

# Golden Faith Group Holdings Limited

## 高豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2863

# 2022

ANNUAL REPORT



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ko Chun Hay Kelvin (*Chairman*)  
Mr. Chan Cho Chak (*Chief Financial Officer*)  
Mr. Han Zhenghai (resigned on 28 January 2022)

### Non-executive Directors

Mr. Yung On Wah (*Vice Chairman*)  
Ms. Wong Cheuk Wai, Helena  
Mr. Li Kar Fai, Peter

### Independent non-executive Directors

Mr. Chan Wing Fai  
Mr. Yeung Wai Lung  
Mr. Ng Man Li

## AUDIT COMMITTEE

Mr. Yeung Wai Lung (*Chairman*)  
Mr. Chan Wing Fai  
Mr. Ng Man Li

## REMUNERATION COMMITTEE

Mr. Chan Cho Chak (*Chairman*)  
Mr. Ko Chun Hay Kelvin  
Mr. Chan Wing Fai  
Mr. Yeung Wai Lung  
Mr. Ng Man Li

## NOMINATION COMMITTEE

Mr. Chan Wing Fai (*Chairman*)  
Mr. Ko Chun Hay Kelvin  
Mr. Chan Cho Chak  
Mr. Yeung Wai Lung  
Mr. Ng Man Li

## RISK MANAGEMENT COMMITTEE

Mr. Chan Cho Chak (*Chairman*)  
Mr. Ko Chun Hay Kelvin  
Mr. Chan Wing Fai  
Mr. Yeung Wai Lung  
Mr. Ng Man Li

## COMPANY SECRETARY

Mr. Chan Cho Chak

## AUTHORISED REPRESENTATIVES

Mr. Ko Chun Hay Kelvin  
Mr. Chan Cho Chak

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

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

15/F., Honest Building  
9–11 Leighton Road  
Causeway Bay  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

**BRANCH SHARE REGISTRAR AND  
TRANSFER OFFICE IN HONG KONG**

Union Registrars Limited  
Suites 3301–04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

**AUDITOR**

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

**LEGAL ADVISER**

Fairbairn Catley Low & Kong

**PRINCIPAL BANKER**

Bank of Communications Co., Ltd.  
Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited

**WEBSITE ADDRESS**

[www.goldenfaith.hk](http://www.goldenfaith.hk)

**STOCK CODE**

2863

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Golden Faith Group Holdings Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 September 2022.

The Group is engaged in providing specialist works on electric and maintenance (E&M) engineering services in major construction projects both in the private and public sectors in Hong Kong. We act as a subcontractor of the main contractor or principal E&M contractor, and we provide installation services for buildings. The Group has strategically focused on the hospital-related and government projects which require specialised technical expertise. By leveraging on our extensive experience and good reputation in the field, the Group managed to secure engineering projects and maintain its profitability during the year ended 30 September 2022. The Group shall continue to implement tight cost control measures in operations without compromising on quality. We aim to provide engineering services of highest quality, from conception to implementation.

The recent COVID-19 pandemic has been heavily affecting the business environment around the world, including Hong Kong. Besides, the recent increase in interest rates by Federal Reserve may slow down the global economy. Under such uncertain atmosphere, we consider business diversification is crucial in sustaining a long-term development of the Group and minimizing the overall business risk.

Looking forward, the Group will continue to actively participate in construction and infrastructure projects in Hong Kong and follow our established values and strategy, namely (i) honesty and mutual trust (ii) industry excellence (iii) complementarity and (iv) mutual benefit as basis. The Group will at the same time explore new business and investment opportunities that may diversify the Group's business and generate additional return to the shareholders. Bearing in mind the risk associated with any new business and investment opportunities, we will take a prudent approach in this regard.

On behalf of the Group, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their trust and support, and to our management and staff members for their diligence, effort and contribution to the growth of the Group.

**Ko Chun Hay Kelvin**

*Chairman*

Hong Kong, 23 December 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the year ended 30 September 2022 (“**FY2022**”), the Group focused on the electric and maintenance (E&M) engineering service business and property investment. The Group continued to engage in providing large scale E&M engineering services in major construction projects in both private and public sectors in Hong Kong. Our project portfolio has encompassed hospitals, government office complex and departmental headquarter and museum in West Kowloon. In coming 2 years, the Group will focus on two major projects, namely engineering services for, Queen Mary Hospital and Immigration Headquarters. During FY2022, rental income from property investment amounted to approximately HK\$1.1 million (for the year ended 30 September 2021 (“**FY2021**”): approximately HK\$1.4 million). There was no trading business transaction in both FY2022 and FY2021.

## FINANCIAL REVIEW

### Results Analysis

The Group’s revenue in FY2022 was approximately HK\$348.6 million, representing an increase of approximately HK\$93.7 million or 36.8% as compared to that in FY2021. During FY2022, the Group has substantially completed the projects in Kwong Wah Hospital and new Inland Revenue Department. Besides, the Group performed two large scale engineering contracts in FY2022, namely, Queen Mary Hospital and Immigration Headquarters.

The Group’s gross profit for FY2022 increased by approximately HK\$2.5 million which was mainly due to increase in revenue from E&M engineering service business. The Group’s gross profit ratio has decreased from 17.2% in FY2021 to 13.3% in FY2022 due to increase in material, labour cost and subcontracting charge being affected by COVID-19 pandemic.

### Other income

The Group recorded other income of approximately HK\$8.4 million in FY2022, representing an increase of approximately HK\$3.7 million as compared to that in FY2021. The increase was mainly due to increase in government grant received under Employment Support Scheme.

### Other gains and losses

The Group recorded net other losses of approximately HK\$8.2 million in FY2022 while it recorded net other gains of approximately HK\$6.3 million in FY2021. The change was mainly due to decrease in the gain on disposal of property, plant and equipment, and the decrease in the fair value on the investment property and financial asset at FVTPL in FY2022.

### Impairment losses on trade receivables and contract assets

The Group reversed an amount of approximately HK\$0.3 million on impairment losses on trade receivables and contract assets in FY2022. (FY2021: recognised impairment losses of approximately HK\$0.3 million).

### Administrative expenses

In FY2022, administrative expenses decreased by approximately HK\$1.3 million as compared to that in FY2021, which was mainly due to decrease in staff costs.

### Profit and total comprehensive income

The decrease in profit and total comprehensive income of approximately HK\$3.6 million was mainly arose from the net effect of an increase in gross profit of approximately HK\$2.5 million, an increase in other income of approximately HK\$3.7 million, a decrease in other gains and losses of approximately HK\$14.5 million, a decrease in administrative expenses of approximately HK\$1.3 million and a decrease in income tax expense of approximately HK\$2.7 million.

