximately HK\$19.2 million, or 24.6%. Gross profit margin decreased from approximately 39.2% for the year ended 31 March 2020 to approximately 32.9% for the year ended 31 March 2021. Such decrease in gross profit margin was mainly due to (i) the increase in number of workers hired by the Group as well as the overall increase in material costs; and (ii) some of the Group's building protection work projects on hand with higher gross profit margin were at their ending phase, with revenue already recognised in prior years.

### Other Income, Gains and Losses

Other income increased from approximately HK\$200,000 for the the year ended 31 March 2020 to approximately HK\$1.9 million for the year ended 31 March 2021. Such increase was mainly attributable to the subsidy received from the Hong Kong government under the Employment Support Scheme, an anti-epidemic fund launched in May 2020. Other losses, on a net basis, amounted to approximately HK\$452,000 for the year ended 31 March 2020 and other gain, on a net basis, amounted to approximately HK\$259,000 for the year ended 31 March 2021. Such change in other gains and losses was mainly attributable to the increase in exchange gain for the year ended 31 March 2021.



## *Selling and Distribution Costs*

Selling and distribution costs increased from approximately HK\$5.9 million for the year ended 31 March 2020 to approximately HK\$6.6 million for the year ended 31 March 2021, representing an increase of approximately HK\$0.7 million, or 11.9%. Such increase in selling and distribution costs was mainly attributable to the increase in transportation and storage cost.

## *Administrative Expenses*

Administrative expenses increased from approximately HK\$31.1 million for the year ended 31 March 2020 to approximately HK\$36.6 million for the year ended 31 March 2021, representing an increase of approximately HK\$5.5 million, or 17.7%. Such increase in administrative expenses was mainly attributable to the increase in staff costs and professional fees after the Listing.

## *Listing Expenses*

Listing expenses significantly decreased by approximately HK\$13.1 million from approximately HK\$14.0 million for the year ended 31 March 2020 to approximately HK\$926,000 for the year ended 31 March 2021.

## *Finance Costs*

Finance costs increased from approximately HK\$57,000 for the year ended 31 March 2020 to approximately HK\$116,000 for the year ended 31 March 2021 which was derived from the lease liabilities.

## *Income Tax Expenses*

Income tax expenses decreased from approximately HK\$6.1 million for the year ended 31 March 2020 to approximately HK\$4.2 million for the year ended 31 March 2021. Such decrease was in line with the decrease in profit before income tax (excluding listing expenses) as a result of the combined effect of the decrease in revenue and the increase in administrative expenses.

## *Profit and Total Comprehensive Income for the Year*

As a result of the foregoing, profit and total comprehensive income decreased from approximately HK\$19.4 million for the year ended 31 March 2020 to approximately HK\$12.4 million for the year ended 31 March 2021.

## **DIVIDEND**

The Board does not recommend any payment of final dividend for the year ended 31 March 2021 (31 March 2020: 0.58 HK cents per share).

A final dividend in respect of the year ended 31 March 2020 of 0.58 HK cents per share, in an aggregate amount of HK\$5,800,000 was paid in September 2020.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had total assets of approximately HK\$221.0 million (31 March 2020: HK\$185.5 million), including pledged bank deposit and bank balances and cash of approximately HK\$58.6 million (31 March 2020: HK\$40.7 million), representing an increase of approximately HK\$35.5 million, or 19.1%. Such increase was mainly attributable to the increase in recognised contract assets from the completion of our building protection works and cash proceeds upon the Listing.

Equity attributable to equity holders of the Company as at 31 March 2021 was approximately HK\$171.2 million, representing an increase of approximately HK\$47.7 million as compared to that of approximately HK\$123.5 million as at 31 March 2020. Such change was primarily attributable to (i) the capitalisation of Listing expenses; and (ii) the issue of 250,000,000 new shares issued at the price of HK\$0.24 per share by the Share Offer on the Listing Date.

The Group's financial position remains solid and we have sufficient cash and cash equivalent to meet our liabilities when they become due.

### *Gearing ratio*

The Group's gearing ratio (dividing lease liabilities by equity attributable to equity holders of the Company at the year-end date) increased from 1.3% as at 31 March 2020 to 2.4% as at 31 March 2021. Such increase was mainly attributable to the increase in lease liabilities during the year ended 31 March 2021.

### *Current ratio*

As at 31 March 2021, the Group had net current assets of approximately HK\$165.2 million, representing a significant increase of approximately HK\$46.7 million as compared to that of approximately HK\$118.5 million as at 31 March 2020. As a result, the Group's current ratio, which was calculated based on the total current assets divided by total current liabilities at the year-end date, increased to approximately 4.5 times as at 31 March 2021 from 3.0 times as at 31 March 2020.

### *Treasury Policy*

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position throughout the reporting period. The management of the Group regularly reviews the recoverable amounts of contract assets and trade receivables by performing ongoing credit assessments and monitoring prompt recovery and if necessary making adequate impairment losses for irrecoverable amounts. In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with leading licensed banks in Hong Kong and denominated in Hong Kong dollars.

## PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks that could adversely affect the Group's operations and financial results. The major uncertainties may include:

- (i) the Group derives revenue from projects and purchase orders of a non-recurrent nature, where there is no guarantee that customers will provide the Group with new business or that the Group will secure new contracts;
- (ii) the Group determines the contract price based on estimated time and costs involved in the project. An under-estimation or ineffective cost management may adversely affect the Group's financial results;

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- (iii) the outbreak of COVID-19 worldwide may significantly and adversely impact the Group's business operation and financial performance;
- (iv) the timing of the Group's payment to suppliers may not match the receipt of payment from customers;
- (v) the Group relies on its major subcontractors to help complete the building protection works projects. Any material surges of their charges or any substandard work by subcontractors will affect the Group to a large extent;
- (vi) the Group relies on independent third party suppliers for production of all its own-brand building protection products; and
- (vii) the Group relies on brand owners and manufacturers for the supply of building protection products to satisfy its business operation needs. Failure to secure a steady supply of these products to the Group may adversely affect its results of business operations.

Save as disclosed above, principal risks and uncertainties affecting the Group as disclosed in the Prospectus remain substantially unchanged since the Listing Date and up to the date of this report. For details and other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" in the Prospectus.

The Group will continue to use its best effort to ensure it has sufficiently mitigated the risks present in its operations and financial position as efficiently and effectively as possible.

### FOREIGN CURRENCY FLUCTUATION

The revenue of the Group is mainly denominated in Hong Kong dollars. However, some of our waterproofing products are sourced from overseas countries and the Mainland China and settled in currencies including Euro, US Dollars, Hong Kong dollars and Renminbi. Therefore, the Group is subject to risks associated with foreign exchange rate fluctuations, particularly the Hong Kong dollars against Renminbi or Euro. The Group currently has no foreign currency hedging policy and the management will monitor the foreign exchange exposure by closely monitoring the movements of foreign currency rates. The Group will consider hedging significant foreign currency exposure should the need arise.

### SEGMENT INFORMATION

Segment information for the Group is presented as disclosed in note 6 to the consolidated financial statements.

### CAPITAL STRUCTURE

As at 31 March 2021, the share capital of the Group comprised only ordinary shares. The capital structure of the Group is solely equity attributable to equity holders of the Group, which comprises share capital and reserves. Since the shares of the Company were listed on GEM on 23 April 2020, there has been no change in the capital structure of the Group.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 March 2021.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL EXPENDITURE

The Group had no significant capital expenditure during the year ended 31 March 2021.

### SIGNIFICANT INVESTMENTS HELD

As at 31 March 2021, the Group did not hold any significant investment (31 March 2020: Nil).

### CONTINGENT LIABILITIES

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

### PLEDGE OF ASSETS

As at 31 March 2021, the Group did not have any pledged asset (31 March 2020: Nil).

### CAPITAL COMMITMENTS

As at 31 March 2021, the Group had no significant capital commitments (31 March 2020: Nil).

### PERFORMANCE GUARANTEE

As at 31 March 2021, a performance bond of HK\$755,000 (31 March 2020: HK\$755,000) was given by a bank in favour of a Group's customer as security for the due performance and observance of the Group's obligations under the contract for building protection works entered into between the Group and such customer.

The performance guarantee was secured by a pledged deposit in the sum of HK\$818,000 (31 March 2020: HK\$806,000) placed by Sunray Engineering (HK) Company Limited with the bank.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and this report, the Group did not have any other plan for material investments or capital assets as at the date of this report.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group had 100 employees excluding the Directors. Total staff costs incurred excluding Directors' remuneration for the year ended 31 March 2021 were approximately HK\$29.0 million (31 March 2020: HK\$22.8 million). The remuneration package offered to the Group's employees includes salary, commission and discretionary bonus. The Group's remuneration policies are in line with the prevailing market practices and the staff remuneration is determined on the basis of the performance and experience of each individual employee.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### USE OF PROCEEDS

The shares of the Company were listed on GEM on the Listing Date. The net proceeds after deducting the underwriting commission and related listing expenses payable by the Company (the "Net Proceeds"), were approximately HK\$21.6 million.

As at 31 March 2021, the Group had partially utilised the Net Proceeds in the manner consistent with that mentioned in the section headed "Business Objective, Future Plans and Use of Proceeds" in the Prospectus.

The table below sets forth the breakdown of the intended use and the timeline for utilisation of the Net Proceeds as at the date of this report:

	Intended use of Net Proceeds HK\$'000	Approximate percentage of Net Proceeds %	Amount utilised as at the date of this report HK\$'000	Remaining balance as at the date of this report HK\$'000	Expected timetable
Acquire additional machinery and equipment for building protection works	2,110	9.8	223	1,887	From Listing Date to 31 March 2022
Expand workforce	6,280	29.1	2,873	3,407	From Listing Date to 31 March 2023
Strengthen the Group's financial position for payment of upfront cost	6,700	31.0	6,700	—	—
Expand the Group's building protection product mix and continue to develop its own-brand "DP ChemTech" and "DP" products	6,510	30.1	424	6,086	From Listing Date to 31 March 2023
	<u>21,600</u>	<u>100.0</u>	<u>10,220</u>	<u>11,380</u>	

As disclosed in the table above, approximately HK\$10.2 million of the Net Proceeds from the Listing had been utilised as at 31 March 2021. Given that (i) the commencement of the Group's building protection work on certain pipeline projects was hindered due to the prolonged outbreak of COVID-19, which affected its plan to acquire new spraying machines and equipment; and (ii) the Group's existing spraying machines for carrying out building protection work in construction sites are still in good condition and there is no imminent need for upgrade or replacement, after due and careful consideration, the Directors have decided to delay the planned use of the unutilised Net Proceeds in relation to the purchase of additional machinery and equipment for 12 months, whereby such unutilised Net Proceeds are expected to be fully utilised by 31 March 2022. The Directors considered that such delay in use of proceeds will not adversely affect the operation and business of the Group.

As at the date of this report, save as the above-mentioned adjustments, there was no change in the intended use of the Net Proceeds and the expected timetable as previously disclosed in the Prospectus.

The implementation plans for business strategies and the use of net proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The Group implemented its business strategies and applied the Net Proceeds based on the actual developments of the Group's business and industry, as well as market conditions.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business strategies as set out in the section headed "Business Objective, Future Plans and Use of Proceeds" in the Prospectus with the Group's actual implementation progress up to 31 March 2021:

<b>Business strategies up to 31 March 2021 as set out in the Prospectus</b>	<b>Actual implementation progress up to 31 March 2021</b>
Acquire additional machinery and equipment for building protection works	<p>The Group has acquired five spraying machines for the use in construction sites.</p> <p>Owing to the longer-than-expected bidding process of pipeline projects, the Group is still in negotiation with the potential suppliers on certain new spraying machines which would be better suited for carrying out the waterproof works projects recently secured by the Group.</p>
Expand workforce	<p>The Group has recruited one quantity surveyor manager, one quantity surveyor, one project manager and two foremen to support our increasing number of building protection projects, particularly the provision of waterproofing works for a sports park in Kai Tak and a logistics centre at the airport in Hong Kong.</p>
Strengthen the Group's financial position for payment of upfront cost	<p>The Group has secured several sizeable pipeline projects as disclosed in the Prospectus and has fully utilised such proceeds mainly for the procurement of building protection materials.</p>
Expand the Group's building protection product mix and continue to develop its own-brand "DP ChemTech" and "DP" products	<p>The Group has recruited one sales representative to promote our own-brand "DP ChemTech" and "DP" products.</p> <p>The Group has engaged testing centres to conduct laboratory tests and certifications on its new waterproofing products.</p>

### PROSPECTS

The impacts of COVID-19 epidemic (the “**Epidemic**”) have caused pressure worldwide and dampened the development of various industries, with no exception for the construction industry. Due to the sudden and rapid spread of the Epidemic, a series of enhanced precautionary and control measures have been undertaken by the governments across the world including Hong Kong and Macau. The significant reduction of social and business activities and the subsequent quarantine measures have adversely affected the economy in Hong Kong, including the slowdown in the progress of construction projects. As a result, some of the Group’s building protection works in the construction sites have been held up or delayed, such influences might continue until the Epidemic is contained and this would affect the operational and financial performance of the Group.

The Group estimates that the degree of COVID-19 impact would be dependent on the outcome of various preventive measures and the duration of the Epidemic. The Group is closely monitoring the market development and continuously evaluating the financial impact of the COVID-19 situation. Given the unpredictability of future development of COVID-19, the impacts to the Group could not be reasonably and accurately estimated at this stage. However, for the time being, the Group’s building protection work projects on hand are in steady progress and the Group did not experience any shortages or difficulties in the supply of building protection products.

Since the outbreak of the Epidemic in early 2020, the Group has implemented measures, including frequent workspace cleaning with disinfectant, ensuring the wearing of surgical masks of all staff at work, and conducting body temperature test to protect the health and safety of the employees. The Group will continue to closely monitor the development of the Epidemic and will take necessary actions to control costs and drive efficiency to maintain profitability and competitiveness in the market.

Going forward, the Group will continue to strengthen its market position by expanding its workforce and competing for more building protection work projects in Hong Kong. The Directors remain confident in the prospect of the Group and are committed in creating long-term and sustainable value for the Company and its shareholders.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Lam Ka Wing (林嘉榮) (“Mr. Lam”)**, aged 60, is an executive Director, chairman of the Board and chief executive officer of our Group. Mr. Lam is the spouse of Mrs. Lam. Mr. Lam founded our Group in 1988 and has over 30 years of experience in the building protection industry. He is primarily responsible for the overall strategic planning and business development and overseeing the daily operation of our Group. Mr. Lam completed secondary education in 1980.

Prior to founding our Group, Mr. Lam worked as a salesperson in a supplier and manufacturer of building protection products from 1986 to 1989. He founded our Group in 1988. Mr. Lam has been the director of Karcenar Limited and Sunray Engineering since March 1989 and December 2006 respectively and has been responsible for formulating overall business strategies and overseeing daily operations of our Group.

**Ms. Wong Pui Yee Edith (汪佩儀) (“Mrs. Lam”)**, aged 49, is an executive Director of our Group and the spouse of Mr. Lam. She is responsible for overseeing the overall administrative affairs of our Group.

Mrs. Lam obtained her diploma in executive secretarial studies from Sara Beattie College in September 1993.

Prior to joining our Group in July 2018, Mrs. Lam began her career as a secretary to the commercial director at Caldbecks Limited, a company primarily engaged in the trading of wine and spirits, from September 1993 to July 1999. She then joined the group company of Mason Financial Holdings Limited (formerly known as Willie International Holdings Limited), a company listed on the Stock Exchange (stock code: 273) and primarily engaged in investment and finance related business, as a personnel and administration officer in November 1999 and left as a corporate administration manager in August 2015. She worked in HEC Corporate Services Ltd., a financial services provider, as a corporate administration manager from August 2015 to July 2018 and was responsible for overseeing administrative and human resources matters of the company. Since July 2018, Mrs. Lam has been the human resources and administration manager of our Group and has been responsible for overseeing overall administrative affairs of our Group. Since August 2018, she has become a consultant of Cordoba Homes Management Limited, a property management company and provides advice on various human resources and office administrative matters.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ng Kwun Wan (吳冠雲) (“Mr. Ng”)**, aged 57, was appointed as an independent non-executive Director of our Group on 18 March 2020. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee with effect from the Listing Date. He is responsible for providing independent advice to the Board and advising on corporate governance matters.

Mr. Ng obtained his Bachelor’s degree in Accounting and Finance from the University of Manchester (formerly known as the Manchester Polytechnic) and his Master’s degree majoring in Accounting from the University of New South Wales in July 1988 and May 1990 respectively. He has been a member of Hong Kong Institute of Certified Public Accountants since July 1993.

Mr. Ng has over 20 years of experience in management. From November 1994 to August 2004, he worked for New World Development (China) Limited and New World China Enterprises Projects Limited, both wholly owned subsidiaries of New World Development Company Limited, a company listed on the Stock Exchange (stock code: 17) and engages in the business of property development and property investment, with his last position as a deputy general manager. He then joined Smart Faith Management Limited, a subsidiary of South China Holdings Company Limited, a company listed on the Stock Exchange (stock code: 413) as a general manager of industrial operations in the real estate department, responsible for overseeing the company’s operations in the Tianjin Region, from September 2006 to March 2009. He has also been an independent non-executive director of China Boton Group Company Limited (formerly known as China Flavors and Fragrances Company Limited) since December 2009, the shares of which are listed on the Stock Exchange (stock code: 3318), an independent non-executive director of Zhongzhi Pharmaceutical Holdings Limited since July 2015, the shares of which are listed on the Stock Exchange (stock code: 3737), and an independent non-executive director of Asia Energy Logistics Group Limited since 14 July 2020, the shares of which are listed on the Stock Exchange (stock code: 351).