### FINANCIAL RESOURCES REVIEW

#### Liquidity, Financial Position and Capital Structure

As at 30 September 2022, the Group had bank and cash balances and short term bank deposits of approximately HK\$127.7 million (30 September 2021: HK\$112.2 million).

As at 30 September 2022, there was no bank borrowing (30 September 2021: Nil).

The gearing ratio, defined as the ratio of total borrowings less bank and cash balances to equity attributable to owners of the Company was inapplicable, as the Group was in a net cash position as at 30 September 2022 and 2021.

#### Foreign Exchange Risk Management

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars. The Group is not exposed to significant foreign currency risk arising from monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective group entities.

The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered to be insignificant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2022, the number of employees of the Group was 808 (FY2021: 287) which includes 76 of long-term employees (FY2021: 75) and 732 of short-term employees (FY2021: 212). The Group believes its success and long-term growth depend primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are offered to qualified employees based on individual and the Group's performance.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group in relation to its business including health and safety, workplace conditions, employment and the environment.

### COMMITMENTS

As at 30 September 2022, the Group did not have any capital commitment (FY2021: Nil).

### CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any significant contingent liabilities (FY2021: Nil).

### SIGNIFICANT INVESTMENTS HELD

Except for investments in its subsidiaries and in blue chip equity securities in Hong Kong, the Group did not hold any significant investments during the year ended 30 September 2022.

### MATERIAL ACQUISITIONS OR DISPOSALS

As at 30 September 2022, the Group did not have any significant investment plans, material acquisitions or disposals (FY2021: Nil).

### PROSPECTS AND OUTLOOK

Associated with global trade frictions, geopolitical uncertainties, together with the global lockdown with the epidemic of COVID-19, construction projects are deeply affected in the past years. Relying on the Group's experienced technical team and good reputation in the market, the Group managed to secure engineering projects and maintain its profitability during FY2022. The confirmed project orders on hand was about HK\$639.1 million as at 30 September 2022, and the completion dates of the projects spreading over the coming two years.

### EVENT AFTER THE REPORTING PERIOD

On 25 October 2022, the Company and a placing agent entered into a placing agreement, pursuant to which the placing agent conditionally agreed to procure placees to subscribe for a maximum of 40,000,000 placing shares at a price of HK\$0.530 per placing share on a best effort basis. As the conditions set out in the placing agreement were not fully fulfilled by 25 November 2022, the placing agreement lapsed and the Placing did not proceed.

On 5 November 2022, the Group and Pangu Creation Network International Limited entered into a joint venture agreement in relation to co-investment in a joint venture, on a shareholding ratio of 40% and 60% respectively. The Group agreed to invest in the joint venture up to HK\$20.5 million. The joint venture will be engaged in the business of the products and services of information technology and big data on finance and commerce. Please refer to the Company's announcement of 5 November 2022 for details.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 30 September 2022 and up to the date of this report.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board has always recognised the importance of shareholders' accountability and transparency and is committed to maintaining high standards of corporate governance. The Company has, throughout the year ended 30 September 2022, applied the principles and complied with the requirements of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") save and except for certain deviations as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transaction by Directors. The Company, having made specific enquiry, obtained written confirmations from all Directors that they have fully complied with the Model Code throughout the FY2022.

## BOARD OF DIRECTORS

The Board currently comprises nine Directors and their respective roles are set out as follows:

### Executive Directors

Mr. Ko Chun Hay Kelvin (*Chairman*)  
Mr. Chan Cho Chak (*Chief Financial Officer*)  
Mr. Han Zhenghai (resigned on 28 January 2022)

### Non-executive Directors

Mr. Yung On Wah (*Vice Chairman*)  
Ms. Wong Cheuk Wai, Helena  
Mr. Li Kar Fai, Peter

### Independent non-executive Directors

Mr. Chan Wing Fai  
Mr. Yeung Wai Lung  
Mr. Ng Man Li

During the year, the Board held 13 Board meetings. The company secretary of the Company (the "Company Secretary") assisted the Chairman and the executive Directors in establishing the meeting agenda, and each Director was able to request inclusion of items in the agenda. All such meetings were convened in accordance with the articles of association of the Company (the "Articles"). Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, certain regular Board meetings were convened with less than 14 days' notice in order to enable the Board members to react timely and carry out expeditious decision making in respect of certain business matters which were significant to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with the consent of the Directors. The Board will do its best endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future. Adequate and appropriate information are circulated to the Directors normally three days in advance of the Board meetings or such period as accepted by them. In addition to regular Board meetings, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of other executive Directors during the year.

During the year, the Board at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors the respective annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

The Board members have no financial, business, family or other material or relevant relationship with each other. Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of current Directors and their respective biographical details are set out on pages 17 to 18 of this annual report.

Pursuant to the clause 84 of the Articles, at each annual general meeting of the Company, one third of the Directors shall retire from office by rotation. All retiring Directors shall be eligible for re-election at the annual general meeting. All independent non-executive Directors have been appointed for specific terms.

Pursuant to clause 83 of the Articles, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at such meeting.

While daily operation and administration are delegated to the management, the Board is responsible for the types of decisions relating to the following aspects:

- formulation of operational and strategic direction of the Group;
- monitoring the financial performance of the Group;
- overseeing the performance of the management;
- ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and
- setting the Company's values and standards.

The Board held meetings from time to time whenever necessary. Minutes of meetings of the Board, Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee are circulated to all Directors or relevant committee members for their perusal and comments and the approved minutes are kept by the Company and open for inspection by the Directors. The Board also ensures that the Directors are supplied, in a timely manner, with the agenda and all necessary information in a form and of a quality sufficient to enable them to discharge their duties.

The attendance record of individual Director at Board and committee meetings during the year is set out in the table below.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed and he is also entitled to have full access to Board papers and related materials so that he is able to make an informed decision and to discharge his duties and responsibilities.

**Code Provision A.1.8**

Code provision A.1.8 of the CG Code requires that there should be appropriate insurance cover in respect of legal action against its directors. The Company has not made appropriate insurance cover as it is in the Director's opinion that the possibility of legal action against the Directors is remote.

**DIRECTORS' ATTENDANCE**

During the year, details of individual Director's attendance at the Board meetings, committee meetings are set out as follows:

Name of Directors	Number of attendance/Eligible to attend				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meeting	Risk Management Committee Meeting
<b>Executive Directors</b>					
Mr. Ko Chun Hay Kelvin ( <i>Chairman</i> )	13/13	N/A	2/2	2/2	1/1
Mr. Chan Cho Chak ( <i>Chief Financial Officer</i> )	13/13	N/A	2/2	2/2	1/1
Mr. Han Zhenghai (resigned on 28 January 2022)	0/13	N/A	N/A	N/A	N/A
<b>Non-executive Directors</b>					
Mr. Yung On Wah ( <i>Vice Chairman</i> )	13/13	N/A	N/A	N/A	N/A
Ms. Wong Cheuk Wai, Helena	13/13	N/A	N/A	N/A	N/A
Mr. Li Kar Fai, Peter	13/13	N/A	2/2	2/2	N/A
<b>Independent non-executive Directors</b>					
Mr. Chan Wing Fai	13/13	2/2	2/2	2/2	1/1
Mr. Yeung Wai Lung	13/13	2/2	2/2	2/2	1/1
Mr. Ng Man Li	13/13	2/2	2/2	2/2	1/1

### **DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT**

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided relevant materials published by professional bodies or regulators to the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has maintained a training record in order to assist the Directors to record the training that they have undertaken and they are requested to submit a training record to the Company on an annual basis.

During the year, all Directors have complied with code provision A.6.5 of the CG Code through attending training courses, workshops or reading materials relevant to their professional qualifications and/or duties of Directors.

### **CHAIRMAN AND CHIEF EXECUTIVE**

Although the Company does not officially have a position of chief executive, the executive Directors have effectively performed the role of chief executive leading the Board to work effectively. All important issues are discussed in the regular monthly Board meeting. The day-to-day management of the Group's business is handled by the executive Directors. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations. The Board will continue to review the effectiveness of the Group's structure as business continues to grow in order to assess whether any changes, including the appointment of a chief executive, are necessary.

### **CORPORATE GOVERNANCE FUNCTIONS**

The Board is also responsible for performing the corporate governance duties as set out below:

- (1) to develop and review the Company's policies and practices on corporate governance;
- (2) to review and monitor the training and continuous professional development of Directors and senior management;
- (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- (5) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

### AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing the risk management and internal control systems and financial reporting matters of the Company. The audit committee of the Company has reviewed the Group's consolidated financial statements for the FY2022, including the accounting principles and practices adopted by the Group.

As at 30 September 2022, the Audit Committee comprised three independent non-executive Directors, namely Mr. Yeung Wai Lung (Chairman), Mr. Chan Wing Fai and Mr. Ng Man Li. No member of the Audit Committee is a member of the former or existing auditor of the Company.

During the year, there was two meetings held by the Audit Committee to (i) review and discuss with the auditor on the audited financial statements for the year ended 30 September 2022, with recommendations to the Board for approval; (ii) review the risk management and internal control systems; (iii) review with the management of the Company the accounting principles and practices adopted by the Group; and (iv) review and make recommendations to the Board on the auditor's re-appointment and remuneration. The complete attendance record of individual committee member is set out in the table on page 10 of this annual report.

### REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company. No individual Director or any of his associates is involved in decisions relating to his own remuneration. The Remuneration Committee has adopted the model under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

As at 30 September 2022, the Remuneration Committee comprised two executive Directors, namely Mr. Ko Chun Hay Kelvin and Mr. Chan Cho Chak (Chairman) and three independent non-executive Directors, namely Mr. Chan Wing Fai, Mr. Yeung Wai Lung and Mr. Ng Man Li.

During the year, there was two meetings held by the Remuneration Committee to (i) review the Company's policy and structure for the remuneration of all Directors and senior management of the Company; (ii) to recommend the said policy and structure to the Board for approval; and (iii) make recommendations to the Board on the remuneration of a new Director. The complete attendance record of individual committee member is set out in the table on page 10 of this annual report.

## NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board on a regular basis and making recommendations regarding any proposed changes, identifying and recommending individuals suitably qualified to become Board members, and assessing the independence of independent non-executive Directors. The Board adopted a board diversity policy which sets out the approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and length of service of the Directors.

As at 30 September 2022, the Nomination Committee comprised two executive Directors, namely Mr. Ko Chun Hay Kelvin and Mr. Chan Cho Chak and three independent non-executive Directors, namely Mr. Chan Wing Fai (Chairman), Mr. Yeung Wai Lung and Mr. Ng Man Li.

During the year, there were two meetings held by the Nomination Committee to (i) review the structure, size and composition of the Board; (ii) assess the independence of independent non-executive Directors; and (iii) make recommendations to the Board on nominating a new Director. The complete attendance record of individual committee member is set out in the table on page 10 of this annual report. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

## RISK MANAGEMENT COMMITTEE

The Risk Management Committee is responsible for advising the Board on risk-related issues, overseeing the risk management framework for purposes of identifying and dealing with the risks encountered by the Company, including both business and financial risks, reviewing risk reports and breaches of risk management policies, and reviewing the effectiveness of the Company's intended risk control or mitigation measures.

As at 30 September 2022, the Risk Management Committee comprised two executive Directors, Mr. Ko Chun Hay Kelvin, Mr. Chan Cho Chak (Chairman) and three independent non-executive Directors, namely Mr. Chan Wing Fai, Mr. Yeung Wai Lung and Mr. Ng Man Li.

During the year, there was one meeting held by the Risk Management Committee to (i) oversee the risk management framework for purposes of identifying and dealing with the risk encountered by the Company, including both business and financial risks; (ii) to review risk reports and breaches of risk management policies; and (iii) to review the effectiveness of the Company's intended risk control or mitigation measures. The complete attendance record of individual committee member is set out in the table on page 10 of this annual report.

## ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the Group's financial position on a going concern basis and other inside information announcements and financial disclosures. Management provides the Board with the relevant information it needs to discharge these responsibilities.

The responsibilities of the auditor with respect to these financial statements are set out in the "Independent Auditor's Report" on pages 49 to 53 of this annual report.

## AUDITOR'S REMUNERATION

During the year ended 30 September 2022, the fees paid/payable to the external auditor, Messrs. Deloitte Touche Tohmatsu, in respect of its audit and non-audit services provided to the Group were as follows:

Nature of services rendered	Fee paid/payable HK\$'000
Audit services	965
Non-audit services	
Other services	—
	<u>965</u>

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and the shareholders' interests. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

The Company has established an internal audit function. The internal audit function conducts internal audit on different department and functions within the Group on an ongoing basis to assess the effectiveness and identify weaknesses in the existing internal control, legal and regulatory compliance and risk management systems of the Group.