**Ms. Cho Mei Ting (曹美婷) (“Ms. Cho”)**, aged 57, was appointed as an independent non-executive Director of our Group on 18 March 2020. She is also the chairlady of the Remuneration Committee and a member of the Audit Committee and Nomination Committee with effect from the Listing Date. She is responsible for providing independent advice to the Board and advising on corporate governance matters.

Ms. Cho obtained her Bachelor’s degree in Arts from The University of Hong Kong in November 1986. She then obtained her Bachelor’s degree in Laws from Manchester Metropolitan University in September 2000 and further obtained her postgraduate certificate in laws from The University of Hong Kong in June 2001. Ms. Cho is a qualified solicitor in Hong Kong since 2003.

Ms. Cho had worked for several solicitor firms during 2004 to 2010, during which she handled a wide range of legal matters covering matrimonial, commercial and conveyancing matters. From April 2004 to October 2007, Ms. Cho worked as an assistant solicitor in Messrs. Paul W. Tse. She later joined Messrs. Au-Yeung, Cheng, Ho & Tin as a lawyer from October 2007 to August 2010. She then founded Messrs. Cho Mei Ting & Co., Solicitors in 2010 as a sole proprietor. She was an independent non-executive director of China Ludao Technology Company Limited (stock code: 2023) from October 2013 to July 2017.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Ho Ka Kit (何家傑) (“Mr. Ho”)**, aged 49, was appointed as an independent non-executive Director of our Group on 18 March 2020. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee with effect from the Listing Date. He is responsible for providing independent advice to the Board and advising on corporate governance matters.

Mr. Ho is a chartered civil engineer, a chartered structural engineer and a registered structural engineer under the Buildings Ordinance (Cap.123 of the Laws of Hong Kong). Mr. Ho obtained his bachelor’s degree in applied science majoring in civil engineering from The University of Toronto in June 1996. He was admitted as a member of the Institution of Structural Engineer, a member of the Hong Kong Institution of Engineers and a member of the Institution of Civil Engineer since November 2003, August 2004 and December 2007 respectively. He was also admitted as a member of the Hong Kong Concrete Institute and a member of the Hong Kong Institution of Highways and Transportation since January 2014 and June 2015 respectively.

Mr. Ho has over 18 years of experience in the construction industry, specialising in civil and structural engineering. He worked as an engineer in Liu Kwong & Associates Ltd., an architectural and engineering firm, from April 2000 to June 2002, during which he was responsible for performing structural design and site supervision of construction works. He joined Meinhardt (C&S) Ltd., a construction and engineering company, as an engineer II in June 2002 and left as the director of structural works in February 2019 and was responsible for project management and coordination. Since January 2019, Mr. Ho has been a director of Kenith Ho & Associates Limited, a company principally engaged in the provision of architectural and structural engineering consultancy services.

### SENIOR MANAGEMENT

**Mr. Lo Kai Yeung Kenneth (羅啟洋) (“Mr. Lo”)**, aged 36, is the financial controller and company secretary of our Group and is responsible for the overall management of financial affairs and corporate secretary matters. Mr. Lo has over 10 years of experience in the fields of accounting, auditing and corporate finance.

Mr. Lo holds a Bachelor’s degree in Mathematics with Statistics for Finance from Imperial College London, the United Kingdom and a Master’s degree in Professional Accounting and Corporate Governance from the City University of Hong Kong. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lo started his career with Deloitte Touche Tohmatsu as an associate from September 2008 to August 2010 and as a senior associate from September 2010 to December 2012. He then served Donvex Capital Limited as a manager from September 2013 to December 2017. From January 2018 to June 2020, he joined Luk Fook Capital Limited (formerly known as Able Capital Partners Limited) as a senior manager, with his last position as director, during which he handled a wide range of corporate finance matters including takeovers, acquisitions and corporate restructuring. Mr. Lo joined our Group on 26 July 2020 as the financial controller and company secretary of the Company.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wong Hang Tai (黃恒泰) (“Mr. Wong”)**, aged 49, is the general manager of our Group and is responsible for formulating overall business strategies and overseeing the sales and marketing department. He has over 23 years of experience in the building materials trading industry.

Mr. Wong obtained his Bachelor’s degree in Science from the Chinese University of Hong Kong in December 1993. He further obtained his diploma in marketing from the Hong Kong Institute of Marketing and his postgraduate diploma in marketing from the Chartered Institute of Marketing in July 1997 and June 1998 respectively.

During June 1993 to May 1995, Mr. Wong worked in DMT International Hong Kong Limited, a plastics and chemicals trading company and a wholly-owned subsidiary of Chinney Alliance Group Limited, a company listed on the Stock Exchange (stock code: 385), as a marketing officer. He then joined Arnhold & Co., Ltd., a building materials and engineering equipment trading company, as a sales officer in July 1995 and left as a senior sales officer in June 1998. From July 1998 to May 2002, he joined Hampton Building Materials Ltd., a building materials trading and construction company as a product manager with his last position as a general manager during which he was principally responsible for overseeing the sales and marketing department and project department. Since May 2002, he has been the manager in Tech Link and is responsible for formulating overall business strategies and overseeing business operation of the company.

**Mr. Au Yeung Kai Sang (歐陽繼生) (“Mr. Au Yeung”)**, aged 58, is the project manager of our Group and is responsible for administering activities on sites and overseeing the progress of construction projects. Mr. Au Yeung has over 20 years of experience in the construction industry.

Mr. Au Yeung obtained his diploma in management studies from the Hong Kong Management Association and the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in March 1993.

From 1995 to 2006, Mr. Au Yeung worked in a number of construction materials trading and/or manufacturing companies including Daido Group, the holding company of which is listed on the Stock Exchange (stock code: 544), and LP&G Coating Group and was principally responsible for overseeing the sales and marketing department. Prior to joining our Group, he joined B&Q Asia Limited, an indirect subsidiary of Kingfisher Group, an international home improvement retailer listed on the London Stock Exchange (stock code: KGF), as a decoration centre and trade manager and was responsible for overseeing sales and projects in December 2006. Since August 2011, Mr. Au Yeung became a project manager of Sunray Engineering.

### COMPANY SECRETARY

Mr. Lo is the company secretary of our Company. Please refer to the paragraph headed “Senior Management” in this section for his biography.

### COMPLIANCE OFFICER

Mrs. Lam is the compliance officer of our Company. Please refer to the paragraph headed “Executive Directors” in this section for her biography.

# CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report (“**CG Report**”) in the Group’s annual report for the year ended 31 March 2021.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the corporate governance code (“**CG Code**”) contained in Appendix 15 to the GEM Listing Rules as the basis of the Company’s corporate governance practices.

The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that since the Listing Date and up to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code except for the following code provision A.2.1 of the CG Code.

### Securities Transactions by Directors

The Company has adopted a Code of Ethics and Securities Transactions (the “**Code**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code regarding securities transactions during the year ended 31 March 2021.

The Board has also adopted the Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Code by the Company’s relevant employees was noted during the year ended 31 March 2021 after making reasonable enquiry.

## BOARD OF DIRECTORS

### Board composition

The Board consists of five Directors, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

#### Executive Directors

Mr. Lam Ka Wing (Chairman and Chief Executive Officer)

Ms. Wong Pui Yee Edith

#### Independent non-executive Directors

Mr. Ng Kwun Wan

Ms. Cho Mei Ting

Mr. Ho Ka Kit

Details of the background and qualifications of all Directors are set out in the section headed "Biographical Details of Directors and Senior Management" from pages 14 to 17 of this report. Saved as disclosed above, there is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board.

### RESPONSIBILITIES OF THE BOARD

The Board oversees the overall management and administration of the business and operations of the Group. The Board is primarily responsible for, among other things, overall development, strategic planning, reviewing and monitoring the business performance, approving the financial statements and annual budgets, internal controls and risk management as well as supervising the management of the Group. The Board delegates to the management the authority and responsibilities of the day-to-day management and operation of the Company. Despite the foregoing delegation, the Board would review and supervise the performance of the management periodically.

The Board may delegate any of its powers, authorities and discretions to committees, consisting of such Director(s) and other person(s) as the Board thinks fit, and it may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to applicable laws and regulations, including the CG Code, and any regulations which may be imposed on it by the Board.

Regular meetings of the Board will be held to deliberate the strategic policies of the Company including but not limited to significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the public release of periodic financial results. Directors are also provided, at the expense of the Company, with access to independent professional advice in carrying out their obligations when required.

### *Appointment and Re-election of Directors*

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date. Each of the independent non-executive Directors has respectively entered into a letter of appointment with the Company and is appointed for an initial fixed term of three years commencing from the Listing Date. According to article 108(a) of the articles of association of the Company (the "**Articles**"), at each annual general meeting, one-third of the Directors shall retire from office by rotation provided that each Director is subject to retirement by rotation at least once every three years but is eligible for re-election at an annual general meeting in accordance with the Articles.

Article 112 of the Articles specifies that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Ms. Cho and Mr. Ho shall retire at the forthcoming annual general meeting of the Company ("**AGM**"). The retiring Directors, all being eligible, offer themselves for re-election.

## *Independent non-executive Directors*

During the year ended 31 March 2021, the Board comprised of five members, three of which are independent non-executive Directors, which represented more than one-third of the Board. As such, the Company has fully complied with Rules 5.05(1) and 5.05A of the GEM Listing Rules. Mr. Ng, our independent non-executive Director, is a certified public accountant. Accordingly, the Company has fully complied with Rule 5.05(2) of the GEM Listing Rules. For more details regarding the qualifications of Mr. Ng, please refer to the section headed "Biographical Details of Directors and Senior Management" of this report.

The Company has received annual written confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors fulfil the relevant independence requirements.

## *Continuous Professional Development of Directors*

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 March 2021, all Directors participated in continuous professional development by attending a training session in respect of the roles and responsibilities of directors of a company listed on GEM of the Stock Exchange, and further enhance their knowledge by reading related materials. They also from time to time received from the Company updates on laws, rules and regulations which may be relevant to their roles, duties and functions as directors of a listed company on the Stock Exchange.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Since the Listing Date and up to the date of this annual report, Mr. Lam was the chairman of the Board and the chief executive officer of the Group. In view of the fact that Mr. Lam has been operating and managing the Group since its establishment, the Directors believe that it is in the best interest of the Group to have Mr. Lam taking up both roles for effective management and business development. Therefore, the Board considers that deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance.

## **BOARD COMMITTEES**

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established, with written terms of reference, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for each Board committee are in compliance with the GEM Listing Rules and they are published on the websites of the Stock Exchange and the Company accordingly.

## **Audit Committee**

Our Company established the Audit Committee on 18 March 2020 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code were adopted. The primary roles of our Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment and removal of external auditors; (b) reviewing the financial statements and material advice in respect of financial reporting; and (c) overseeing internal control procedures of the Company. Our Audit Committee consists of three members, namely, Mr. Ng, Ms. Cho and Mr. Ho. Mr. Ng is the chairman of our Audit Committee.

Pursuant to the terms of reference of the Audit Committee, meetings of the Audit Committee shall be held at least twice a year and the external auditor may request a meeting if they consider that one is necessary.

During the year ended 31 March 2021 and up to the date of this annual report, three Audit Committee meetings were held. The summary of the Audit Committee meetings is as follows:

- (a) Met with the external auditor, Deloitte Touche Tohmatsu and approved the audit strategy for year ended 31 March 2021;
- (b) Confirmed the Group's annual results for the year ended 31 March 2021 and opined that the applicable accounting standards and requirements have been complied with and adequate disclosures have been made; and
- (c) Evaluated and agreed the effectiveness of the Company's risk management and internal control systems.

The Group's consolidated financial statements for the year ended 31 March 2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2021 have been prepared in compliance with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

## **Nomination Committee**

Our Company established the Nomination Committee on 18 March 2020 in compliance with paragraph A.5.1 of the CG Code. Written terms of reference in compliance with paragraph A.5.2 of the CG Code were adopted. The primary roles of our Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition of the Board on a regular basis; (b) identifying individuals suitably qualified to become Board members; (c) assessing the independence of the independent non-executive Directors; and (d) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

Our Nomination Committee consists of three independent non-executive Directors, being Mr. Ng, Ms. Cho and Mr. Ho. Mr. Ho is the chairman of our Nomination Committee.

Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee should meet at least once a year.



## CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2021 and up to the date of this annual report, two Nomination Committee meetings were held to (i) review, among other things, the independence of the independent non-executive Directors; (ii) consider the qualifications of the retiring Directors standing for re-election at the forthcoming AGM; (iii) review the structure, size and composition of the Board; and (iv) review the Board Diversity Policy adopted by the Company. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider various factors including the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board. Having reviewed the composition of the Board, the Nomination Committee considered that there is an appropriate balance of board diversity.

### *Remuneration Committee*

Our Company established the Remuneration Committee on 18 March 2020 in compliance with Rule 5.34 of the GEM Listing Rules. Written terms of reference in compliance with paragraph B.1.2 of the CG Code were adopted. The primary roles of our Remuneration Committee include, but are not limited to, (a) making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; and (b) reviewing performance based remuneration and ensuring none of the Directors determine their own remuneration.

Our Remuneration Committee consists of three independent non-executive Directors, being Mr. Ng, Ms. Cho and Mr. Ho. Ms. Cho is the chairlady of our Remuneration Committee.

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee should meet at least once a year.

During the year ended 31 March 2021 and up to the date of this annual report, two Remuneration Committee meetings were held to review the remuneration of the Directors and senior management of the Group. Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by band for the year ended 31 March 2021 is as follows:

	Number of employees
HK\$1,000,001 to HK\$1,500,000	2
HK\$4,000,001 to HK\$4,500,000	1

Details of the remuneration of each Director for the year ended 31 March 2021 are set out in note 12 to the consolidated financial statements.

### **Corporate Governance Functions**

The Board as a whole is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code, namely:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and the disclosure in the CG Report in the Company's annual reports.

At the Board meeting on 29 June 2021, the Board reviewed the corporate governance measures of the Group and this CG Report and is of the view that the Company has fully complied with the CG Code in the manner as detailed in this CG Report, except for the above code provision A.2.1 of the CG Code.

### ***Summary of Board Diversity Policy***

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy and procedures for shareholders to propose a person for election as a Director of the Company, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

### ***Board Nomination Policy***

The Company adopted a nomination policy in compliance with the CG Code with effect from the Listing Date, which establishes written guidelines to the Nomination Committee to identify suitable individuals to be qualified as Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of the Company's business strategy.

### ***Nomination Process***

The Nomination Committee is responsible for ensuring that the selection criteria are being applied consistently and fairly in the nomination process and confirming the same to the Board when making its recommendation on appointment.

### ***Procedures for Appointment of New Director***

Subject to the provisions in the Articles, if the Board recognises the need to appoint a new Director, the Nomination Committee shall identify candidates in accordance with the selection criteria set out in the nomination policy, evaluate the candidates and recommend to the Board accordingly before the Board decides on the appointment based upon its recommendation.

### ***Procedures for Re-election of Director at General Meeting***

The Nomination Committee shall review the overall contribution to the Company of the retiring Director and determine whether the retiring Director continues to meet the selection criteria set out in the nomination policy before making recommendation to the Board which shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

# CORPORATE GOVERNANCE REPORT

## *Procedures for Nomination by Shareholders*

The Company's website ([www.sunray.com.hk](http://www.sunray.com.hk)) sets out the procedures for shareholders to propose a person for election as a Director. The proposed candidate shall go through the same review and recommendation procedures by the Nomination Committee.

## *Selection Criteria*

The Nomination Committee will propose a candidate for nomination or a Director for re-election based on (i) merit; (ii) the board diversity policy; (iii) the requirements under the GEM Listing Rules; (iv) the expected contribution to the Board and to ensure the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of the Company's business strategy; (v) the ability of the candidate to commit and devote sufficient time and attention to the Company's affairs; (vi) the level of independence from the Company, and potential or actual conflicts of interest of the candidate; and (vii) other relevant factors considered on a case-by-case basis.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person as it considers appropriate. The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

## *Board Meetings and Attendance Records of Directors*

Code provision A.1.1 of the CG Code states that the Board should meet regularly and Board meetings should be held at least four times each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

Six Board meetings were held during the year ended 31 March 2021 and up to the date of this annual report. The first annual general meeting of the Company was held on 21 August 2020. Other Board meetings will also be held if necessary.

At the Board meeting held on 29 June 2021, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Rules 5.48 to 5.67 of the GEM Listing Rules and the Company's compliance with the CG Code and disclosure in this CG Report.

The attendance records of each of the Directors at the Board meeting, committee meetings and annual general meeting held during the year ended 31 March 2021 and up to the date of this annual report are set out in the table below:

Name of Directors	Attendance/Number of Meeting				Annual General Meeting
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	
Mr. Lam	6/6	N/A	N/A	N/A	1/1
Mrs. Lam	6/6	N/A	N/A	N/A	1/1
Mr. Ng	6/6	3/3	2/2	2/2	1/1
Ms. Cho	6/6	3/3	2/2	2/2	1/1
Mr. Ho	6/6	3/3	2/2	2/2	1/1

The forthcoming AGM is scheduled to be held on 20 August 2021.

## COMPANY SECRETARY

Mr. Lo was appointed as the company secretary of the Company on 26 July 2020. He reports to the executive Directors and is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. All Directors have access to the advice and services from the company secretary to ensure that the Board procedures and all applicable laws are followed and complied with. Furthermore, the company secretary is responsible for facilitating communications amongst Directors as well as with management. During the year ended 31 March 2021, Mr. Lo undertook over 15 hours of professional training to update his skill and knowledge and complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

Biographical details of the company secretary of the Company is set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

## DIRECTORS' AND AUDITOR'S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance (Chapter 622 of Laws of Hong Kong), which give a true and fair view of the state of affairs, profit or loss and cash flow of the Group on a going concern basis.