- (a) During the year, the internal audit function conducted review of the effectiveness of the risk management and internal control systems of the Group. The internal audit report covered the financial, operational and procedural compliance functions during the year. The internal audit report with examination results and relevant improvement recommendations were duly reported to the Audit Committee and the Board for them to assess control of the Company and the effectiveness of the risk management system and any material weaknesses in the internal control system, and to take appropriate actions to remedy any weaknesses on a timely manner. All remedial actions will be regularly followed up where necessary to ensure that the weaknesses have been duly addressed.

- (b) The Board considers that the risk management and internal control systems are effective and adequate and that the Company has complied with the code provisions relating to risk management and internal control of the CG Code.

The Company is aware of its obligation under the Securities and Futures Ordinance, the Listing Rules and the overriding principle that inside information should be announced on a timely manner and conducts its affairs in strict compliance with the applicable laws and regulations prevailing in Hong Kong. The Company has established disclosure mechanism regarding the procedures of identifying inside information and preserving its confidentiality until proper dissemination with the Board's approval through the electronic publication systems operated by the Stock Exchange and the Company.

### **FINANCIAL REPORTING**

The Directors acknowledged their responsibility for the preparation of the financial statements of the Group which give a true and fair view of the financial position of the Group and the Group's financial performance and cash flows for the relevant accounting periods, and in compliance with all the relevant statutory requirements, the Listing Rules requirements and applicable accounting standards. In preparing the financial statements of the Group, the appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards and appropriate and reasonable judgment and estimates are made. The Directors have prepared the financial statements for the reporting year on a going concern basis.

The Board is committed to present a clear, balanced and understandable assessment of the Group's performance and financial positions in all its financial reporting and to ensure relevant publications in a timely manner.

### **AUDITOR'S STATEMENT**

The statement by the Company's external auditor about their reporting responsibilities on the financial statements for the year ended 30 September 2022 is set out in the "Independent Auditor's Report" on pages 49 to 53 of this annual report.

### **COMPANY SECRETARY**

Mr. Chan Cho Chak is the Company Secretary of the Company. According to Rule 3.29 of the Listing Rules, he has taken no less than 15 hours of relevant professional training during the year ended 30 September 2022.

### **CORPORATE COMMUNICATION WITH SHAREHOLDERS/INVESTORS**

The CG Code requires the Company to have a dialogue with shareholders and the Board recognises the importance of maintaining effective communications with shareholders. Annual reports and interim reports provide shareholders with comprehensive information on the Group's operational and financial performances while general meetings offer a platform for shareholders to state and exchange views with the Board directly.

The management communicates continually with analysts and institutional investors and provides them with up-to-date and comprehensive information regarding the Group's development. The Company practices timely dissemination of information including annual reports, interim reports, announcements and press releases, which are updated in a timely manner to ensure transparency.

## SHAREHOLDERS' RIGHTS

### Procedures for convening an extraordinary general meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for sending enquiries to the Board

Shareholders may at any time send in their enquiries and concerns to the Board in writing via the following channels:

The Board of Directors/Company Secretary  
Golden Faith Group Holdings Limited  
15/F., Honest Building  
9–11 Leighton Road  
Causeway Bay  
Hong Kong  
Telephone: (852) 3905 4567  
Facsimile: (852) 3914 7316

Shareholders may also make enquiries to the Board at general meetings of the Company.

## CONSTITUTIONAL DOCUMENTS

There was no significant change in the Company's constitutional documents during the year ended 30 September 2022.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. Ko Chun Hay Kelvin (“Mr. Ko”)**, aged 59, is our Group’s Chairman and executive Director. Mr. Ko holds a Master of Science degree in Finance from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and an associate member of the Chartered Institute of Management Accountants. He was appointed as our executive Director on 18 January 2019 and he is responsible for overall strategy management and development of business of the Group. He has been appointed as Chief Executive Officer of Super Strong Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8262) on 9 August 2019, which operates as a main contractor in construction industry.

**Mr. Chan Cho Chak (“Mr. Chan”)**, aged 60 was redesignated as our executive Director, Chief Financial Officer and Company Secretary of our Group on 1 April 2021, and is responsible for supervision of the financial management and company secretarial works of our Group.

Mr. Chan obtained a Professional Diploma in Accountancy from Hong Kong Polytechnic in November 1986. He became an associate of the HKICPA in April 1992, an associate of the Association of Chartered Certified Accountants in October 1989, and a fellow thereof in October 1994. He is, currently, a practising member of the HKICPA.

Mr. Chan has more than 30 years of professional experience in public accounting and company secretarial work. He worked with Price Waterhouse Company from August 1986 to July 1989. He founded Chan Fan & Co., Certified Public Accountants, in January 1995, and is currently a partner thereof.

## NON-EXECUTIVE DIRECTORS

**Mr. Yung On Wah (“Mr. Yung”)**, aged 68 was redesignated as the Vice Chairman and non-executive Director on 1 January 2021 and 18 January 2019 respectively. He is responsible for our Group’s business operations, marketing, and business development. He has more than 30 years of working experience in the E&M engineering services industry.

**Ms. Wong Cheuk Wai, Helena (“Ms. Wong”)**, aged 39, was appointed as our non-executive Director on 18 January 2019. She holds a Higher Diploma in English for Business Communication from The Hong Kong Polytechnic University. Ms. Wong is responsible for the public relation of the Group.

Ms. Wong is an artist with the stage name Lena Wong (黃欣). She worked in Television Broadcasts Limited (“TVB”) (a company whose shares are listed on the Main Board, stock code: 0511) from September 2006 to August 2009 and in Hong Kong Television Network Limited (a company whose shares are listed on the Main Board, stock code: 1137) from 2012 to 2014, and has then rejoined TVB since 2014.

## BIOGRAPHICAL DETAILS OF DIRECTORS

**Mr. Li Kar Fai, Peter (“Mr. Li”)**, aged 58, was redesignated as our non-executive Director on 1 April 2021. He is responsible for internal control of the Group.

Mr. Li has been an independent non-executive Director of Glory Flame Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8059) since 19 July 2019. He obtained a Bachelor of Arts degree in Accountancy from the City Polytechnic of Hong Kong in November 1992, and has become an associate member of the HKICPA since September 1997.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yeung Wai Lung (“Mr. Yeung”)**, aged 60 was appointed as our independent non-executive Director on 21 July 2017, and is responsible for attending to the supervision of, and provision of independent judgment to, our Board.

Mr. Yeung obtained a Bachelor of Arts degree in Accountancy from the City Polytechnic of Hong Kong in December 1994, and a Diploma in Legal Studies from School of Professional and Continuing Education, the University of Hong Kong in July 2006. He became a member of the Institute of Internal Auditors in January 1997, and was designated as a Certified Fraud Examiner by the Association of Certified Fraud Examiners in November 1997.

Mr. Yeung has more than 30 years of experience in audit work. He worked in the audit field with the following companies: KPMG Peat Marwick (then known as Peat Marwick Mitchell & Co.), 3M Hong Kong Limited, New Macau Landmark Management Limited and SML Group Limited in the past 27 years.

**Mr. Chan Wing Fai (“Mr. Chan”)**, aged 45 was appointed as our independent non-executive Director on 21 July 2017, and is responsible for attending to the supervision of, and provision of independent judgment to our Board.

Mr. Chan obtained a Bachelor of Business Administration degree (with honors) from Lingnan University in December 2001. He became a member of the Association of Chartered Certified Accountants in December 2004, a fellow thereof in December 2009, an associate of the HKICPA in April 2006, and an associate of the Taxation Institute of Hong Kong in July 2010. He is, currently, a practising member of the HKICPA, and a Member of the Taxation Institute of Hong Kong.

Mr. Chan has more than 15 years’ professional experience in public accounting and secretarial work. He started practicing under his own name Chan Wing Fai certified public accountant (practising), as a Certified Public Accountant from May 2014 onwards. He resigned from the position of independent non-executive Director of China Financial Services Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 605) in May 2021.

**Mr. Ng Man Li (“Mr. Ng”)**, aged 56, was appointed as our independent non-executive Director on 1 April 2021. He graduated from The University of Hong Kong in social science in December 1989. He became an associate member of the HKICPA and the Association of Chartered Certified Accountants (United Kingdom) respectively in 1995 and he has been a practicing member of HKICPA since 1999. He has over 30 years of experience in auditing, accounting and taxation work. He had worked at the audit department of Deloitte Touche Tohmatsu for about 7 years from June 1989 to October 1996. He then held a managerial position at the audit department with Nexia Charles Mar Fan & Company for about 14 years from October 1996 to January 2011. He then worked as a Principal from January 2011 and as a Partner from June 2011 in Lo and Kwong C.P.A. Company Limited. He is also an independent non-executive Director of Super Strong Holdings Limited (a company listed on the GEM Board of the Stock Exchange, stock code: 8262).

# DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30 September 2022.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the electrical engineering business and property investment.

## BUSINESS REVIEW

The business review of the Group for the year ended 30 September 2022 is set out in the section headed "Management Discussion and Analysis" on pages 5 to 7 of this annual report.

## RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 54 of this annual report.

The Board does not recommend the payment of a final dividend for FY2022 (FY2021: Nil).

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 118 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 57 of this annual report.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 30 September 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$95.8 million. The amount represents the Company's share premium, share option reserve and net of accumulated losses, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed.

## EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Company as set out in note 28 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

### MAJOR CUSTOMERS

During FY2022, the Group's five largest customers accounted for approximately 100% (FY2021: 100.0%) of the total revenue of the Group and the Group's largest customer amounted for approximately 51.6% (FY2021: 58.2%) of the total revenue.

### MAJOR SUPPLIERS AND SUBCONTRACTORS

During FY2022, the Group's five largest suppliers accounted for approximately 41.6% (FY2021: 48.3%) of the total material cost and the Group's largest supplier accounted for approximately 10.8% (FY2021: 15.4%) of the total material cost.

During FY2022, the Group's five largest subcontractors accounted for approximately 89.4% (FY2021: 98.6%) of the total subcontracting fee and the Group's largest subcontractor accounted for approximately 48.9% (FY2021: 63.3%) of the total subcontracting fee.

None of the Directors, their close associates or any shareholders of the Company (which to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any interest in the Group's five largest suppliers, subcontractor or customers.

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

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with its suppliers, subcontractors and customers to fulfil its immediate and long-term goals. To maintain its competitiveness, the Group aims at delivering quality services to its customers. During the year, there was no material and significant dispute between the Group and its suppliers, subcontractors and/or customers.

### DIRECTORS

The Directors during the year and up to the date of this Directors' report were:

#### Executive Directors

Mr. Ko Chun Hay Kelvin (*Chairman*)  
Mr. Chan Cho Chak (*Chief Financial Officer*)  
Mr. Han Zhenghai (resigned on 28 January 2022)

#### Non-executive Directors

Mr. Yung On Wah (*Vice Chairman*)  
Ms. Wong Cheuk Wai, Helena  
Mr. Li Kar Fai, Peter

#### Independent Non-executive Directors

Mr. Chan Wing Fai  
Mr. Yeung Wai Lung  
Mr. Ng Man Li

In accordance with clause 84 of the Articles, Mr. Yung On Wah, Ms. Wong Cheuk Wai, Helena and Mr. Chan Wing Fai will retire as Directors by rotation at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2022, the interests of the Directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

### Long positions in ordinary shares of the Company

Name of Directors	Capacity	Notes	Number of ordinary shares held (long position)	Number of underlying shares held (long position)	% of the Company's issued share capital
Mr. Ko Chun Hay Kelvin	Beneficial owner	1	129,616,000	5,370,000	20.28%
	Interests of controlled corporation	2	302,747,000	–	45.48%
Mr. Yung On Wah	Beneficial owner		39,424,000	–	5.92%
Mr. Li Kar Fai, Peter	Beneficial owner	1	12,801,000	2,949,000	2.37%

Notes:

- Details of the underlying shares of the Company held by the Directors are set out in the section headed "Share Option Scheme".
- These shares are held by Greatly Success Investment Trading Limited which is wholly-owned by Mr. Ko Chun Hay Kelvin.

Save as disclosed above, none of the Directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2022, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by written resolutions of our then Shareholders on 22 July 2017. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for 10 years until 21 July 2027.

### (i) Purpose

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company, and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Share Option Scheme shall provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

### (ii) Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled to, at its absolute discretion and on such terms as it deems fit, grant Options to any Participant.

### (iii) Maximum number of Shares subject to Options

The Shares which may be issued upon exercise of all Options to be granted under this Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 66,570,100 Shares (representing 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange) (the "Scheme Mandate Limit").