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 March 2021. In preparing the consolidated financial statements for the year ended 31 March 2021, the Board has adopted appropriate and consistent accounting policies and made prudent, fair and reasonable judgments and estimates. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The reporting responsibilities of the Company's auditor, are set out in the Independent Auditor's Report on pages 64 to 68 of this annual report.

# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION

The fees paid or payable to auditor for the year ended 31 March 2021 are as follows:

Services rendered	Fees paid/ payable HK\$'000
Annual audit services	1,280

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's risk management and internal control systems in order to safeguard the Group's assets and the shareholders' interests and conduct a review on an annual basis. The main features of the risk management and internal control systems of the Group include:

- (i) the identification of potential risks;
- (ii) the assessment and evaluation of risks;
- (iii) the development and continuous updating of mitigation measures; and
- (iv) the ongoing review of internal control procedures to ensure their effectiveness in respects of the Group's financial, operational, compliance controls and risk management functions.

In order to protect the Group's assets against improper use and ensure compliance with applicable laws, rules and regulations, the Group has also established organisational structure within such risk management and internal control systems by clearly defining the power and obligations of each department in the Group. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

### Process used to identify, evaluate and manage significant risks

The Group's risk management process involves the identification, evaluation, response, monitoring and reporting of risks. After having successfully identified the risks that may potentially affect the Group's business and operations by the management of the Company, the Board will perform risk assessment by prioritising the risks identified to determine key risks that the Group is exposed to and discuss mitigation measures. Besides, existing risk mitigation measures are subject to regular monitoring and review by the management of the Company, which will review the Group's risk management strategies, report such results and make appropriate suggestions to the Board.

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Company has in place policies and procedures in relation to risk management and internal control. The Board, with the support of the Audit Committee, is primarily responsible for overseeing the risk management and internal control systems of the Company and for reviewing their effectiveness. The Company's internal control system and procedures are designed to meet its specific business needs and to minimise its risk exposure. The Company has adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to its business and control its daily business operations. Management will identify the risks associated with the Group's day-to-day operations for review by the Board. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

In preparation for the Listing, the Company engaged an independent internal control consultant to perform a detailed evaluation of the Group's internal control systems including the areas of anti-fraud policy, whistle blowing policy, human resources, anti-corruption, conflict of interest, financial reporting, legal compliance and risk management with the aims of, among other matters, improving the Group's corporate governance and ensuring compliance with the applicable laws and regulations. Based on its internal control review, the independent internal control consultant identified some weaknesses and deficiencies in the internal control systems and remedial actions based upon the recommendations from the independent internal control consultant were taken.

Pursuant to C.2.1 of the CG Code, the Board engaged an independent internal control consultant to review the effectiveness of the Group's risk management and internal control systems to assess their effectiveness and adequacy for the year ended 31 March 2021. With a view to further enhancing the Group's internal control systems on an ongoing basis, the Group will continue to engage external professional advisers to conduct review and consider establishing a formal in-house internal audit department where necessary from time to time, taking into account the development of the business and the scale and complexity of our operation in the future.

The Board, having reviewed the effectiveness of the risk management and internal control systems of the Company through the Audit Committee, considers that the Company's risk management and internal control systems are adequate and effective and no significant control failings or weaknesses were identified for the year ended 31 March 2021. The level of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit and accounting and financial reporting functions were also assessed and considered adequate for the year ended 31 March 2021. The Company will continue to improve its internal control systems. The Board shall conduct such review through the Audit Committee at least once annually.

## *Handling and Dissemination of Inside Information*

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its relevant obligations under the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the “SFO”) and the GEM Listing Rules. The Group adopts and implements an information disclosure policy and procedures in order to protect inside information from unauthorised and inaccurate disclosures.

The Group has strictly prohibited unauthorised use of confidential or inside information. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Chairman and the financial controller to decide on the need for disclosure. The Audit Committee regularly reviews and assesses the effectiveness of the information disclosure policy and procedures and proposes recommendations to the Board.

## **SHAREHOLDERS’ RIGHTS**

The general meetings of the Company provide a forum for the shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands and GEM Listing Rules, an annual general meeting of the Company should be held each year and at the venue as determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting (“EGM”). To safeguard shareholders’ interests and rights, separate resolutions will be proposed for each substantially separate issue at general meetings. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules, and poll results will be published on the websites of the Company and GEM after each general meeting.

## **RIGHTS TO CONVENE EGMS AND PROCEDURES BY SHAREHOLDERS**

Pursuant to article 64 of the Articles, the Board may, whenever it thinks fit, convene an EGM. Any one or more shareholders, at the date of deposit of the requisition, holding not less than one-tenth of the paid up capital of the Company and having the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transactions of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. The requisition must be deposited at the registered office or the head office of the Company.

If within 21 days of such deposit, the Board fails to proceed to convene such EGM, 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 requisitionist(s) by the Company.

## *Rights to Put Forward Proposals at General Meetings*

The Board is not aware of any provisions allowing shareholders to propose new resolutions at the general meetings under the Articles and the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). Subject to the provisions of the Articles, eligible Shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

## *Putting Forward Enquiries to the Board*

To put forward any enquiries to the Board, shareholders may send written enquiries to the Company with sufficient contact details. The Company will not normally deal with verbal or anonymous enquires.



## **Contact Details**

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit 803-804, 8/F, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon

Attention: Board of Directors

Tel: +852 3977 6789

Fax: +852 3977 6728

Email: [info@sunrayeng.com.hk](mailto:info@sunrayeng.com.hk)

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identifications in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## **COMPLIANCE OFFICER**

Mrs. Lam, an executive Director, has been designated as the compliance officer of the Group to oversee all compliance matters.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting of the Company, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at [www.sunray.com.hk](http://www.sunray.com.hk) as a communication platform with the shareholders and potential investors, where the latest business development, financial information and other relevant information of the Company are available for public access. The information on the Company's website is updated on a regular basis in order to maintain a high level of transparency.

Information released by the Company, including but not limited to, the publication of quarterly, interim and annual reports, the publication and posting of notices, announcements and circulars will also be posted to the Stock Exchange's website at the same time.

## **CONSTITUTIONAL DOCUMENTS**

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. Since the Listing, no amendments have been made to the constitutional documents of the Company.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CORPORATE PROFILE

Sunray Engineering Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**we**”) is a Hong Kong-based building protection solution provider and our solutions integrate (i) the provision of building protection works with a focus on waterproofing works; and (ii) the supply of building protection products.

Building protection works generally involve the selection and use of appropriate building protection products in a building for water, thermal, acoustic and/or fire protection. In this connection, we mainly focus on waterproofing works. We are responsible for the overall management, implementation and supervision of our building protection works projects, selection and procurement of building protection products, coordination with customers or their consultants, environmental safety and quality control. On the other hand, we outsource all labour-intensive building protection works to our subcontractors, such as the application of building protection products to the properties and testing in the manner directed by us. With respect to our business in the supply of building protection products, we identify, source, promote and distribute suitable building protection products to our customers to meet their varying needs and requirements.

The Group's principal business objectives and strategies are to achieve sustainable growth in our business and increase long-term shareholder value, by continuing to actively seek business opportunities in the building protection industry in both private and public sectors in Hong Kong and Macau and enhance our building protection product portfolio. We believe we are a well-established building protection solution provider as we have successfully operated such business for approximately 23 years.

To maintain competitiveness in the market and provide outstanding services to the customers, the Group places significant focus on the long-term sustainability. We are determined to comply with relevant regulations and rules as well as requirements from our stakeholders. Various policies and procedures are established to assist the management in monitoring the operation risks regarding the environment and society.

### *ESG Governance Structure*

The Group conducts a top-down management approach in regards to environmental, social and governance (“**ESG**”) issues. The board of Directors (the “**Board**”) oversees and sets out ESG strategies for the Group, while taking an ultimate responsibility for ensuring the effectiveness of the Group's ESG policies.

The Group has assigned personnel from different departments to systematically manage ESG issues. The said personnel are responsible for collecting and analysing relevant ESG issues, as well as identifying and assessing the Group's ESG risks. In addition, the said personnel periodically report to the Board for the evaluation and subsequent implementation or revision of the Group's ESG strategies.

## ABOUT THIS REPORT

This Environmental, Social and Governance Report (the “**ESG Report**”) summarises the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development. Should there be any discrepancy between the Chinese and the English versions of this ESG Report, the English version shall prevail.

### *Reporting Scope*

This ESG Report covers the Group’s key business and operational activities in Hong Kong which are carried at office, construction sites and warehouse of the below four subsidiaries:

1. Karcenar Limited
2. Tech Link Construction Engineering Limited
3. Sunray Engineering (HK) Company Limited
4. Fair Building Material Company Limited

The ESG key performance indicator (“**KPI**”) data are gathered only from the operations under the Group’s direct operational control. During the year ended 31 March 2021 (“**FY2021**” or the “**Year**”), the Group did not operate as a main contractor for any projects. The Group will continue to assess the major ESG aspects of different businesses and extend the scope of disclosure when and where applicable.

### *Reporting Framework*

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in the Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

### *Reporting Period*

The ESG Report specifies the ESG activities, challenges and measures being taken during the Year.

### *Confirmation and Approval*

Information disclosed in this ESG Report is sourced from the internal documents and statistical data of the Group. This ESG Report has been confirmed and approved by the Board in June 2021.

## CONTACT US

The Group values your feedback in assisting us to improve our sustainability management. Please contact us by email at [info@sunrayeng.com.hk](mailto:info@sunrayeng.com.hk) if you have any questions regarding this ESG Report.

## STAKEHOLDER ENGAGEMENT

To prepare for the further development and business growth, the Group recognises the importance of intelligence gained from the stakeholders' insights, inquiries and continuous feedback on the Group's business activities. We maintain various communication channels with our stakeholders on relevant issues including the performances and challenges that we have come across. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment. The outcomes of these stakeholder engagement processes have been consistently applying to our continuous improvement activities. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Key Stakeholders	Expectations and Concerns	Communication Channels
Government	<ul style="list-style-type: none"> <li>• Comply with the laws and regulations</li> <li>• Proper tax payment</li> <li>• Promote regional economic development and employment</li> </ul>	<ul style="list-style-type: none"> <li>• On-site inspections and checkings</li> <li>• Work reports preparation and submission for approval</li> <li>• Financial reports</li> <li>• Group's website</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Business performance</li> <li>• Corporate governance</li> <li>• Protection of interests of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meetings and other shareholder meetings</li> <li>• Financial reports and announcements</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Labour rights</li> <li>• Comfortableness of the working environment</li> <li>• Career development</li> </ul>	<ul style="list-style-type: none"> <li>• Training and orientation</li> <li>• Internal meetings and email communication</li> <li>• Corporate activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Quality of the services</li> <li>• Project management</li> <li>• Integrity</li> <li>• Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Business visits</li> <li>• Email communication</li> <li>• Regular meetings</li> <li>• Group's website</li> </ul>
Public and communities	<ul style="list-style-type: none"> <li>• Social responsibilities</li> <li>• Environmental awareness</li> <li>• Contribution to the communities</li> </ul>	<ul style="list-style-type: none"> <li>• Charity activities</li> <li>• Volunteer works</li> </ul>
Suppliers and contractors	<ul style="list-style-type: none"> <li>• Timely payment for supplied goods/ services</li> </ul>	<ul style="list-style-type: none"> <li>• Business visits</li> <li>• Email communication</li> </ul>

With these on-going dialogues, we obtain a thorough understanding of stakeholders' expectations and concerns. The Group believes stakeholders' contribution will improve our business management as well as decision-making in the Group's long-term development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Materiality Assessment

In order to better understand the opinions and expectations of stakeholders on the ESG performance of the Group, we conducted an annual materiality assessment during the Year. The specific steps are as follows:

### Step 1: Identification – Industry Benchmarking

- The Group identified a list of material topics by benchmarking against policies, industry standards, and corporate development strategies.

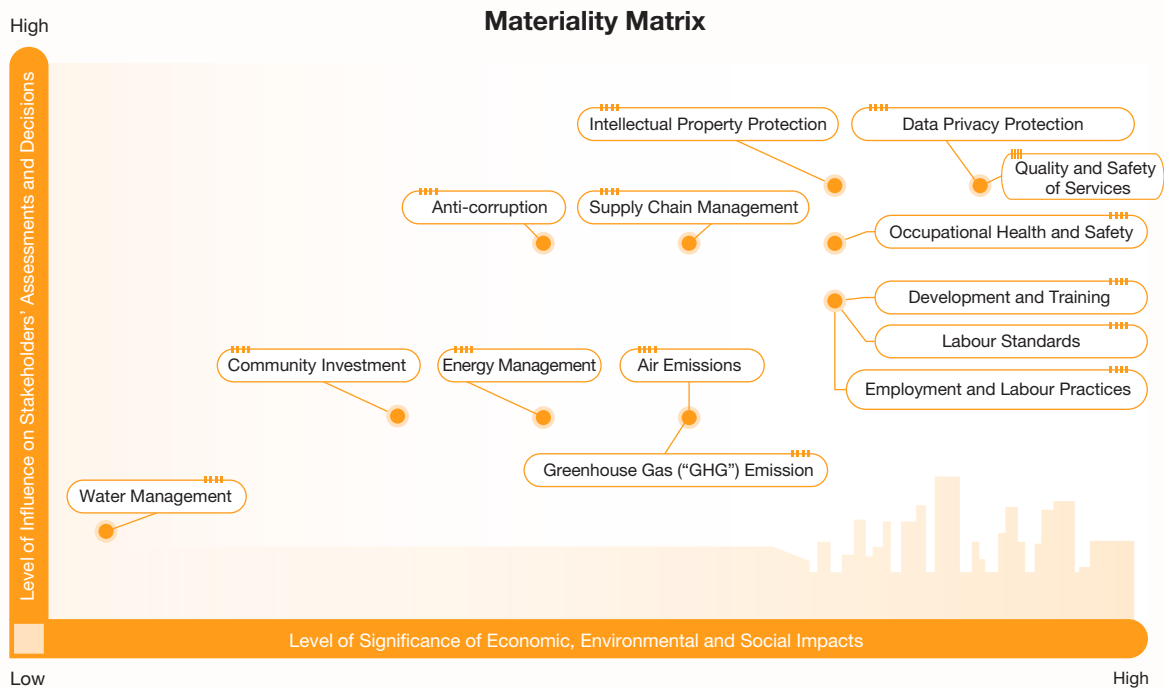
### Step 2: Prioritisation – Stakeholder Engagement

- Materiality assessment was conducted in the form of survey and stakeholders such as employees, customers, and suppliers were invited to assess the importance of each topic. Stakeholders were also given the opportunity to express their views on the Group’s ESG performance through open-ended questions.

### Step 3: Validation – Determining Material Issues

- The material topics were analysed and prioritised based on the survey results. Stakeholders’ opinions and the materiality assessment results were reviewed and discussed with the management in order to determine the focus of disclosure and the direction for improving ESG performance in the future.

The outcome of the materiality assessment is presented in the form of a materiality matrix and is shown below:



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

## ENVIRONMENT ASPECTS

### EMISSIONS

As a building protection solution provider, we recognise that we have an obligation to reduce the impact of our operations on the environment and to be accountable for the resources and materials that we used in our daily operations. The Group has established the Environmental, Social and Governance Policy Regarding Emission, Use Of Resources and Environment and Natural Resources (the “**ESG Policy**”) to identify, assess, monitor and minimise the adverse impact that our operations may have on the environment. We put great effort into protecting the environment by promoting the importance of environmental protection to our employees, adopting the latest rules and standards relating to the environment and community, using environmentally-friendly products as well as encouraging the recycling and reuse of materials. Through continuously improvement in the environmental sustainability of our business, we believe we could fulfil our obligations to both the environment and community.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to the 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, including but not limited to, the Air Pollution Control Ordinance, the Waste Disposal Ordinance and the Water Pollution Control Ordinance of Hong Kong.

#### *Air Emissions*

The principal sources of emissions arising out of the Group’s operation were petrol and diesel consumed by vehicles. In response to the abovementioned sources, the Group has actively taken the following measures to control air emissions.

- Plan routes ahead of time to avoid route repetition;
- Encourage the use of public transport;
- Optimise the operation procedure to improve the laden ratio of motor vehicles and lower the vacancy rate; and
- Perform quarterly or yearly maintenance on vehicles to ensure optimal engine performance and fuel use.

Summary of air emissions performance:

Types of exhaust gas	Unit	FY2021
Nitrogen oxides (NO <sub>x</sub> )	kg	54.37
Sulphur oxides (SO <sub>x</sub> )	kg	0.26
Particulate Matter (PM)	kg	4.33

## GHG Emissions

The major sources of GHG emissions of the Group were generated from petrol and diesel consumed by motor vehicles (Scope 1) and purchased electricity (Scope 2).

In response to the above-mentioned sources, the Group has established a management system to strictly control the use of company vehicles. The relevant measures are mentioned in the above section headed "Air Emissions". In addition, the Group actively adopts measures to reduce energy consumption, and relevant measures will be described in the section headed "Energy Management".

Summary of GHG emissions performance:

Indicator <sup>1</sup>	Unit <sup>2</sup>	FY2021
Scope 1 – Direct GHG emissions	tCO <sub>2</sub> e	46.44
Scope 2 – Energy indirect GHG emissions	tCO <sub>2</sub> e	12.48
<b>Total GHG emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>58.92</b>
<b>Intensity<sup>3</sup></b>	<b>tCO<sub>2</sub>e/employee</b>	<b>0.59</b>

Notes:

- GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5) and the "2020 Sustainability Report" published by the CLP Power Hong Kong Limited.
- tCO<sub>2</sub>e is defined as tonnes of carbon dioxide equivalent.
- As at 31 March 2021, the Group had a total of 100 employees. This data is used for calculating other intensity data.