The overall limit on the number of Shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable), shall not exceed 30% of the Shares in issue from time to time ("Scheme Limit").

As at the date of this report, the Company had 9,319,000 outstanding share options granted and remaining unexercised under the Share Option Scheme, representing approximately 1.40% of the issued Shares.

### (iv) Limit for each participant

The total number of Shares issued, and to be issued, upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any twelve (12)-month period shall not exceed 1% of the Shares in issue (the "Individual Limit").

### (v) Option period

The period within which the Shares shall be taken up under an Option shall be a period to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the date of grant of the relevant Option, but such period shall not expire later than 10 years from the date of grant of the relevant Option.

**(vi) Payment on acceptance of Option offer**

An Option shall remain open for acceptance by the Participant concerned for a period of 14 days exclusive of the date on which the letter containing the offer is delivered to the Participant. HK\$1 is payable by the Grantee to our Company on acceptance of the offer of the Option.

**(vii) Subscription price**

The subscription price shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer at the time of the offer, and shall be no less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the relevant Option, which shall be a business day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant Option (provided that, in the event that any Option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Share Offer shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and
- (c) the nominal value of a Share on the date of grant of the relevant Option.

**(viii) Present status of the Share Option Scheme**

As at the Latest Practicable Date, details of the movements of share options granted, exercised or cancelled/lapsed during the year ended and outstanding as at 30 September 2022 are as follows:

Grantee	Date of grant of share options	Exercise price of share options HK\$	Closing price immediately before date of grant HK\$	Exercise period (both dates inclusive)	At 1 October 2021	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 30 September 2022
Mr. Ko Chun Hay Kelvin	5 August 2019	0.500	0.500	5 August 2019 to 4 August 2025	5,370,000	-	-	-	5,370,000
	3 March 2022	0.276	0.260	3 March 2022 to 2 March 2027	-	6,510,000	6,510,000	-	-
Mr. Li Kar Fai, Peter	19 March 2019	0.500	0.490	19 March 2019 to 18 March 2024	1,749,000	-	-	-	1,749,000
	3 March 2022	0.276	0.260	3 March 2022 to 2 March 2027	-	4,200,000	3,000,000	-	1,200,000
Mr. Chan Cho Chak	3 March 2022	0.276	0.260	3 March 2022 to 2 March 2027	-	500,000	-	-	500,000
Employee	3 March 2022	0.276	0.260	3 March 2022 to 2 March 2027	-	500,000	-	-	500,000
Total					<u>7,119,000</u>	<u>11,710,000</u>	<u>9,510,000</u>	<u>-</u>	<u>9,319,000</u>

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 33 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in Appendix 16 of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements. The Group has complied with the disclosure requirements in accordance with Appendix 16 of the Listing Rules.

## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 30 September 2022, the following corporation/person, other than a Director or chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held (long position)	Number of underlying shares held (long position)	% of the total number of issued shares of the Company
Mr. Ko Chun Hay Kelvin (Note 1)	Beneficial owner	432,363,000	5,370,000	65.76%
Greatly Success Investment Trading Limited (Note 1)	Beneficial owner	302,747,000	–	45.48%
Mr. Cheung Kam Fai	Beneficial owner	46,066,000	–	6.92%
Mr. Yung On Wah	Beneficial owner	39,424,000	–	5.92%

Note:

1. Greatly Success Investment Trading Limited is wholly owned by Mr. Ko Chun Hay Kelvin who is an executive Director of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2022.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this annual report, no Directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the Directors were appointed as directors to represent the interests of the Company.

## NON-COMPETITION UNDERTAKINGS

Mr. Yung On Wah and Superior Ace Investments Limited (each the "Covenantor", and collectively, the "Covenantors" or "Controlling Shareholders") entered into a deed of non-competition dated 22 July 2017 (the "Deed of Non-competition"), in favour of our Group, with an aim to avoid any possible future competition between our Group and each of the Covenantors. Details of the Deed of Non-competition have been disclosed in the section headed "Relationship with Controlling Shareholders" of the Company's Prospectus.

The Company received from each of the Controlling Shareholders an annual confirmation on their respective compliance of the non-competition undertaking for the year ended 30 September 2022. The independent non-executive directors of the Company have reviewed the compliance of the non-competition undertaking and evaluated its effective implementation and were satisfied with the Controlling Shareholders' compliance with the non-competition undertaking for the year ended 30 September 2022.

## DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

There was no transaction, arrangement or contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

## INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

## EMOLUMENT POLICY

The Directors' fees are subject to shareholders' approval general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out above in the section headed "Share Option Scheme".

Details of the emoluments of the Directors and five highest paid individuals are set out in note 10 to the consolidated financial statements.

Details of the retirement benefits scheme are set out in note 27 to the consolidated financial statements.

## MANAGEMENT CONTRACTS

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

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the FY2022.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the date of this annual report.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association or the Company Law of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## SUBSIDIARIES

The details of the Company's subsidiaries as at 30 September 2022 are set out in note 35 to the consolidated financial statements.

## CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately HK\$1.0 million (FY2021: HK\$1.2 million).

## AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Ko Chun Hay Kelvin**

*Chairman*

Hong Kong, 23 December 2022

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION AND APPROACH TO ESG AND REPORTING

This Environmental, Social and Governance Report (the “ESG Report”) summarises the initiatives, programmes and performance of Golden Faith Group Holdings Limited (the “Company”, together with its subsidiaries, “the Group”, “We” or “Our”) as well as demonstrates its commitment to sustainability.

The core businesses of the Group are principally engaged in the provision of electrical and mechanical (“E&M”) engineering services in Hong Kong. The Group provides engineering services including electrical and extra-low voltage (“ELV”) system work and ventilation and air-conditioning system work.

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. The Board of Directors has the overall responsibility for the Group’s environmental, social and governance (“ESG”) strategy and reporting in achieving green operations for sustainable development. The Management of the Group (the “Management”) is responsible for evaluating and determining ESG-related risks and ensuring there is an appropriate and effective ESG risk management and internal controls systems. The Management has provided a confirmation as to the effectiveness of these systems during the Reporting Period to the Board of Directors.

## REPORTING SCOPE

This report covers the Group’s business activities in Hong Kong, which represent the Group’s major sources of revenue. In specific, the General Disclosure and the compliance matters of the Aspect A and Aspect B cover all of the Group’s operational activities in Hong Kong. The ESG Key Performance Indicators (“KPIs”) data of Aspect A – Environmental is only gathered and included under the Group’s two offices in Hong Kong and the construction site offices are excluded as their emissions are very minimal. The Group will continue to optimize and improve the disclosure of KPIs.

## REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 of the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited (the “ESG Reporting Guide”).

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 8 to 16 of this annual report.

## REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures being taken by the Group during the financial year ended 30 September 2022 (the “Reporting Period”).

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

In formulating operational strategies and ESG measures, the Group takes into account the stakeholders' expectations. In order to understand and address stakeholders' concerns, the Group communicates with its stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and interviews.

The management and employees who are responsible for the key functions of the Group have participated in preparing the ESG Report, assisted the Group in reviewing its operation, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. We have compiled a questionnaire with reference to the identified material ESG issues to collect information from relevant departments and business units of the Group.

The following table summarises the Group's significant ESG issues as set out in the ESG Report:

### A. Environment

The ESG Reporting Guide — General Disclosure	Key Performance Indicators ("KPIs") — "Comply or Explain"	Material ESG aspects of the Group	
A1. Emissions	KPI A1.1	Exhaust Gas Emission	P. 31
	KPI A1.2, KPI A1.5	Greenhouse Gas ("GHG") Emissions	P. 32
	KPI A1.1	Discharges into Water	P. 33
	KPI A1.3, KPI A1.4, KPI A1.6	Waste Management	P. 33
A2. Use of Resources	KPI A2.1, KPI A2.3	Energy Consumption	P. 35
	KPI A2.2, KPI A2.4	Water Consumption	P. 35
	KPI A2.5	Use of Packaging Materials	P. 35
A3. The Environment and Natural Resources	KPI A3.1	Noise Management	P. 36
A4. Climate Change	KPI A4.1	Climate Change	P. 36

**B. Social**

The ESG Reporting Guide — General Disclosure	Key Performance Indicators (“KPIs”) — “Comply or Explain”	Material ESG aspects of the Group	
<b>Employment and Labour Practices</b>			
B1. Employment	KPI B1.1, KPI B1.2	Recruitment, Promotion and Remuneration	P. 37
	KPI B1.1, KPI B1.2	Diversity, Equal Opportunities and Antidiscrimination	P. 37
	KPI B1.1	Work-life Balance	P. 37
B2. Health and Safety	KPI B2.1, KPI B2.3	Safety Management System	P. 40
	KPI B2.1, KPI B2.2	Safety Measures	P. 41
	KPI B2.3	Safety Cooperation with the Main Contractor and Subcontractors	P. 41
B3. Development and Training	KPI B3.1, KPI B3.2	Development and Training	P. 42
B4. Labour Standards	KPI B4.1, KPI B4.2	Prohibition of Child Labour or Forced Labour	P. 43

## Operating Practices

B5.	Supply Chain Management	KPI B5.1, KPI B5.2, KPI B5.3, KPI B5.4	Supply Chain Management Structure	P. 44
B6.	Product Responsibility	KPI B6.1, KPI B6.4	Quality Control of Projects	P. 45
		KPI B6.4	Subcontractor Management	P. 45
		KPI B6.2	Customer Service	P. 46
		KPI B6.5	Privacy Protection	P. 46
		KPI B6.3, KPI B6.5	Protection of Intellectual Property Rights	P. 46
B7.	Anti-corruption	KPI B7.1, KPI B7.2, KPI B7.3	Anti-corruption	P. 47

## Community

B8.	Community Investment	KPI B8.1, KPI B8.2	Community Commitment	P. 48
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During the Reporting Period, the Group confirmed that appropriate and effective management policies and internal control systems for ESG issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

## CONTACT US

Comments and suggestions are welcome from our stakeholders. You may provide comments on the ESG Report or towards our performance in respect of sustainable development via [info@goldenfaith.hk](mailto:info@goldenfaith.hk).

## A. ENVIRONMENTAL

### A1. Emissions

#### *General Disclosure and KPIs*

The Group principally engages in the provision of electrical and ELV system works and undertakes subcontracting works of the main contractor or principal E&M contractor. During a project, the Group pays close attention to the possible environmental impacts and has always strictly complied with the applicable laws and regulations in Hong Kong relating to environmental protection and actively cooperated with the main contractor and the principal E&M contractor in the environmental protection requirements.

The Group has set up a sound environmental management system and obtained the ISO14001:2015 Environmental Management System (“EMS”) Certification. By formulating relevant guidelines and targets, it systematically implements measures to protect the environment and continuously improves its business model.

The Group is not aware of any material non-compliance of environmental laws and regulations during the Reporting Period, including but not limited to “Noise Control Ordinance” and “Waste Disposal Ordinance”, etc.

#### *Exhaust Gas Emission*

Due to our business nature, the Group considers the relevant air emission generated is not significant. However, we still strive to reduce the exhaust gas generated from our operational process as much as possible.

*GHG Emissions*

The consumption of electricity at the office, petrol and diesel consumption for the vehicles and consumption of paper are the largest sources of GHG emissions of the Group. During the Reporting Period, the Group's total GHG emissions amounted to approximately 61.20 tonnes (2021: 54.70 tonnes) and the total GHG emission per employee was 0.08 tonnes (2021: 0.19 tonnes). The detailed summary of the GHG emission during the Reporting Period and the corresponding period in 2021 are shown as below:

Type <sup>1</sup>	GHG Emission	
	2022 Equivalent CO <sub>2</sub> Emission (Tonnes)	2021 Equivalent CO <sub>2</sub> Emission (Tonnes)
Scope 1 Direct emissions	32.46	23.46
Scope 2 Indirect emissions	18.30	17.20
Scope 3 Other Indirect emissions	10.44	14.04
<b>Total</b>	<b>61.20</b>	<b>54.70</b>
<b>Intensity<sup>2</sup></b>	<b>0.08 Tonnes/ employee</b>	<b>0.19 Tonnes/ employee</b>

Notes:

- The calculation of the greenhouse gas is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.
  - Scope 1: Direct emissions from vehicles that are used by the Group
  - Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group
  - Scope 3: Other indirect emissions from paper consumption of the Group
- As at 30 September 2022, the number of employees of the Group was 808 (2021: 287) which includes 76 of long-term employees (2021: 75) and 732 of short-term employees (2021: 212). This number is also used to calculate other intensity figures in the ESG Report.