## Waste Management

Due to the Group's business nature, it did not generate a significant amount of hazardous waste during its daily operation. Despite the Group did not generate hazardous waste during FY2021, it has established guidelines to govern the management and disposal of hazardous wastes. In case there is any hazardous waste produced, the Group must engage a qualified chemical waste collector to handle such waste and comply with the relevant environmental rules and regulations.

The non-hazardous wastes generated by the Group were mainly office papers and construction wastes. Despite the amount of non-hazardous wastes produced by the Group was not significant, the Group has adopted various waste reduction measures and initiatives to manage waste effectively and encourage the habit of recycling and reusing in our operations. The waste reduction practices adopted by the Group include:

- Encourage double-sided printing and photocopying;
- Promote the usage of e-documents for internal and external communication; and
- Avoid single-use disposable items.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Summary of hazardous and non-hazardous waste disposal performance:

Types of waste	Unit	FY2021
Paper <sup>4</sup>	kg	1,721.41
General waste at construction sites (such as empty pails and cans)	kg	2,150.00
Cement	kg	900.00
<b>Total non-hazardous wastes disposal</b>	<b>kg</b>	<b>4,771.41</b>
<b>Total wastes disposal</b>	<b>kg</b>	<b>4,771.41</b>
<b>Intensity</b>	<b>kg/employee</b>	<b>47.71</b>

Note:

4. The figure does not include the recycled paper. During the Year, the Group has recycled approximately 344.29 kg of paper.

## Wastewater Discharge

Wastewater can be generated and discharged at office and construction sites. Since the Group did not operate as the main contractor for any construction projects during the Year, relevant information on wastewater discharge was therefore not available. The wastewater discharged by the office and warehouse of the Group was discharged into the public sewerage system, therefore the amount of water consumed by the Group is considered as the amount of sewage discharged. The corresponding water conservation measures are described in the section headed "Water Management" under aspect A2.

## USE OF RESOURCES

The Group upholds and promotes the principle of effective use of resources and is committed to optimising the use of resources across business operations. We have paid attention to the potential environmental impacts brought by the consumption of resources and established related policies and initiatives, including but not limited to those mentioned in the ESG Policy, covering topics on effective utilisation of resources like energy, water, and other natural resources.

### Energy Management

The Group aims to minimise environmental impacts in our operations by adopting appropriate measures in our operations. The Group has formulated policies and procedures relating to the environmental management, including energy management. The Group has implemented the following measures relating to promoting energy conservation:

- Switch off unnecessary lightings and electrical appliances when not in use;
- Make use of light-emitting diode ("LED") bulbs in the office; and
- Purchase equipment with higher energy efficiency on the replacement of old equipment.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Summary of energy consumption performances:

Types of energy	Unit	FY2021
<b>Direct energy consumption</b>	<b>MWh</b>	<b>171.64</b>
Petrol	MWh	133.15
Diesel	MWh	38.49
<b>Indirect energy consumption</b>	<b>MWh</b>	<b>33.72</b>
Purchased electricity <sup>5</sup>	MWh	33.72
<b>Total energy consumption</b>	<b>MWh</b>	<b>205.36</b>
<b>Intensity</b>	<b>MWh/employee</b>	<b>2.05</b>

Note:

5. The figure only covered office electricity consumption. Since the Group did not operate as a main contractor for any construction projects during the Year, the electricity consumption data of constructions sites was therefore not available. Besides, due to the limited business activities in the warehouse of the Group, no material electricity consumption was resulted.

## *Water Management*

Due to the Group's business nature, the Group does not consume significant amount of water during our business activities. Despite the limited water consumption, we still promote behavioral changes at office and encourage water conservation. For example, we encourage our staff not to keep running water taps while cleaning any stuff in pantry.

As the water used in the Hong Kong office is managed by the property management company, the relevant water consumption data was not available. Also, due to the limited business activities in the warehouse of the Group, no material water consumption was resulted and the relevant data was not recorded. Moreover, since the Group did not operate as the main contractor for any construction projects during the Year, the water consumption data was therefore not available.

Due to the Group's business nature, the Group does not encounter any problem in sourcing water that is fit for purpose.

## *Use of Packaging Materials*

Due to the Group's business nature, the Group did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE ENVIRONMENT AND NATURAL RESOURCES

As a building protection solution provider, we recognise the impacts of our daily operations on the environment and we are committed to conducting our business in an environmentally responsible manner. In order to minimise the significant impacts on the environment and natural resources, we are committed to implementing necessary measures as mentioned in the sections headed "Emissions" and "Use of Resources" in energy conservation, emissions reduction and environmental protection. The Group would also promote environmental awareness amongst the customers, employees, subcontractors, suppliers, business partners and other stakeholders aiming to mitigate the waste of resources as a whole.

### *Noise Management*

As certain procedures would produce noises during constructions, which may cause impacts to the residents nearby, the Group adopts necessary measures to minimise noises in compliance with the Noise Control Ordinance. The Group conducts construction during designated time and would set noise barriers or noise enclosure at the early stage of construction period to suppress the noise level.

## SOCIAL ASPECTS

### EMPLOYMENT

#### *Employment Practices*

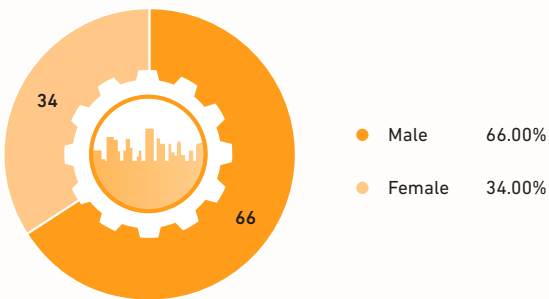
The Group believes employees are important and valuable assets of the Group, while competent employees are the foundation for the long-term business success of the Group. The quality of the Group's services depends on the effective implementation of the projects for which each professional team is responsible. Employment policies of the Group are formally documented in the Employee Handbook, covering working hours, equal opportunities, recruitment, promotion, resignation and compensation benefits, etc. The Group periodically reviews existing policies and employment practices to ensure continuous improvement of its employment standards and competitiveness against service providers of the same industry.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

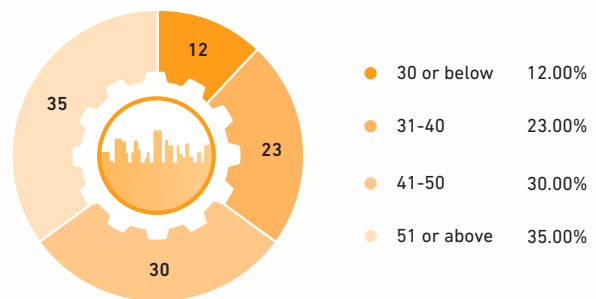
During the Year, the Group was not aware of any material non-compliance with laws and regulations on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that would have a significant impact on the Group, including but not limited to, the Employment Ordinance, the Sex Discrimination Ordinance, and the Employees' Compensation Ordinance of Hong Kong.

As at 31 March 2021, the Group had a total of 100 employees. The employee composition by gender, employee category and age group, employment mode and geographical region are as follows:

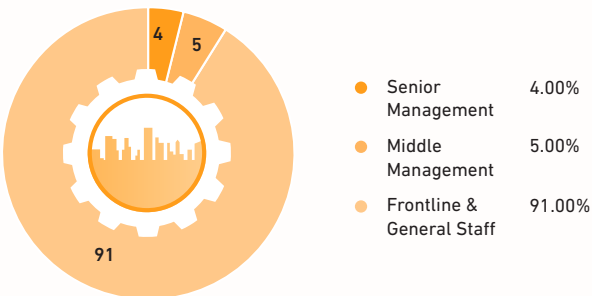
## By Gender



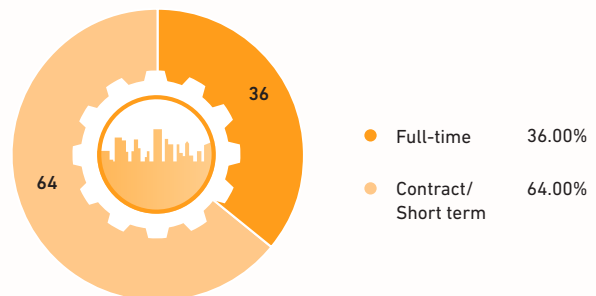
## By Age Group



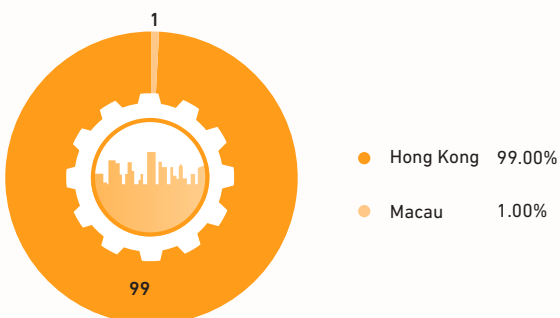
## By Employee Category



## By Employment Mode



## By Geographical Region



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, the Group's overall full-time employee turnover rate was approximately 36.11%. The following table shows the employee turnover rate by gender, age group, employee category and geographical region.

	Turnover rate <sup>6</sup> (%)
<b>By gender</b>	
– Male	33.33
– Female	41.67
<b>By age group</b>	
– 30 years old or below	25.00
– 31-40 years old	25.00
– 41-50 years old	20.00
– 51 years old or above	70.00
<b>By employee category</b>	
– Senior Management	25.00
– Middle Management	40.00
– General Staff	37.04
<b>By geographical region</b>	
– Hong Kong	36.11
– Macau	—
<b>Overall</b>	<b>36.11</b>

Note:

6. Due to the Group's business nature, the figure only includes full-time employees.

### *Recruitment, Promotion and Dismissal*

The Group's recruitment and promotion policies have followed the principle of equal opportunities. All employees are hired based on the merits and are treated equally, regardless of their nationality, age, race, gender, religion and marital status, etc. The Group's Hiring Policy and Procedures regulates the recruitment procedures with the principles of fairness and justice. The Group periodically assesses the performance of the employees and evaluates their current salaries, bonus and promotion opportunities. The Group also gives preference to internal promotion to encourage consistent contribution and effort. Unreasonable dismissal under any circumstances is strictly prohibited, dismissal would be based on reasonable and lawful grounds supported by internal policies of the Group.

### *Remuneration and Benefits*

Compensation and benefits play a critical role to attract, retain and motivate the Group's workforce. The Group offers a wide variety of leave entitlements for different circumstances such as maternity leave, paternity leave, marriage leave, study leave, compassionate leave, and compensation leave. Furthermore, all employees are protected by the Employees' Compensation Ordinance of Hong Kong upon joining the Group. The statute provides protection to employees who sustain personal injury by accident or disease arising out of the course of employment.

### *Working Hours and Rest Periods*

The Group supports harmonious and work-life balance culture. The working hours and holidays for employees determined by the Group are in line with local employment laws and the employment contracts with employees. Besides, the Group has organised employee gatherings which allow employees to enjoy a relaxing moment, build team spirit and promote friendly working environment.

## *Diversity, Equal Opportunities and Anti-discrimination*

The Group is committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. The Group is dedicated to maintaining workplaces that are free from discrimination, physical or verbal harassment against any individuals on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. The Group also has zero tolerance of sexual harassment or abuse in the workplace in any forms. Any employee who is intimidated, humiliated, bullied or harassed (including sexual harassment) may report to the employee's representative, or file complaints directly to the management representative or the general manager, and the Group will take serious approaches to resolve these issues upon receiving the said complaints.

## **HEALTH AND SAFETY**

### *Occupational Health and Safety*

The Group is committed to providing a safe and healthy working environment to our employees and subcontractors. The Group understands that the nature of work performed by the Group exposes employees to potential occupational hazards, therefore we have set out comprehensive policies and have established measures to promote occupational health and safety and to ensure compliance with applicable laws and regulations. During the Year, the Group was not aware of any material non-compliance with laws and regulations related to providing a safe working environment and protecting employees from occupational hazards that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Ordinance of Hong Kong. Moreover, there were no reported cases of work-related fatalities and no lost days due to work injury during the Year.

We have incorporated a series of safety guidelines, rules and procedures for different aspects throughout our operating process, including fire safety, electricity safety, work-related injuries and emergency and evacuation procedures. The followings are some of the key safety precautions and measures implemented:

- Regular checks with any necessary maintenance are carried out for all the electrical appliances and machines; and
- Protective equipment is provided to workers according to their positions and job nature.

The Group also provides safety induction training and on-the-job training to employees. The training covers safety operation of construction machinery and equipment, potential danger at the construction sites and related preventive measures and applicable laws and regulations in order to raise employees' awareness of work safety.

The Group remains vigilant to the potential impact brought on by COVID-19 and has continuously reviewed and updated the precautionary measures implemented in office and construction sites. In office, the Group has adopted flexible working hour and lunch hour. The Group also provides surgical masks and disinfectant spray to employees whenever necessary. At the construction sites, our employees and subcontractors were required to check their temperatures before entering the construction sites. The Group also reminds the employees to wear surgical masks during working and maintain good personal hygiene by washing hands frequently with soap.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## DEVELOPMENT AND TRAINING

The Group recognises the importance of providing our staff with the opportunity to continuously improve the professional skill sets and hence the quality of our services. The Group encourages the senior management and department heads to carry out proactive coaching and provide detailed guidance to the subordinates in order to meet their current and future business needs.

All of our new staff were provided with detailed orientation training from which our staff would get an understanding of the job responsibilities, work safety as well as the corporate culture and policies. We also provide training to our employees in aspects such as general and technical skills and management skills. To ensure the staff possessing certain technical skills, on-the-job coaching would be provided to staff at different positions. Furthermore, the Group promotes lifelong learning among its staff and encourages staff to attend different external seminars or trainings such as first aid training course and safety supervisor training course.

During the Year, about 47.22% of the Group's full-time employees participated in training. The average training hours per employee was 8.32.

	Percentage of employees trained <sup>6</sup> (%)	Breakdown of employees trained <sup>6</sup> (%)	Average training hours per employee <sup>6</sup> (hours)
<b>By gender</b>			
– Male	66.67	94.12	11.60
– Female	8.33	5.88	1.75
<b>By employee category</b>			
– Senior Management	100.00	23.53	15.25
– Middle Management	60.00	17.65	12.20
– General Staff	37.04	58.82	6.57

## LABOUR STANDARDS

The Group prohibits the employment of child labour and forced labour. We strictly comply with the relevant laws and regulations including the Employment Ordinance in Hong Kong. The Group has established a well-defined recruitment process which examines the background of candidates. During the recruitment process, the age of the applicant is verified against the identity documents. The Group has also established reporting channels to ensure child labour or forced labour are not employed in the operation.

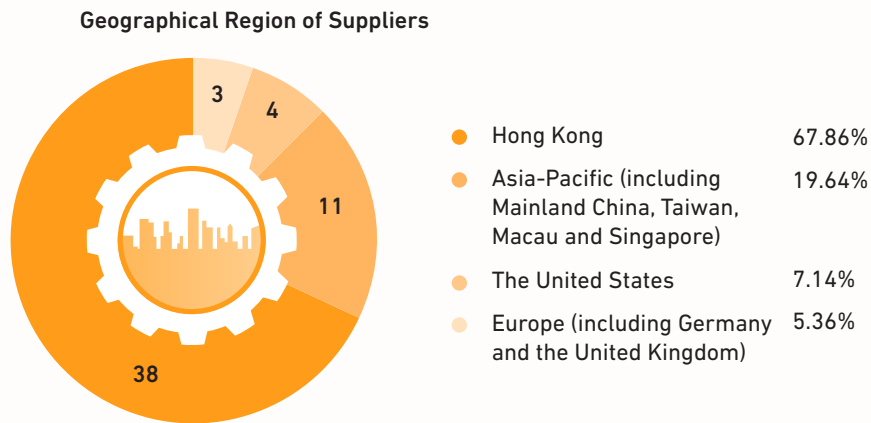
During the Year, the Group was not aware of any material non-compliance with laws and regulations related to the prevention of child labour or forced labour that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong.



## SUPPLY CHAIN MANAGEMENT

The Group relies on subcontractors and suppliers to provide different construction materials. We are fully aware of the potential environmental and social risks associated with our supply chain and are committed to reducing such risks in the collaboration with our subcontractors and suppliers. Before and during the engagement with our subcontractors and suppliers, we would carry out regular assessment on the supplier's corporate conditions, reputation, credibility as well as the quality of the services provided. The Group maintains a long-term strategic relationship with our subcontractors and suppliers based on the results from the assessment.

During the Year, the Group had a total of 56 suppliers. The number of suppliers by geographical region of the Group was as follows:



### *Fair and Open Procurement*

The Group has also formulated rules to ensure suppliers can participate in competitions in an open and fair mechanism. We do not differentiate or discriminate against any suppliers, and we do not allow any forms of corruption or bribery. Employees or other individuals should declare any actual or potential conflict of interest arising out of the business transactions of the Group, and they will not be allowed to participate in the relevant procurement activity.

## PRODUCT RESPONSIBILITY

We place the quality of our services as the utmost important focus in our operation. The Group is in strict compliance with the related laws and regulations, aiming to provide a high-quality standard of services to our customers.

During the Year, 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 and methods of redress that would have a significant impact on the Group, including but not limited to the Personal Data (Privacy) Ordinance and the Trade Descriptions Ordinance of Hong Kong.

As a professional building protection solution provider, the Group has limited activities in advertising and labeling matters. The Group strives to ensure information disseminated such as company brochures and newsletters are complete, accurate, clear, and in compliance with relevant laws and regulations. Moreover, disclosure on the number of products sold or shipped subject to recalls for safety and health reasons was not applicable due to the Group's business nature.

### *Quality and Safety of Services*

We have maintained a quality management system in order to execute the Quality Control Policy of the Group. Our quality management system is part of our project quality plans which specify the steps to be carried out and complied with throughout the execution of our foundation projects from the pre-construction stage to maintenance stage. To ensure that our works meet the required standard, we normally assign one foreman on a full-time basis at each of the construction sites to monitor the quality of foundation works done by our staff and, as the case may be, our subcontractors. Our project managers visit the construction sites from time to time and monitor the work quality, the progress of construction projects and ensure that the works are duly completed according to the implementation schedules.

### *Intellectual Property Protection*

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

### *Data Privacy Protection*

We fully respect customer data privacy. The Group is committed to preventing customer data leakage or loss and has taken proper measures to safeguard data integrity by restricting the access of confidential customer data. All collected customer personal data and properties are only accessible by authorised personnel and handled with care. During the Year, there were no complaints received concerning breaches of customer privacy and loss of data.

## ANTI-CORRUPTION

The Group is committed to maintaining a culture of honesty and opposition to fraud and corruption, with zero tolerance towards any kinds of bribery and money laundering activities.

The Group has implemented related policies and procedures including the Anti-money Laundering Policy, the Anti-corruption Policy, the Fraud Policy Statements and the Code of Ethics and Business Conduct. These policies and procedures outline the principles to which we are committed to preventing, reporting and managing fraud, corruption and bribery. We have communicated with our employees on these policies and procedures throughout our daily operations. To prevent conflict of interest, the Group has also identified procedures with relatively high risk on conflict of interest, such as project bidding, recruitment and promotion, etc. and established transparent policy to minimise its impact.

All of our employees are required to make a declaration to the management through the reporting channels once there is any actual or potential conflict of interest found. Employees cannot receive any gifts from any external business parties unless prior approval is obtained from the management.

The Group has established the Policy on Whistle Blowing internally. Staff may report to relevant department managers or senior management in the event that they identify any irregularities, and the Group will protect the identity of the informer. The Group shall conduct a detailed investigation on the reported event and take appropriate actions according to the result.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong. The Group also had no record of concluded legal cases regarding corrupt practices brought against us or our employees during the Year.

## COMMUNITY INVESTMENT

Contribution to the community and maintaining a harmonious and prosperous society are crucial for the sustainable development of the Group. The Group strives to nurture corporate culture and practice corporate citizenship in daily work life. The Group has established the Community Investment Policy to support its long-term community investment. The policy sets out particular donation and sponsorship focuses to align our community investment towards development goals. Besides, we hope to foster employees' sense of social responsibility by encouraging them to participate in charitable activities so as to provide greater contributions back to the community. We believe that by actively participating in activities that contribute to the community, we are able to enhance the civic awareness of our employees and establish correct values for them.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions, GHG Emissions, Wastewater Discharge
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions – Waste Management, (not applicable - explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions – Waste Management
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions – GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management, Wastewater Discharge
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity.	Use of Resources – Water Management
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials (not applicable - explained)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		
KPIs	Description	Section/Statement
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		
KPIs	Description	Section/Statement
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Responsibility (not applicable – explained)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Protection
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Customer Information Protection
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment



# DIRECTORS' REPORT

The Directors are pleased to present this Directors' report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 February 2019. The Group completed the group reorganisation (the "Reorganisation") on 29 March 2019 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus. The shares of the Company (the "Shares") were listed on GEM of the Stock Exchange on the Listing Date by way of share offer.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is principally engaged in provision of building protection works and supply of building protection products.

Details of the principal activities of the principal subsidiaries are set out in note 34 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 March 2021 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 69 to 127 of this annual report.

The Board does not recommend any payment of final dividend for the year ended 31 March 2021 (31 March 2020: 0.58 HK cents per share).

## FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group announced in the past four years are set out on page 128 of this annual report.

## BUSINESS REVIEW

### *Overview*

A review of the business of the Group for the year ended 31 March 2021 and a discussion on the Group's future business development are provided in the "Management's Discussion and Analysis" on pages 4 to 13 of this annual report.

### *Principal Risks and Uncertainties*

The principal risks faced by the Group are set out on pages 8 to 9 of this annual report. As it is a non-exhaustive list, there may be other risks and uncertainties further to the disclosures. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgement or consult professionals before making any investment in the securities of the Company.

### *Important Events*

Save as disclosed in the section headed "Event After the Reporting Period" in this report, the Board has not identified any important events affecting the Group that have occurred since the end of the financial year ended 31 March 2021.

### **Key Performance Indicators**

The key performance indicators are detailed in the financial review set out in the section headed "Management's Discussion and Analysis" on pages 4 to 13 of this annual report. This discussion constitutes a part of this report.

### **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended 31 March 2021, the five largest customers accounted for approximately 48.7% (31 March 2020: 48.0%) of the Group's total revenue. The five largest suppliers accounted for approximately 68.6% (31 March 2020: 70.5%) of the Group's total purchases. In addition, for the year ended 31 March 2021, the largest customer accounted for approximately 25.0% (31 March 2020: 21.2%) of the Group's total revenue while the largest supplier accounted for approximately 21.2% (31 March 2020: 25.2%) of the Group's total purchases.

None of the Directors, their associates or any shareholders who own more than 5% of the Company's issued share capital had any interest in any of the Group's five largest customers and suppliers.

### **RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

The Group maintains a good relationship with its employees, and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's operation would be at risk.

### **DONATIONS**

During the year ended 31 March 2021, there is no charitable and other donations made by the Group.

### **DIVIDEND POLICY**

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors including our operation and financial performance profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payment ratio.

### **PROPERTY AND EQUIPMENT**

Details of the movements in property and equipment of the Group for the year ended 31 March 2021 are set out in note 16 to the consolidated financial statements.

### **BANK OVERDRAFTS AND BORROWING**

The Group did not have any bank overdrafts and borrowing as at both 31 March 2021 and 2020.

### **INTEREST CAPITALISED**

The Group has not capitalised any interest during the year ended 31 March 2021.

# DIRECTORS' REPORT

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 March 2021 is set out in note 25 to the consolidated financial statements.

## RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 March 2021 are set out in the consolidated statement of changes in equity on page 72 and in note 36 to the consolidated financial statements, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company had distributable reserve of approximately HK\$35.8 million, calculated under the Companies Law (as revised), of the Cayman Islands (31 March 2020: HK\$8.2 million).

## PRE-EMPTIVE RIGHTS

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

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreement was entered into by the Group, or existed during the year ended 31 March 2021.

## SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of a share option scheme (the "**Share Option Scheme**") conditionally adopted by the resolutions in writing of the then sole shareholder passed on 18 March 2020 (the "**Adoption Date**"). The Share Option Scheme became effective on the Listing Date. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

### (a) Purpose

The Share Option Scheme enables the Company to grant options to subscribe for the Shares (the "**Options**") to any director, employee or officer, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company or any of the subsidiaries (the "**Eligible Person**"), as incentives or rewards for their contributions to our Group.

### (b) Participants

The basis of eligibility of any person to the grant of any Option shall be determined by our Board from time to time on the basis of his or her contribution or potential contribution to the development and growth of our Group.

## (c) *Grant of Options*

Our Board shall not offer the grant of Options to any Eligible Persons after inside information has come to our Company's knowledge until we have announced the information in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of our results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement. The period during which no Option may be granted will cover any period of delay in the publication of a result announcement.

Subject to paragraph (k) below, the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted to a participant under the Share Option Scheme and other schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares from time to time in issue, and provided that if approved by shareholders in general meeting with such participant and his or her close associates (or his or her associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme and other schemes to such participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares from time to time in issue. In relation to the Further Grant, our Company must send a circular to our shareholders, which discloses, amongst other, information from time to time as required by the GEM Listing Rules, the number and the terms of the Options to be granted. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the exercise price.

## (d) *Exercise Price*

The exercise price for any Shares under the Share Option Scheme will be a price determined by our Board and notified to each participant and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the relevant Options; and (iii) the nominal value of a Share on the date of the grant.

## (e) *Maximum number of Shares*

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and other Schemes must not in aggregate exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate**") unless approved by the shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or other schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 1,000,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 100,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

- (ii) The Scheme Mandate Limit may be renewed by our shareholders in general meeting provided always that to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and other schemes under the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of such shareholders' approval provided that Options previously granted under the Share Option Scheme and other schemes (including those exercised, outstanding, cancelled or lapsed in accordance with the terms thereof) shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our shareholders containing the information from time to time as required by the GEM Listing Rules.
- (iii) Subject to the terms of the Share Option Scheme and the approval of shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such shareholders' approval is sought. In relation to the shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our shareholders containing such relevant information from time to time as required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, no Options may be granted by our Company if the maximum 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 other schemes in aggregate exceeds 30% of the Shares in issue from time to time.

No Option has been granted under the Share Option Scheme since the Listing Date and up to the date of this annual report. Accordingly, the total number of Shares available for issue under the Share Option Scheme is 100,000,000 Shares, representing 10% of the issued Shares as at the date of this annual report.

**(f) Time of exercise of Option**

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable option period, provided that, amongst others, the period within which the Option must be exercised shall not be more than 10 years from the date on which that Option is deemed to have been granted. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each participant, which our Board may in its absolute discretion determine.

**(g) Rights are personal to grantee**

An Option shall be personal to the Participant and shall not be assignable or transferable and no participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

**(h) Minimum period for which an option must be held before it can be exercised**

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Board.

**(i) Amount payable on application or acceptance of the Option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid**

The Eligible Person shall remit HK\$1.00 to our Company as consideration for the grant upon acceptance of the Option. The Option shall be offered for acceptance for a period of not less than 5 business days from the date on which the Option is granted.

**(j) Period of Share Option Scheme**

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date, after which no further Options will be issued but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The Board may impose such terms and conditions on the offer of Option(s) either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme, including but not limited to the minimum period for such an Option must be held, if applicable.

**(k) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates**

Any grant of Options to any director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive directors (excluding any independent non-executive director who is the proposed participant). If a grant of Options to a substantial shareholder of our Company or an independent non-executive director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including the Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of Options must be approved by our shareholders on a poll in a general meeting. The participant, his or her associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our shareholders containing the information as required under the GEM Listing Rules. In addition, shareholders' approval as described above will also be required for any change in terms of the Options granted to a participant who is a substantial shareholder of our Company, an independent non-executive director or any of their respective associates. The circular must contain the following:

- (i) details of the number and terms of the Options (including the exercise price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant shareholders' meeting, and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price;
- (ii) a recommendation from our independent non-executive directors (excluding any independent non-executive director who is a proposed participant) to the independent shareholders as to voting; and

## DIRECTORS' REPORT

(iii) all the information as required under the GEM Listing Rules from time to time.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive of our Company set out in this paragraph do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

### DIRECTORS

The members of the Board since the Listing Date and up to the date of this annual report are:

#### *Executive Directors*

Mr. Lam Ka Wing (*Chairman and Chief Executive Officer*)  
Ms. Wong Pui Yee Edith

#### *Independent non-executive Directors*

Mr. Ng Kwun Wan  
Ms. Cho Mei Ting  
Mr. Ho Ka Kit

In accordance with article 108(a) of the Articles, at each annual general meeting, one third of the Directors for the time being (or if their number is not 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 at an annual general meeting at least once every three years. Article 112 of the Articles specifies that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Ms. Cho and Mr. Ho shall retire at the forthcoming AGM and being eligible, offer themselves for re-election.

### BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out under the section headed "Biographical Details of Directors and Senior Management" as set out on pages 14 to 17 of this annual report.

### DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company on 18 March 2020 for an initial term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company on 18 March 2020 for a term of three years commencing from the Listing Date until terminated by either party giving not less than one month's notice in writing. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

### CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation of independence pursuant to Rule 18.39B of the GEM Listing Rules from each of the independent non-executive Directors and considers that all the independent non-executive Directors, namely Mr. Ng, Ms. Cho and Mr. Ho, are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

### DIRECTORS' REMUNERATION

In compliance with the CG Code, the Company has established a Remuneration Committee to make recommendations to the Board on the Company's policy and structure for all the Directors' remuneration. The Directors' remuneration is determined by the Board with reference to, inter alia, the experience, responsibility, workload and time devoted to the Group. Details of Directors' remuneration are set out in note 12 to the consolidated financial statements.

### FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year ended 31 March 2021 include two Directors (2020: two Directors). Details of the five highest paid individuals are set out in note 12 to the consolidated financial statements.

### PERMITTED INDEMNITY PROVISION

Upon the Listing, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefits of the Directors. The permitted indemnity provisions are provided for in the Company's Articles in respect of potential losses and liability associated with legal proceedings that may be brought against such Directors and the payment of any sum primarily due from the Company that may be liable by the Directors.

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 32 to the consolidated financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

### CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2021, the Group has not entered into any connected transactions or continuing connected transactions that are not exempted under the GEM Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.



## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 March 2021 and up to the date of this annual report, have the Directors and the chief executive of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interests in, or had been granted, or exercised any rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and/or its associated corporations (within the meaning of SFO).

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

From the Listing Date to the date of this annual report, none of the Directors, the Controlling Shareholders and the substantial shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interests in a business that competes or may compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group. The independent non-executive Directors confirmed that the internal control measures in relation to managing actual or potential conflict of interest of the Group have been properly implemented.

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACT OF SIGNIFICANCE

There was no transaction, arrangement or contract of significance connected to the business of the Group to which the Company, its subsidiaries, or its holding company or any of its fellow subsidiaries was a party and in which any Director or a connected entity of a Director had a direct or indirect material interest, subsisting at the end of the year or at any time during the year.

As at 31 March 2021, no transaction, arrangement or contract of significance had been entered into between the Company, or any of its subsidiaries and the Controlling Shareholders of the Company or any of its subsidiaries.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 March 2021, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) would be required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in the shares of the Company (the "Shares")

Name of Directors	Nature of interest/holding capacity	Number of Shares held	Percentage of shareholding
Mr. Lam <sup>(1)</sup>	Interest in a controlled corporation	750,000,000	75%
Mrs. Lam <sup>(2)</sup>	Interest of spouse	750,000,000	75%

Notes:

- These Shares are registered in the name of Ultra Success Industries Limited ("**Ultra Success**"), a company which is wholly-owned by Mr. Lam. Under the SFO, Mr. Lam is deemed to be interested in all the Shares registered in the name of Ultra Success.
- These Shares represent the Shares held indirectly by Mr. Lam, the spouse of Mrs. Lam, as ultimate beneficial owner.

### Long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest/holding capacity	Number of ordinary share held	Percentage of shareholding
Mr. Lam	Ultra Success	Beneficial owner	1	100%

Save as disclosed above, as at 31 March 2021, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be recorded into the register required to be kept therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

## DIRECTORS' REPORT

### INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 March 2021, so far as it is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules, or (iii) who were deemed to be, directly or indirectly, 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 any member of the Group.

#### *Long position in the Shares*

Name of shareholder	Nature of interest/ holding capacity	Number of Shares held	Percentage of shareholding
Ultra Success	Beneficial owner	750,000,000 <sup>(Note)</sup>	75%

Note: Ultra Success is a company incorporated in the BVI and is wholly-owned by Mr. Lam. Mr. Lam is deemed to be interested in all Shares held by Ultra Success for the purpose of SFO. Mrs. Lam, the spouse of Mr. Lam, is also deemed to be interested in all the Shares held by Mr. Lam under the SFO.

Save as disclosed above, as at 31 March 2021, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the year ended 31 March 2021.

### CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures to promote and ensure accountability. The Company's corporate governance practices are based on principles and code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules. Since the Listing Date and up to the date of this annual report, the Company's corporate governance practices have been complied, except for the code provision A.2.1 of the CG Code. Details of the principal corporate governance practices as adopted by the Company and the Company's compliance with the applicable code provisions are set out in the section headed "Corporate Governance Report" on pages 18 to 29 of this annual report.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Ethics and Securities Transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code regarding securities transactions since the Listing Date and up to the date of this annual report.

The Board has also adopted the Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Code by the Company's relevant employees was noted since the Listing Date and up to the date of the report after making reasonable enquiry.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group has adopted risk management and internal control policies to monitor the on-going compliance with the relevant 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 year ended 31 March 2021.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report there is sufficient public float of not less than 25% of the Company's issued share as required under the GEM Listing Rules.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. It is the policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations, and minimising wastes and emission. Details are set out in Environmental, Social and Governance Report on pages 30 to 49 of this annual report.

## INTERESTS OF THE COMPLIANCE ADVISER

Pursuant to Rule 6A.19 of the GEM Listing Rules, the Company has appointed Alpha Financial Group Limited as the independent compliance adviser (the "**Compliance Adviser**") on an on-going basis for consultation on compliance with the GEM Listing Rules. As at 31 March 2021, as informed by the Compliance Adviser, save for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 18 March 2020, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## DIRECTORS' REPORT

### USE OF PROCEEDS

The Shares were listed on GEM on the Listing Date. The net proceeds after deducting the underwriting commission and related listing expenses payable by the Company were approximately HK\$21.6 million. Up to 31 March 2021, approximately HK\$10.2 million of the Net Proceeds from the Listing had been utilised. Details are set out in the section headed "Management's Discussion and Analysis" on pages 4 to 13 of this annual report.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group had 100 employees excluding the Directors. The remuneration package offered to the Group's employees includes salary, commission and discretionary bonus. The Group's remuneration policies are in line with the prevailing market practices and the staff remuneration is determined on the basis of the performance and experience of each individual employee.

### SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2021, the Group did not hold any significant investment.

Save as disclosed in the Prospectus and this annual report, the Group did not have any other plan for material investments or capital assets as at the date of this report.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

There were no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 March 2021.

### MANAGEMENT CONTRACTS

There was no contract concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the year ended 31 March 2021.

### ANNUAL GENERAL MEETING

The AGM of the Company will be held on 20 August 2021, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

### CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

To be eligible to attend and vote in the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 17 August 2021 to Friday, 20 August 2021 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming AGM, all Share transfer documents must be lodged with Tricor Investor Services Limited, the Company's branch share registrar and transfer office Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 16 August 2021.

### EVENT AFTER THE REPORTING PERIOD

On 30 April 2021, Sunray Engineering (HK) Company Limited ("**Sunray HK**") (an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement in relation to the acquisition of a property between Wellsum Development Co., Ltd ("**Vendor**"), pursuant to which Sunray HK agreed to purchase and the Vendor agreed to sell the property at a consideration of HK\$43,000,000 subject to the terms and conditions set out therein. It is a term in the agreement that Sunray HK agreed to lease back the property to the Vendor for a term of six months commencing on 1 July 2021 and ending on 31 December 2021.

Save as disclosed elsewhere in this report, subsequent to 31 March 2021 and up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors.

### AUDITOR

The consolidated financial statements for the year ended 31 March 2021 have been audited by Deloitte Touche Tohmatsu, who will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

There was no change of auditor of the Company since the Listing.

By order of the Board  
**Sunray Engineering Group Limited**  
**Lam Ka Wing**  
*Chairman*

Hong Kong, 29 June 2021

# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

德勤

**TO THE SHAREHOLDERS OF SUNRAY ENGINEERING GROUP LIMITED**

(incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Sunray Engineering Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 69 to 127, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

## KEY AUDIT MATTER

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Recognition of revenue from provision of building protection works</i></b></p> <p>We identified recognition of revenue from provision of building protection works as a key audit matter due to its significance to the Group's consolidated financial statements as a whole and involvement of significant management estimates in estimating each contract's outcome and value of works completed.</p> <p>The Group recognised revenue from provision of building protection works of HK\$110,176,000 during the year ended 31 March 2021 as set out in note 5 to the consolidated financial statements.</p> <p>As disclosed in note 4 to the consolidated financial statements, budgeted contract costs and profit margin are prepared by the management of the Group on the basis of quotations from time to time provided by the subcontractors or suppliers of contract materials involved. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews and revisions of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such estimate may have impact on the revenue and profit recognised in each period.</p>	<p>Our procedures in relation to the recognition of revenue from provision of building protection works included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding on how the the management of the Group recognises the revenue from provision of building protection works and how the budgeted contract costs are determined;</li> <li>• Agreeing the contract sum and any variation orders to respective signed contracts and the correspondence with customers, on a sample basis;</li> <li>• Checking the estimated total budgeted contract costs against the underlying contracts, quotations or latest payment certificates or invoices issued by subcontractors or suppliers of contract materials, on a sample basis, of individual contracts and understanding the causes for significant revisions of the estimated total budgeted costs, where applicable;</li> <li>• Assessing the accuracy of the actual costs incurred for the year by checking against the payment certificates or invoices issued by subcontractors or suppliers of contract materials, on a sample basis; and</li> <li>• Evaluating the reliability of the estimation made by management of the Group estimation by comparing their budgeted contract costs against actual costs on completed projects, on a sample basis.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Kwok Lai Sheung.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
29 June 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	5	178,943	199,278
Cost of sales and services		(120,038)	(121,215)
Gross profit		58,905	78,063
Other income	7	1,903	200
Other gains and losses	8	259	(452)
Impairment losses under expected credit loss model, net of reversal	9	(158)	(1,283)
Selling and distribution costs		(6,600)	(5,875)
Administrative expenses		(36,578)	(31,084)
Finance costs	10	(116)	(57)
Listing expenses		(926)	(13,997)
Profit before taxation	11	16,689	25,515
Income tax expense	13	(4,247)	(6,135)
Profit and total comprehensive income for the year		12,442	19,380
Earnings per share			
Basic (HK cents)	14	1.26	2.58
Diluted (HK cents)	14	1.26	N/A

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property and equipment	16	4,096	4,362
Right-of-use assets	17	4,079	1,612
Rental and other deposits	19	414	256
		<u>8,589</u>	<u>6,230</u>
<b>Current assets</b>			
Inventories	18	9,457	6,482
Trade and other receivables	19	26,606	29,529
Contract assets	20	116,640	102,488
Tax recoverable		1,064	—
Pledged bank deposit	21	818	806
Bank balances and cash	21	57,777	39,920
		<u>212,362</u>	<u>179,225</u>
<b>Current liabilities</b>			
Trade and other payables	22	31,515	42,025
Contract liabilities	20	11,608	8,784
Lease liabilities	23	2,263	953
Taxation payables		1,739	8,915
		<u>47,125</u>	<u>60,677</u>
<b>Net current assets</b>		<u>165,237</u>	<u>118,548</u>
<b>Total assets less current liabilities</b>		<u>173,826</u>	<u>124,778</u>
<b>Non-current liabilities</b>			
Lease liabilities	23	1,930	699
Deferred tax liabilities	24	698	578
		<u>2,628</u>	<u>1,277</u>
<b>Net assets</b>		<u>171,198</u>	<u>123,501</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Capital and reserves</b>			
Share capital	25	10,000	— <sup>#</sup>
Reserves		<u>161,198</u>	<u>123,501</u>
<b>Total equity</b>		<u><b>171,198</b></u>	<u><b>123,501</b></u>

<sup>#</sup> Less than HK\$1,000

The consolidated financial statements on pages 69 to 127 were approved and authorised for issue by the Board of Directors on 29 June 2021 and are signed on its behalf by:

**Lam Ka Wing**  
*DIRECTOR*

**Wong Pui Yee Edith**  
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note i)	Other reserve HK\$'000	Capital contribution HK\$'000	Retained profits HK\$'000		
At 1 April 2019	—	—	24	49	36,724	67,324	104,121	
Profit and other comprehensive income for the year	—	—	—	—	—	19,380	19,380	
At 31 March 2020	—	—	24	49	36,724	86,704	123,501	
Profit and other comprehensive income for the year	—	—	—	—	—	12,442	12,442	
2020 final dividend paid (Note 15)	—	—	—	—	—	(5,800)	(5,800)	
Issue of shares upon share offer (Note ii)	2,500	57,500	—	—	—	—	60,000	
Share issuance costs (Note ii)	—	(18,945)	—	—	—	—	(18,945)	
Capitalisation issue (Note iii)	7,500	(7,500)	—	—	—	—	—	
At 31 March 2021	<u>10,000</u>	<u>31,055</u>	<u>24</u>	<u>49</u>	<u>36,724</u>	<u>93,346</u>	<u>171,198</u>	

Notes:

- (i) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of the accounting period of not less than 25% to legal reserve, until the amount reaches an amount equal to half of the respective share capital.
- (ii) On 23 April 2020, the Company issued a total of 250,000,000 new shares of par value of HK\$0.01 each at offer price of HK\$0.24 per share, by way of the public offer and placing. Of the gross total proceeds of HK\$60,000,000, HK\$2,500,000 representing the par value was credited to the Company's share capital, and HK\$57,500,000 before reduction of issue costs of HK\$18,945,000, was credited to the share premium account.
- (iii) The Company capitalised an amount of HK\$7,499,999.99 standing to the credit of the share premium account of the Company towards paying in full at par a total of 749,999,999 shares for allotment and issue to the shareholders of the Company on 23 April 2020 (the "Capitalisation Issue"). Such shares rank pari passu in all respects with the then existing issued shares of the Company.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
Operating activities		
Profit before taxation	16,689	25,515
Adjustments for:		
Loss on disposal of property and equipment	229	1
Gain arising from early termination of a lease contract	(8)	—
Depreciation	3,563	3,839
Bank interest income	(31)	(55)
Impairment losses under expected credit loss model, net of reversal	158	1,283
Finance costs	116	57
Operating cash flows before movements in working capital	20,716	30,640
Decrease in trade and other receivables	(2,377)	(7,139)
Increase in contract assets	(14,313)	(33,660)
(Increase) decrease in inventories	(2,975)	5,964
(Decrease) increase in trade and other payables	(8,563)	25,072
Increase (decrease) in contract liabilities	2,824	(1,979)
Cash (used in) generated from operations	(4,688)	18,898
Hong Kong Profits Tax paid	(12,367)	(5,694)
Macau Complementary Tax paid	—	(37)
Net cash (used in) generated from operating activities	(17,055)	13,167
Investing activities		
Purchase of property and equipment	(2,313)	(342)
Payments for rental deposits	(102)	(26)
Placement of a pledged bank deposit	(12)	(6)
Proceeds from disposal of property and equipment	905	199
Proceeds of rental deposits refunded	90	30
Interest received	31	55
Net cash used in investing activities	(1,401)	(90)



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
Financing activities		
Proceeds from issue of shares	60,000	—
Issue costs paid	(15,735)	(2,300)
Dividend paid	(5,800)	—
Payments of lease liabilities	(2,036)	(2,071)
Interest paid	(116)	(57)
Net cash generated from (used in) financing activities	36,313	(4,428)
Net increase in cash and cash equivalents	17,857	8,649
Cash and cash equivalents at beginning of the year	39,920	31,271
Cash and cash equivalents at end of the year, represented by bank balances and cash	57,777	39,920

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1. GENERAL

Sunray Engineering Group Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands. The Company’s immediate and ultimate holding company is Ultra Success Industries Limited have been a limited liability company incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling shareholder of the Group is Mr. Lam Ka Wing (“**Mr. Lam**”). The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 23 April 2020. The address of the Company’s registered office and the principal place of business of the Company are disclosed in the “Corporate Information” section in the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 34.

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company.

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

### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Company and its subsidiaries (collectively referred to as the “**Group**”) has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *New and amendments to HKFRSs in issue but not yet effective*

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>5</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>6</sup> Effective for annual periods beginning on or after a date to be determined

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *New and amendments to HKFRSs in issue but not yet effective (Continued)*

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

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

#### *Amendments to HKAS 8 “Definition of Accounting Estimates”*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Basis of preparation of consolidated financial statements*

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

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

### *Significant accounting policies*

#### *Basis of consolidation*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Basis of consolidation (Continued)*

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

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

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

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

#### *Revenue from contracts with customers*

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

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

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

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

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

If control of the asset 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 asset.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from two major sources, namely (i) provision of building protection works; and (ii) supply of building protection products.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

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

Specifically, revenue is recognised in profit or loss as follows:

#### *Provision of building protection works*

The Group provides the provision of building protection works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform services at the customers' specified sites that the Group creates or enhances an asset that the customers controls as the Group performs. Revenue from provision of building protection works is therefore recognised over time using input method, i.e. based on the proportion that costs incurred for work performed by the Group to date relative to the estimated total costs in measuring the percentage of completion for the revenue recognised during each of the reporting period. The Group would consider if there is any adjustment required to the input method for uninstalled materials, to ensure that the input method meets the objective of measuring progress towards complete satisfaction of a performance obligation. The management of the Group considers that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligation under HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15").

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

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

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

For warranty embedded to 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 contracting work complies with the agreed-upon specifications.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

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

##### *Supply of building protection products*

Revenue from the supply of building protection products are recognised at a point in time when the control of goods has transferred, being when the goods have been delivered to the customers' specified location. The goods delivered can only be returned to the Group in case of serious quality defects. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the Group's right to consideration becomes unconditional, as only the passage of time is required before payment of that consideration is due.

##### Contract assets or 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. It is assessed for impairment in accordance with HKFRS 9 "Financial Instruments" ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer 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.

Contract asset is recognised when (i) the Group completes the provision of building protection works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer when the Group's right to consideration becomes unconditional other than passage of time. For the provision of building protection works, if the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method, the Group recognises a contract liability for the difference. For the supply of building protection products, the Group recognises a contract liability if an advance payment is received from the customer and the contract liability is recognised as revenue when the Group performs its obligations under the contract.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Leases*

##### *Definition of a lease*

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

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

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

##### Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

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

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

#### *Significant accounting policies (Continued)*

##### *Leases (Continued)*

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

##### Refundable rental deposits

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

##### Lease liabilities

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

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Property and equipment*

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

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

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

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

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

#### *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Financial instruments (Continued)*

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

#### *Financial assets*

##### Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

##### Amortised cost and effective interest method

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### *Impairment of financial assets and contract assets*

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

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

The Group always recognises lifetime ECL for trade receivables and contract assets. Except for a credit-impaired debtor which was assessed individually, the ECL on these assets are assessed collectively for debtors based on the Group’s internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### *Impairment of financial assets and contract assets (Continued)*

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### *Impairment of financial assets and contract assets (Continued)*

##### (ii) Definition of default

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

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

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

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

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

##### (iv) Write-off policy

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

#### *Impairment of financial assets and contract assets (Continued)*

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

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated 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, discounted at the effective interest rate determined at initial recognition.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status; and
- nature and size of debtors.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Financial instruments (Continued)*

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

##### Derecognition of financial assets

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

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

##### *Financial liabilities and equity*

##### Classification as debt or equity

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

##### Equity instruments

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

##### Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Borrowing costs*

All borrowing costs not directly attributable to the construction, acquisition or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

#### *Provisions*

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

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

Provisions for the expected cost of assurance-type warranty obligations under the provision of building protection works contracts with customers that with agreed-upon specification are recognised at the date of services performed, based on the best estimate made by the management of the Group of the expenditure required to settle the Group's obligation.

#### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in term of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for each of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Government subsidies*

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

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

#### *Retirement benefits costs*

Payments to the Mandatory Provident Fund Scheme in Hong Kong and the Social Security Fund Contribution in Macau as defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

#### *Short-term employee benefits*

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

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

#### *Taxation*

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Significant accounting policies (Continued)*

#### *Taxation (Continued)*

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

### *Recognition of revenue from provision of building protection works*

The Group reviews and revises the estimated total costs to complete the satisfaction of these services as the contract progresses. Budgeted contract costs and profit margin are prepared by the management of the Group on the basis of quotations from time to time provided by the subcontractors or suppliers of contract materials involved. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews and revisions of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such estimate may have impact on the revenue and profit recognised in each period.

Recognised amounts of contract revenue from provision of building protection works reflect the management of the Group best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. The actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

During the year ended 31 March 2021, the Group recognised revenue from provision of building protection works of HK\$110,176,000 (2020: HK\$120,602,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

### *Estimated impairment of trade receivables and contract assets*

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets using a collective assessment based on appropriate groupings on shared credit risk characteristics of customers, except for balances with a credit-impaired debtor which was assessed for ECL individually, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective debtors. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. The amount of the impairment loss based on ECL model is 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, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2021, the carrying amount of trade receivables and contract assets are HK\$25,349,000 (2020: HK\$23,317,000) and HK\$116,640,000 (2020: HK\$102,488,000) (net of allowance of HK\$117,000 (2020: HK\$207,000) and HK\$444,000 (2020: HK\$1,838,000)), respectively.

## 5. REVENUE

Revenue represents the fair value of amounts received and receivable from provision of building protection works and supply of building protection products.

An analysis of the Group's revenue is as follows:

	2021 HK\$'000	2020 HK\$'000
Contract revenue from provision of building protection works, recognised over time:		
Residential buildings	28,981	55,819
Community facilities (Note)	51,172	22,558
Commercial buildings	30,023	42,225
	<u>110,176</u>	<u>120,602</u>
Contract revenue from supply of building protection products, recognised at a point in time	68,767	78,676
	<u>178,943</u>	<u>199,278</u>

Note: Community facilities include hospitals, police offices, museums, sports centres and other community facilities.

All the Group's provision of building protection works are made directly with customers which are mainly construction companies and contractors in Hong Kong. The period of building protection works normally varies from 1 to 4 years. The customers for supply of building protection products are mainly located in Hong Kong and Macau.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. REVENUE (CONTINUED)

### *Transaction price allocated to the remaining performance obligations*

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

	2021 HK\$'000	2020 HK\$'000
Provision of building protection works for:		
Residential buildings	68,394	87,490
Community facilities	78,564	68,994
Commercial buildings	103,762	62,597
	<u>250,720</u>	<u>219,081</u>

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of building protection works as of 31 March 2021 will be recognised as revenue during the years ending 31 March 2022 to 2025 (2020: the years ended/ending 31 March 2021 to 2024).

As a practical expedient, the Group does not disclose the information about its remaining obligations in respect of supply of building protection products as the contracts have an original expected duration of one year or less.

## 6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being Mr. Lam, in order for CODM to allocate resources and assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group's reporting and operating segments under HKFRS 8 "Operating Segments" are as follows:

- Provision of building protection works; and
- Supply of building protection products.

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. SEGMENT INFORMATION (CONTINUED)

### *Segment revenue and results*

The following is an analysis of the Group's revenue and results by operating segments:

**For the year ended 31 March 2021**

	Provision of building protection works HK\$'000	Supply of building protection products HK\$'000	Total HK\$'000
Segment revenue - external	110,176	68,767	178,943
Segment results	29,393	29,512	58,905
Other income			1,903
Other gains and losses			259
Impairment losses under ECL model, net of reversal			(158)
Selling and distribution costs			(6,600)
Administrative expenses			(36,578)
Finance costs			(116)
Listing expenses			(926)
Profit before taxation			16,689



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. SEGMENT INFORMATION (CONTINUED)

### *Segment revenue and results (Continued)*

For the year ended 31 March 2020

	Provision of building protection works HK\$'000	Supply of building protection products HK\$'000	Total HK\$'000
Segment revenue - external	<u>120,602</u>	<u>78,676</u>	<u>199,278</u>
Segment results	<u>42,633</u>	<u>35,430</u>	78,063
Other income			200
Other gains and losses			(452)
Impairment losses under ECL model, net of reversal			(1,283)
Selling and distribution costs			(5,875)
Administrative expenses			(31,084)
Finance costs			(57)
Listing expenses			<u>(13,997)</u>
Profit before taxation			<u>25,515</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before tax earned by each segment without allocation of other income, other gains and losses, impairment losses under ECL model, net of reversal, selling and distribution costs, administrative expenses, finance costs and listing expenses. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. SEGMENT INFORMATION (CONTINUED)

### *Geographical information*

The Group's operations are located in Hong Kong and Macau. Analysis of the Group's revenue by geographical location is detailed below:

	2021 HK\$'000	2020 HK\$'000
Hong Kong	164,202	173,757
Macau	14,741	25,521
	<u>178,943</u>	<u>199,278</u>

The Group's non-current assets, excluding financial assets, are substantially situated in Hong Kong.

### *Information about major customers*

Revenue from customers individually contributing over 10% of total revenue of the Group during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Provision of building protection works and supply of building protection products:		
Customer A	44,780	N/A*
Customer B	<u>N/A*</u>	<u>42,267</u>

\* Revenue from this customer was less than 10% of the total revenue for the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Bank interest income	31	55
Government subsidies (Note)	1,833	—
Sundry income	39	145
	<u>1,903</u>	<u>200</u>

Note: The government subsidies recognised during the year ended 31 March 2021 are mainly related to the Employment Support Scheme in respect of COVID-19-related subsidies from Hong Kong Government.

## 8. OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
Net exchange gain (loss)	480	(451)
Loss on disposal of property and equipment	(229)	(1)
Gain arising from early termination of a lease contract	8	—
	<u>259</u>	<u>(452)</u>

## 9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 HK\$'000	2020 HK\$'000
Net impairment losses (reversed) recognised on:		
– trade receivables	(3)	(5)
– contract assets	161	1,288
	<u>158</u>	<u>1,283</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 10. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest expenses on lease liabilities	<u>116</u>	<u>57</u>

## 11. PROFIT BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (Note 12)	9,239	5,996
Other staff costs	28,153	22,241
Retirement benefit schemes contributions for other staff	<u>896</u>	<u>604</u>
Total staff costs	<u>38,288</u>	<u>28,841</u>
Auditor's remuneration	1,280	1,280
Variable lease payments in respect of land and buildings which are not included in the measurement of lease liabilities (Note)	2,242	2,005
Cost of inventories recognised as an expense	77,961	84,353
Depreciation of property and equipment	1,445	1,717
Depreciation of right-of-use assets	<u>2,118</u>	<u>2,122</u>

Note: The variable lease payments for certain warehouses are determined according to predetermined unit cost and the usage of storage units of respective warehouses pursuant to terms and conditions that are set out in respective rental agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

### *Directors' emoluments and chief executive officer's emoluments*

Details of the emoluments paid or payable to the directors of the Company and the chief executive officer of the Group during the year are as follows:

	Other emoluments					Total HK\$'000
	Fees HK\$'000	Salaries and other allowances HK\$'000	Accom- modation benefits HK\$'000	Discretionary bonus HK\$'000 (Note)	Retirement benefit schemes contributions HK\$'000	

#### For the year ended 31 March 2021

##### *Executive directors:*

Mr. Lam (Chief executive officer)	—	6,389	553	527	36	7,505
Ms. Wong Pui Yee, Edith ("Mrs. Lam")	—	1,211	—	100	18	1,329

##### *Independent non-executive directors:*

Mr. Ng Kwun Wan	135	—	—	—	—	135
Ms. Cho Mei Ting	135	—	—	—	—	135
Mr. Ho Ka Kit	135	—	—	—	—	135
<b>Total</b>	<b>405</b>	<b>7,600</b>	<b>553</b>	<b>627</b>	<b>54</b>	<b>9,239</b>

#### For the year ended 31 March 2020

##### *Executive directors:*

Mr. Lam (Chief executive officer)	—	2,917	540	1,173	18	4,648
Mrs. Lam	—	1,235	—	95	18	1,348

##### *Independent non-executive directors:*

Mr. Ng Kwun Wan	—	—	—	—	—	—
Ms. Cho Mei Ting	—	—	—	—	—	—
Mr. Ho Ka Kit	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>4,152</b>	<b>540</b>	<b>1,268</b>	<b>36</b>	<b>5,996</b>

Note: The discretionary bonus is determined based on the performance of the individuals within the Group and market conditions during the year.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the independent non-executive directors shown above were for their services as the directors of the Company.

All independent non-executive directors were appointed on 18 March 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### *Employees' emoluments*

The five highest paid individuals of the Group for the year ended 31 March 2021 include two (2020: two) directors. Details of whose emoluments are set out above. Details of the remaining three (2020: three) highest paid individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other allowances	4,517	4,980
Discretionary bonus	1,920	2,744
Retirement benefit schemes contributions	54	54
	<u>6,491</u>	<u>7,778</u>

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

Their emoluments were within the following bands:

	Number of individuals	
	2021	2020
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$4,000,001 to HK\$4,500,000	1	—
HK\$5,500,001 to HK\$6,000,000	—	1
	<u>3</u>	<u>3</u>

No emoluments were paid by the Group to any of the directors or chief executive officer of the Company or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the chief executive officer waived agreed to waive any emoluments for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 13. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
Current tax	4,371	6,359
Overprovision in prior years	(244)	—
	<u>4,127</u>	<u>6,359</u>
Deferred tax charge (credit) (Note 24)	<u>120</u>	<u>(224)</u>
	<u><u>4,247</u></u>	<u><u>6,135</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

No provision for Macau Complementary Tax ("CT") is made as the Group has no estimated assessable profits exceeding Macau Pataca ("MOP") 600,000 for both years.

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

	2021 HK\$'000	2020 HK\$'000
Profit before taxation	<u>16,689</u>	<u>25,515</u>
Tax at Hong Kong Profits Tax rate of 16.5%	2,754	4,210
Tax effect of expenses not deductible for tax purpose	2,320	2,588
Tax effect of income not taxable for tax purpose	(364)	(463)
Tax concession	(30)	(60)
Tax effect on two-tiered profits tax rates	(165)	(165)
Tax effect of tax exemption under CT	(70)	(79)
Overprovision in prior years	(244)	—
Others	<u>46</u>	<u>104</u>
Income tax expense	<u><u>4,247</u></u>	<u><u>6,135</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2021 HK\$'000	2020 HK\$'000
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Earnings:

Earnings for the purpose of calculating basic and diluted earnings per share  
(profit for the year attributable to owners of the Company)

12,442	19,380
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	'000	'000
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Number of shares (Note):

Weighted average number of ordinary shares for the purpose of  
calculating basic earnings per share

984,932	750,000
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Effect of dilutive potential ordinary shares:

Offer size adjustment options

—	N/A
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Weighted average number of ordinary shares for the purpose  
of calculating diluted earnings per share

984,932	N/A
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Note: The weighted average number of ordinary shares of the Company for the purpose of calculating basic earnings per share for the year ended 31 March 2020 had been determined on the assumption that the capitalisation issue as described in note 25 has been effective on 1 April 2019.

No diluted earnings per share was presented for the year ended 31 March 2020 as the Group had no potential ordinary shares in issue during the year ended 31 March 2020.

## 15. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
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Dividends recognised on distributions during the year:

2020 final dividend of 0.58 HK cents per share

5,800	—
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No dividend was proposed by the directors of the Company in respect of year ended 31 March 2021 or subsequent to 31 March 2021.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 16. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and office equipment HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 April 2019	375	809	2,376	11,626	15,186
Additions	—	61	11	270	342
Transfer from right-of-use assets	—	—	—	764	764
Disposal	—	—	—	(600)	(600)
At 31 March 2020	375	870	2,387	12,060	15,692
Additions	69	78	223	1,943	2,313
Disposals	—	—	—	(3,608)	(3,608)
At 31 March 2021	444	948	2,610	10,395	14,397
<b>DEPRECIATION</b>					
At 1 April 2019	301	697	1,817	6,434	9,249
Provided for the year	38	80	149	1,450	1,717
Transfer from right-of-use assets	—	—	—	764	764
Eliminated on disposal	—	—	—	(400)	(400)
At 31 March 2020	339	777	1,966	8,248	11,330
Provided for the year	47	39	169	1,190	1,445
Eliminated on disposal	—	—	—	(2,474)	(2,474)
At 31 March 2021	386	816	2,135	6,964	10,301
<b>CARRYING VALUES</b>					
At 31 March 2021	58	132	475	3,431	4,096
At 31 March 2020	36	93	421	3,812	4,362

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives using the straight line method as follows:

Leasehold improvements	Over the shorter of 5 years or the terms of the leases
Furniture and office equipment	3 - 5 years
Machinery and equipment	5 years
Motor vehicles	5 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 17. RIGHT-OF-USE ASSETS

For both years, the lease terms of the Group's offices, printing machines and motor vehicles range from 2 - 5 years. Their lease terms are as follows:

Buildings	2 years
Printing machines	5 years
Motor vehicles	5 years

Except for certain motor vehicles, the Group does not have the option to purchase the right-of-use assets for a nominal amount at the end of the lease terms.

	Buildings HK\$'000	Printing machines HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>				
At 1 April 2019	3,885	553	764	5,202
Additions	1,316	—	—	1,316
Expiration of lease contracts	(1,293)	—	(764)	(2,057)
At 31 March 2020	3,908	553	—	4,461
Additions	3,703	—	1,576	5,279
Expiration of lease contracts	(2,592)	—	—	(2,592)
Early termination of a lease contract	(1,041)	—	—	(1,041)
At 31 March 2021	3,978	553	1,576	6,107
<b>DEPRECIATION</b>				
At 1 April 2019	1,916	166	702	2,784
Charge for the year	1,950	110	62	2,122
Expiration of lease contracts	(1,293)	—	(764)	(2,057)
At 31 March 2020	2,573	276	—	2,849
Charge for the year	1,901	111	106	2,118
Expiration of lease contracts	(2,592)	—	—	(2,592)
Early termination of a lease contract	(347)	—	—	(347)
At 31 March 2021	1,535	387	106	2,028
<b>CARRYING VALUES</b>				
At 31 March 2021	2,443	166	1,470	4,079
At 31 March 2020	1,335	277	—	1,612

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 18. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Materials of building protection works or products	<u>9,457</u>	<u>6,482</u>

## 19. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	25,466	23,524
Less: Allowance for impairment	<u>(117)</u>	<u>(207)</u>
	25,349	23,317
Deferred issue costs	—	5,157
Other receivables	404	413
Prepayment and deposits	1,267	868
Prepaid listing expenses	<u>—</u>	<u>30</u>
	27,020	29,785
Less: Rental and other deposits classified as non-current portion	<u>(414)</u>	<u>(256)</u>
Current portion	<u>26,606</u>	<u>29,529</u>

As at 1 April 2019, the carrying amount of trade receivables is HK\$14,929,000, net of allowance for impairment of HK\$212,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables represent the amounts receivable, after deduction of retention receivables. For provision of building protection works, the trade receivables usually fall due within 14 to 30 days after the work is certified. For supply of building protection products, the Group normally allows a credit period ranging from 15 to 30 days to its customers.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the approval dates of work certified or dates of invoices at the end of the reporting period.

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	15,240	7,222
31 to 90 days	6,736	12,824
91 to 180 days	560	454
181 to 365 days	681	189
Over 365 days	2,132	2,628
	<u>25,349</u>	<u>23,317</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the trade receivables is reviewed by the management of the Group regularly.

In addition, the management of the Group is of the opinion that no event of default occurred for trade receivables past due over 90 days as the balances are still considered fully recoverable based on the management's historical experience on the settlement pattern from these customers.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 20. CONTRACT ASSETS/LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Analysed on a gross basis of:		
Contract assets - provision of building protection works	117,084	104,326
Less: Allowance for impairment	(444)	(1,838)
	<u>116,640</u>	<u>102,488</u>
Contract liabilities		
– provision of building protection works	(10,151)	(7,849)
– supply of building protection products	(1,457)	(935)
	<u>(11,608)</u>	<u>(8,784)</u>

As at 1 April 2019, the carrying amount of contract assets is HK\$70,116,000, net of allowance for impairment of HK\$550,000.

As at 31 March 2021, included in carrying amounts of contract assets are retention receivables of HK\$19,788,000 (2020: HK\$17,168,000), net of loss allowance of HK\$89,000 (2020: HK\$974,000).

Retention receivables represent the money retained by the Group's customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to the Group as retention money (accumulated up to maximum 5% of contract sum), 50% of which is normally recoverable upon completion of respective project and the remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 year to 2 years from the date of completion of respective projects. The amount is unsecured and interest-free.

The retention receivables, net of loss allowance, included in contract assets are to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	1,915	2,125
After one year	17,873	15,043
	<u>19,788</u>	<u>17,168</u>

As at 1 April 2019, the carrying amount of contract liabilities was HK\$10,763,000.

At the end of the reporting period, contract liabilities represent advanced payments from customers for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts which are expected to be satisfied within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 20. CONTRACT ASSETS/LIABILITIES (CONTINUED)

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

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– provision of building protection works	5,372	7,587
– supply of building protection products	711	1,225
	<u>6,083</u>	<u>8,812</u>

The changes in contract assets and liabilities are due to i) changes in the progress of contracting works when the Group satisfies the performance obligations under the contracts, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9 as disclosed in note 29.

## 21. BANK BALANCES AND CASH/PLEGGED BANK DEPOSIT

Bank balances carry interest at prevailing market rate of 0.01% (2020: 0.01%) per annum.

As at 31 March 2021, the pledged bank deposit of HK\$818,000 (2020: HK\$806,000) with an original maturity over 3 months which carries a fixed interest rate at 0.4% (2020: 1.4%) per annum, has been pledged to secure a performance guarantee of HK\$755,000 (2020: HK\$755,000) given by a bank as disclosed in note 33.

Details of impairment assessment of pledged bank deposit and bank balances for both years are set out in note 29.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 22. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	19,479	20,477
Retention payables	4,339	4,332
Accrued expenses	2,484	2,896
Accrued staff costs	5,213	6,707
Accrued listing expenses and issue costs	—	7,613
	<u>31,515</u>	<u>42,025</u>

The following is an ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	14,194	7,647
31 to 90 days	2,241	9,014
Over 90 days	3,044	3,816
	<u>19,479</u>	<u>20,477</u>

The credit period of trade payables ranges from 30 to 90 days.

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

The retention payables are to be settled, based on the expiry of maintenance period, at the end of each reporting period as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	1,570	1,454
After one year	2,769	2,878
	<u>4,339</u>	<u>4,332</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 23. LEASE LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Lease liabilities payable:		
– Within one year	2,263	953
– Within a period of more than one year but not more than two years	1,063	597
– Within a period of more than two years but not more than five years	867	102
	<u>4,193</u>	<u>1,652</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(2,263)</u>	<u>(953)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>1,930</u>	<u>699</u>

For both years, the Group leases various assets as its offices, printing machines and motor vehicles and these lease liabilities are measured at the present value of the lease payments that are not yet paid. The lease terms range from 2-5 years. These leases have no terms of renewal clauses. Purchase options are included in certain lease agreements entered by the Group in respect of motor vehicles. No arrangements have been entered into for contingent rental payments on these leased assets.

During the both years, no expenses relating to short-term leases were recognised.

The total cash outflows for leases amounted to HK\$4,394,000 (2020: HK\$4,133,000) for the year.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

## 24. DEFERRED TAXATION

The following are the deferred tax liabilities (assets) recognised and movements thereon during the current and prior years, without taking into account the offsetting of balances within the same tax jurisdiction:

	Accelerated tax depreciation HK\$'000	Unrealised profits HK\$'000	Total HK\$'000
At 1 April 2019	806	(4)	802
Credit to profit or loss	<u>(151)</u>	<u>(73)</u>	<u>(224)</u>
At 31 March 2020	655	(77)	578
Charge to profit or loss	<u>59</u>	<u>61</u>	<u>120</u>
At 31 March 2021	<u>714</u>	<u>(16)</u>	<u>698</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 25. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in consolidated financial statements as HK\$'000
Ordinary share of HK\$0.01 each			
Authorised:			
At 1 April 2019	39,000,000	390	N/A
Increase in authorised share capital (Note i)	1,521,000,000	15,210	N/A
At 31 March 2020 and 2021	<u>1,560,000,000</u>	<u>15,600</u>	<u>N/A</u>
Issued and paid:			
At 1 April 2019 and 31 March 2020	1	—*	—*
Capitalisation issue (Note ii)	749,999,999	7,500	7,500
Issue of shares upon share offer (Note iii)	250,000,000	2,500	2,500
At 31 March 2021	<u>1,000,000,000</u>	<u>10,000</u>	<u>10,000</u>

\* Less than HK\$1,000

Notes:

- (i) On 18 March 2020, the authorised share capital of the Company was increased from HK\$390,000 divided into 39,000,000 shares to HK\$15,600,000 divided into 1,560,000,000 shares by the creation of 1,521,000,000 additional shares.
- (ii) The Company capitalised an amount of HK\$7,499,999.99 standing to the credit of the share premium account of the Company towards paying in full at par a total of 749,999,999 shares for allotment and issue to the shareholders of the Company on 23 April 2020 (the "Capitalisation Issue"). Such shares rank pari passu in all respects with then existing issued shares of the Company.
- (iii) On 23 April 2020, the Company issued a total of 250,000,000 new shares of par value of HK\$0.01 each at offer price of HK\$0.24 per share, by way of the public offer and placing. Of the gross total proceeds of HK\$60,000,000, HK\$2,500,000 representing the par value was credited to the Company's share capital, and HK\$57,500,000 before reduction of issue costs of HK\$18,945,000, was credited to the share premium account.

## 26. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 18 March 2020. No share options were granted under the Share Option Scheme since its adoption.

The major terms of the Share Option Scheme are summarised as follows:

### *(a) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive or a reward to participants for their contribution to the Group.

### *(b) Eligibility*

Eligible participants include employees (any director, employee or officer) and consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company or any of the subsidiaries.

### *(c) Maximum number of shares*

- (i) Maximum number of shares must not, in aggregate, exceed 30% of the total number of shares in issue from time to time.
- (ii) Total number of shares in respect of which options may be granted shall not exceed 100,000,000 shares, being 10% of the total number of shares in issue as at the listing date, 23 April 2020, unless approved by the shareholders of the Company.

### *(d) Period of the Share Option Scheme*

Subject to any prior termination by the Company, the Share Option Scheme shall be valid and effective for 10 years from the date of adoption.

### *(e) Maximum entitlement of each participant*

Not to exceed 1% of the shares in issue in any 12-month period unless approved by the shareholders.

### *(f) Payment on acceptance of the share option*

HK\$1 is payable by the grantee to the Company on acceptance of the share option offer. The share option will be offered for acceptance for a period not less than 5 business days from the date on which the offer is granted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 26. SHARE OPTION SCHEME (CONTINUED)

### *(g) Subscription price for shares*

Any particular option granted under the Share Option Scheme shall be a price determined by the board of directors at least the higher of:

- (i) the closing price of the shares on the date of grant;
- (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant; and
- (iii) the nominal value of a share on the date of grant.

### *(h) The remaining life of the Share Option Scheme*

Approximately 9 years (expiring on 22 April 2030).

## 27. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of independent trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK\$1,500 per month for each employee to the scheme.

Eligible employees employed by the Macau subsidiaries of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The total cost charged to profit or loss of HK\$950,000 (2020: HK\$640,000) represents contributions paid or payable to the above schemes by the Group.

## 28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes lease liabilities disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of new debts or the repayment of the existing debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. FINANCIAL INSTRUMENTS

### *Categories of financial instruments*

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	<u>85,002</u>	<u>65,062</u>
<b>Financial liabilities</b>		
Amortised cost	<u>23,818</u>	<u>32,422</u>

### *Financial risk management objectives and policies*

The Group's major financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Market risk*

##### *Currency risk*

Foreign currency risk refers to the risk that movement in foreign currency exchange rates will affect the Group's financial results and its cash flows. Several group entities have foreign currency sales and purchases, but the management considers the amount of foreign currency sales and purchases to be insignificant. The management considers that the Group is not exposed to significant foreign currency risk in relation to transactions denominated in MOP and US\$ as MOP is pegged to HK\$ and HK\$ is pegged to US\$ under the pegged exchange system in Hong Kong.

The Group is mainly exposed to fluctuation in exchange rate of RMB against HK\$. The following table details the Group's sensitivity to a 10% increase and decrease in respective functional currency (i.e. HK\$) against the relevant foreign currency (i.e. RMB). 10% is the sensitivity rate used which represents the Group's management's assessment of the reasonably possible change in a foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in a foreign currency rate. A positive number below indicates an increase in post-tax profit where HK\$ strengthens 10% against RMB. For a 10% weakening of HK\$ against RMB, there would be an equal and opposite impact on the post-tax profit and the amount below would be negative.

	2021 HK\$'000	2020 HK\$'000
RMB against HK\$	<u>540</u>	<u>502</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### *Financial risk management objectives and policies (Continued)*

#### *Market risk (Continued)*

##### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to pledged bank deposit and lease liabilities. The management of the Group continuously monitors interest rate exposure.

The Group's cash flow interest rate risk mainly concentrates on the fluctuation of prevailing market interest rates arising from its bank balances. The Group currently does not have any interest rate hedging policy. However, the management monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

The management of the Group considers the Group's exposure of pledged bank deposit and bank balances to interest rate is not significant and the interest bearing pledged bank deposit is within short maturity period. Therefore, no sensitivity analysis for interest rate risk was presented.

#### *Credit risk and impairment assessment*

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position at the end of the reporting period.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amounts of trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### *Financial risk management objectives and policies (Continued)*

#### *Credit risk and impairment assessment (Continued)*

##### *Trade receivables and contract assets*

In order to minimise credit risk, the Group makes periodic collective assessment on the recoverability of trade receivables and contract assets and develops and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management of the Group uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors.

Internal credit rating	Description	Basis for recognising ECL
Strong	The counterparty, as a listed company with strong financial background based on the published financial information publicly available in the market, creditability and good repayment record, has very low probability of default.	Lifetime ECL - not credit-impaired
Good	The counterparty, having no balances past due over 90 days and with good repayment record, has low risk of default.	Lifetime ECL - not credit-impaired
Satisfactory	The counterparty, occasionally having certain balances past due over 90 days and with good repayment record, has moderate default risk.	Lifetime ECL - not credit-impaired
Watch list	The counterparty, usually having balances past due over 90 days, frequently repays after due dates. Requires varying degrees of attention and default risk is of greater concern.	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

As at 31 March 2021, the Group has concentration of credit risk on trade receivables amounted to HK\$3,004,000 (2020: HK\$6,251,000) which was due from a single customer, representing approximately 11.9% (2020: 26.8%) of the total trade receivables. As at 31 March 2021, trade receivables from the five customers with the most significant balances amounted to HK\$11,212,000 (2020: HK\$17,037,000), representing approximately 44.2% (2020: 73.1%) of the total trade receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### *Financial risk management objectives and policies (Continued)*

#### *Credit risk and impairment assessment (Continued)*

#### *Trade receivables and contract assets (Continued)*

In addition, as at 31 March 2021, the Group has concentration of credit risk on contract assets amounted to HK\$32,687,000 (2020: HK\$34,902,000) which was due from a single customer, representing approximately 28.0% (2020: 34.1%) of the contract assets. As at 31 March 2021, contract assets from the five customers with the most significant balances amounted to HK\$83,598,000 (2020: HK\$74,357,000), representing approximately 71.7% (2020: 72.6%) of the contract assets.

In determining the ECL for trade receivables and contract assets, the management of the Group has taken into account the historical default experience and the future prospect of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, as well as any cash flows that are expected from the realisation of the collateral, in estimating the probability of default of each of the trade receivables and contract assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed collectively based on internal credit ratings within lifetime ECL (not credit-impaired). A credit-impaired debtor with total gross carrying amount of HK\$1,642,000 (2020: HK\$1,642,000) was assessed individually.

Internal credit rating	Gross carrying amount			Impairment losses		
	Average	Trade	Contracts	Total	Trade	Contract
	loss rate	receivables	assets		receivables	assets
%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Total

#### **As at 31 March 2021**

Strong	0.06	11,330	94,547	105,877	7	60	67
Good	0.07	10,633	7,651	18,284	8	5	13
Satisfactory	2.43	3,195	14,575	17,770	78	355	433
Watch list	7.82	308	311	619	24	24	48
		<u>25,466</u>	<u>117,084</u>	<u>142,550</u>	<u>117</u>	<u>444</u>	<u>561</u>

Internal credit rating	Gross carrying amount			Impairment losses		
	Average	Trade	Contract	Total	Trade	Contract
	loss rate	receivables	assets		receivables	assets
%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Total

#### **As at 31 March 2020**

Strong	0.09	10,354	76,312	86,666	9	71	80
Good	0.38	10,926	19,283	30,209	40	75	115
Satisfactory	1.60	1,709	6,908	8,617	28	110	138
Watch list	9.78	448	268	716	43	27	70
		<u>23,437</u>	<u>102,771</u>	<u>126,208</u>	<u>120</u>	<u>283</u>	<u>403</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### *Financial risk management objectives and policies (Continued)*

#### *Credit risk and impairment assessment (Continued)*

#### *Trade receivables and contract assets (Continued)*

A trade receivable or contract asset is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

There has been no change in the estimation techniques or significant assumptions made for both years in assessing the loss allowance for the trade receivables and contract assets.

The management of the Group assessed the expected loss on trade receivables and contract assets collectively based on appropriate groupings on shared credit risk characteristics of customers, except for balances with a credit-impaired debtor which was assessed for ECL individually. As at 31 March 2021, the loss allowance for not credit-impaired trade receivables and contract assets were HK\$117,000 (2020: HK\$120,000) and HK\$444,000 (2020: HK\$283,000), respectively.

The movement of the impairment losses in respect of trade receivables and contract assets during the year is as follows:

	Lifetime ECL-not credit-impaired			Lifetime ECL-credit-impaired			Total HK\$'000
	Trade receivables	Contract assets	Subtotal	Trade receivables	Contract assets	Subtotal	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2019	212	550	762	—	—	—	762
Transfer to credit-impaired	(5)	(87)	(92)	5	87	92	—
Impairment losses, net of reversal	(87)	(180)	(267)	82	1,468	1,550	1,283
At 31 March 2020	<b>120</b>	<b>283</b>	<b>403</b>	<b>87</b>	<b>1,555</b>	<b>1,642</b>	<b>2,045</b>
Impairment losses written off	—	—	—	(87)	(1,555)	(1,642)	(1,642)
Impairment losses, net of reversal	(3)	161	158	—	—	—	158
At 31 March 2021	<b>117</b>	<b>444</b>	<b>561</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>561</b>

Changes in the loss allowance for the trade receivables and contract assets during the year ended 31 March 2020 were mainly due to the increase in ECL arising from a gross carrying amount of HK\$1,642,000 from one debtor which showed significant financial difficulty and became probable that the debtor would undergo financial restructuring. Therefore, the management of the Group considered this debtor was credit-impaired. During the year ended 31 March 2021, a gross carrying amount of HK\$1,642,000 of loss allowance for the trade receivables and contract assets in respect of the credit-impaired debtor is written off as the management of the Group considered there is no realistic prospect of recovery.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### *Financial risk management objectives and policies (Continued)*

#### *Credit risk and impairment assessment (Continued)*

##### *Other financial assets subject to ECL*

For the other receivables including rental deposits with an aggregate gross carrying amount of HK\$1,058,000 (2020: HK\$1,019,000), allowance for impairment was insignificant and thus negligible to be made since the management of the Group considers the probability of default is minimal after assessing the counterparties' financial background and creditability.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Allowance for impairment for pledged bank deposit and bank balances was insignificant and thus negligible to be made as the management of the Group considers the probability of default is negligible.

Other than the concentration risk on liquid funds which are deposited with several banks with high credit ratings, trade receivables and contract assets, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

#### *Liquidity risk*

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

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

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

#### **Liquidity and interest risk tables**

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 - 3 months HK\$'000	3 months to 1 year HK\$'000	1 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<u>At 31 March 2021</u>							
Non-derivative financial liabilities							
Trade and other payables	N/A	14,263	2,406	4,380	2,769	23,818	23,818
Lease liabilities	3.25	212	424	1,726	2,005	4,367	4,193
<u>At 31 March 2020</u>							
Non-derivative financial liabilities							
Trade and other payables	N/A	15,350	9,201	4,993	2,878	32,422	32,422
Lease liabilities	3.40	133	265	590	708	1,696	1,652

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### *Fair value measurement of financial instruments*

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

## 30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable HK\$'000	Lease liabilities HK\$'000	Accrued issue costs HK\$'000	Total HK\$'000
At 1 April 2019	—	2,407	454	2,861
Financing cash flows	—	(2,128)	(2,300)	(4,428)
Interest expense	—	57	—	57
Recognition of lease liabilities	—	1,316	—	1,316
Issue costs accrued	—	—	3,793	3,793
At 31 March 2020	—	1,652	1,947	3,599
Financing cash flows	(5,800)	(2,152)	(15,735)	(23,687)
Interest expense	—	116	—	116
Dividend declared	5,800	—	—	5,800
Recognition of lease liabilities	—	5,279	—	5,279
Early termination of a lease contract	—	(702)	—	(702)
Issue costs accrued	—	—	13,788	13,788
At 31 March 2021	—	4,193	—	4,193

## 31. MAJOR NON-CASH TRANSACTIONS

Right-of-use assets of HK\$5,279,000 (2020: HK\$1,316,000) with the corresponding amount of lease liabilities of HK\$5,279,000 (2020: HK\$1,316,000) were recognised for the year ended 31 March 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions:

(a)

Name of related party	Nature of transaction	2021 HK\$'000	2020 HK\$'000
Red Fame Limited (Note i)	Interest expenses on lease liabilities (Note ii)	<u>22</u>	<u>10</u>

Notes:

- (i) The related company is controlled by the directors of the Company, Mr. Lam and Mrs. Lam.
  - (ii) A new lease contract with the related company was entered into and also early terminated during the year ended 31 March 2021 as disclosed in note 17.
- (b) A personal guarantee was given by Mr. Lam in respect of a banking facility granted to the Group amounted to HK\$4,000,000 as at 31 March 2020 of which HK\$755,000 (representing a performance bond as set out in note 33) was utilised as at 31 March 2020. The personal guarantee was fully released on 22 April 2020.

The remuneration of key management personnel who are the directors of the Company during both years were disclosed in note 12.

## 33. PERFORMANCE GUARANTEE

As at 31 March 2021, a performance bond of HK\$755,000 (2020: HK\$755,000), was given by a bank in favour of a customer of the Group as security for the due performance and observance of the Group's obligations under the contract for building protection works entered into between the Group and this customer. If the Group fails to provide satisfactory performance to this customer to whom the performance guarantee has been given, such customer may demand the bank to pay for the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantee will be released upon completion of the contract works. The performance guarantee was granted under a letter of guarantee of the Group and was secured by a pledged bank deposit of HK\$818,000 (2020: HK\$806,000) (note 21).

The management of the Group does not consider it is probable that a claim will be made against the Group in respect of the above performance guarantee.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 34. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 March 2021 and 31 March 2020 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company		Principal activity
				2021	2020	
<b>Directly held</b>						
Success Worldwide Group Limited	BVI	Hong Kong	US\$1	100%	100%	Investment holding
<b>Indirectly held</b>						
Tech Link Construction Engineering Limited	Hong Kong	Hong Kong	HK\$2	100%	100%	Supply of building protection products
Fair Building Material Company Limited	Macau	Macau	MOP25,000	100%	100%	Supply of building protection products
Karcenar Limited	Hong Kong	Hong Kong	HK\$2	100%	100%	Provision of building protection works
Sunray Engineering (HK) Company Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	Provision of building protection works
Karcenar Sunray Engineering Company Limited	Macau	Macau	MOP25,000	100%	100%	Provision of building protection works
Profit Partner Investments Limited	BVI	Hong Kong	US\$100	100%	100%	Investment holding
DP ChemTech Limited	Hong Kong	Hong Kong	HK\$2	100%	100%	Inactive
Big Group Asia Limited	BVI	Hong Kong	US\$1	100%	100%	Investment holding
Primary Winner Investment Limited	BVI	Hong Kong	US\$1	100%	100%	Investment holding
Ultimate Power Enterprises Limited	BVI	Hong Kong	US\$1	100%	100%	Investment holding

None of the subsidiaries had any debt securities outstanding at the end of the year or at anytime during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 35. EVENT AFTER THE REPORTING PERIOD

On 30 April 2021, Sunray Engineering (HK) Company Limited (“**Sunray HK**”) (an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement in relation to the acquisition of a property between Wellsum Development Co., Ltd (“**Vendor**”), pursuant to which Sunray HK agreed to purchase and the Vendor agreed to sell the property at a consideration of HK\$43,000,000 subject to the terms and conditions set out therein. It is a term in the agreement that Sunray HK agreed to lease back the property to the Vendor for a term of six months commencing on 1 July 2021 and ending on 31 December 2021.

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
<b>Non-current asset</b>		
Investment in a subsidiary	— <sup>#</sup>	— <sup>#</sup>
Amount due from a subsidiary	30,000	—
	<u>30,000</u>	<u>—</u>
<b>Current assets</b>		
Other receivables	525	5,187
Amount due from a subsidiary	7,989	15,303
Bank balances	19,982	—
	<u>28,496</u>	<u>20,490</u>
<b>Current liabilities</b>		
Other payables	449	8,193
Amounts due to subsidiaries	12,289	4,105
	<u>12,738</u>	<u>12,298</u>
<b>Net current assets</b>	<u>15,758</u>	<u>8,192</u>
<b>Net assets</b>	<u>45,758</u>	<u>8,192</u>
<b>Capital and reserves</b>		
Share capital	10,000	— <sup>#</sup>
Reserves	35,758	8,192
<b>Total equity</b>	<u>45,758</u>	<u>8,192</u>

<sup>#</sup> Less than HK\$1,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

### *Movement of the Company's reserves*

	Share premium HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
At 1 April 2019	—	(2,196)	(2,196)
Profit and total comprehensive income for the year	—	10,388	10,388
At 31 March 2020	—	8,192	8,192
Profit and total comprehensive income for the year	—	2,311	2,311
Capitalisation Issue (Note 25)	(7,500)	—	(7,500)
Issue of shares upon share offer (Note 25)	57,500	—	57,500
Share issuance costs (Note 25)	(18,945)	—	(18,945)
Dividend declared (Note 15)	—	(5,800)	(5,800)
At 31 March 2021	<b>31,055</b>	<b>4,703</b>	<b>35,758</b>

# FINANCIAL SUMMARY

The following table summarises the consolidated results of our Group for the four years ended 31 March 2018, 2019, 2020 and 2021:

	For the year ended 31 March			
	2021 HKD'000	2020 HKD'000	2019 HKD'000	2018 HKD'000
<b>CONSOLIDATED RESULTS</b>				
Revenue	178,943	199,278	191,731	153,237
Gross profit	58,905	78,063	79,085	61,350
Profit before taxation	16,689	25,515	36,212	27,171
Income tax expense	(4,247)	(6,135)	(7,202)	(5,256)
Profit and total comprehensive income for the year	<u>12,442</u>	<u>19,380</u>	<u>29,010</u>	<u>21,915</u>
	As at 31 March			
	2021 HKD'000	2020 HKD'000	2019 HKD'000	2018 HKD'000
<b>CONSOLIDATED ASSETS AND LIABILITIES</b>				
Total assets	220,951	185,455	141,840	177,992
Total liabilities	(49,753)	(61,954)	(37,719)	(54,752)
Equity attributable to equity holders of the Company	<u>171,198</u>	<u>123,501</u>	<u>104,121</u>	<u>123,240</u>

Note:

The consolidated results and summary of assets and liabilities for the years ended 31 March 2018 and 2019 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the Group's structure, at time when the Company's shares were listed on GEM of the Stock Exchange, had been in existence through those years.