The Group targets on reducing the GHG emissions by 2% for next year. We have adopted the following measures to reduce the direct GHG emission from petrol consumption in our operations:

- Select the shortest route to/from the site of the Group and targeted venue;
- Use unleaded fuel and low sulphur content fuel according to legal requirements;
- Carry out regular maintenance service on the vehicles to ensure engine performance and the efficient use of fuel; and
- Optimise time schedule for vehicle usage.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Electricity and paper consumption are the only sources of indirect GHG emission. The Group has implemented measures as stated in “Waste Management” of Aspect A1 and “Energy Consumption” of Aspect A2 below in order to reduce energy consumption, and thereby minimizing carbon footprint.

### *Discharges into Water*

We do not consume significant volume of water through our business activities, and therefore our business activities did not generate material portion of discharges into water. The majority of water supply and discharge facilities are provided and managed by property management company.

### *Waste Management*

The Group’s wastes mainly come from office operation, including non-hazardous wastes such as paper, toner cartridge and ink cartridge. For the wastes generated in the construction processes such as electric wires and construction wastes, the main contractor or the principal E&M contractor is responsible for the disposal of such wastes. We require our subcontractors to comply with the “Waste Disposal Ordinance”, and ensure all waste materials are properly handled, stored and disposed to prevent contamination. The project supervisor requests the subcontractor or workers-in-charge to clean up the wastes generated during construction and deliver them to the waste collection location designated by the main contractor or principal E&M contractor to keep the workplace clean. Therefore, we do not generate electric wires and construction wastes directly in our operational processes.

Despite the Group did not generate hazardous wastes during the Reporting Period, the Group has established guidelines in governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, which is complied with the relevant environmental regulations and rules.

The consumption of non-hazardous waste generated by the Group during the Reporting Period and the corresponding period in 2021 are shown as below:

Type	Unit	Non-hazardous waste consumption			
		2022 Consumption	2022 Intensity (Unit/employee)	2021 Consumption	2021 Intensity (Unit/employee)
Paper	KG	2,175.00	2.69	2,906.00	10.13
Toner Cartridge	piece	7.00	0.01	7.00	0.02
Ink Cartridge	piece	12.00	0.01	18.00	0.06

Also, our subcontractors are encouraged to minimise their waste generation, use recyclable materials for packaging and reuse them wherever possible.

We have implemented procedures to encourage employees to participate in paper consumption reduction management in the office, including:

- Use of double-sided printing/photocopying wherever possible;
- Use electronic media for circulation/communication to minimise using paper; and
- Recycle one-side printed paper.

The Group targets on reducing the non-hazardous wastes by 2% for next year. Moreover, we have adopted the following office waste management procedures:

- Collect computers and computer accessories such as toner cartridge, ink cartridge, keyboard, mouse, and filter by HRA for re-used or recycling if possible;
- Collect and dispose solid wastes properly; and
- Carry out usage assessment before the procurement of supplies to avoid excessive inventory.

### **A2. Use of Resources**

#### ***General Disclosure and KPIs***

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

During our operation, fuel, electricity and water are consumed, and the Group has established relevant policies and procedures in governing the efficient use of resources, in reference to the objectives of achieving higher energy efficiency and reducing the unnecessary use of materials. We also require our subcontractors to uphold the same principle.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Energy Consumption

Energy conservation policy has been developed to set energy conservation as one of the Group's fundamental policies. The Group targets on reducing the energy consumption (including water consumption) by 2% for next year. All employees must implement the adopted measures, including the purchase of energy-efficient products and services, and be responsible for the Group's overall energy efficiency. Monthly monitoring of the usage of electricity, water and other materials is implemented. Unexpected high electricity consumption will be investigated to find out the root cause and preventive measures will be taken.

The consumption of petrol, diesel and electricity by the Group during the Reporting Period and the corresponding period in 2021 are shown as below:

Type	Unit	Energy Consumption			
		2022 Consumption	2022 Intensity (Unit/employee)	2021 Consumption	2021 Intensity (Unit/employee)
Diesel	Litres	8,024.00	9.93	7,028.00	24.49
Petrol	Litres	1,951.00	2.41	2,157.00	7.52
Electricity	kWh	36,152.00	44.74	40,952.00	142.69

During the Reporting Period, the Group has performed the following measures relating to enhancing energy efficiency:

- Set the minimum temperature of the air-conditioning system to 25 degrees Celsius;
- Set all printers, photocopiers and computers to energy saving mode; and
- Encourage employees to turn off office equipment, computers and lightings, when not in use or after working hours.

### Water Consumption

The water consumption of the Group mainly contains of office water consumption for basic cleaning and sanitation. During the Reporting Period, only 131m<sup>3</sup> of water (2021: 224m<sup>3</sup>) were consumed by the Group and the water consumption per employee was 0.16m<sup>3</sup> (2021: 0.78m<sup>3</sup>). The Group conducted trainings for staff about the use of water resources.

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

### Use of Packaging Materials

The Group has no industrial production or any factory facilities. Therefore, we do not consume significant amounts of product packaging materials.

### **A3. Environment and Natural Resources**

#### ***General Disclosure and KPIs***

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

#### *Noise Management*

We are aware of the noise generated during our site operation. We have laid down procedures to ensure compliance with relevant laws and regulations, such as "Noise Control Ordinance". On project sites, project personnel are responsible to monitor noise levels to ensure that they are within the acceptable limit. In addition, equipment of lower noise level is chosen for our projects to reduce noise at source. Moreover, we avoid carrying out noisy operations during restricted hours, and enclose noisy operation area.

### **A4. Climate Change**

Climate change is the most pressing global challenge. Against the backdrop of global climate actions, the Group has implemented measures to conserve energy and reduce greenhouse gas emissions. The Group is conscious that the frequency of extreme weather is increasing, which could impact its business operations.

Managing the possible impact of extreme weather on human security and infrastructure, precautionary measures have been taken by the Group, including work arrangements in the case of adverse weather conditions such as Black Rainstorm Warning and Typhoon Signal No. 8, as well as insurance coverage for fire, flood and typhoon damages to equipment and assets.

## B. SOCIAL

### B1. Employment

#### *General Disclosure*

Human resources are fundamental in carrying out the business of the Group. Our human resources management policies recognise and reward employees with good performance and assist them to develop a career. These policies cover recruitment, compensation, promotion, working hours and rest periods, diversity and equal opportunity.

During the Reporting Period, the Group was not aware of any material non-compliance with employment related laws and regulations that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, "Employment Ordinance" and "Minimum Wage Ordinance".

#### *Recruitment, Promotion and Remuneration*

We apply robust and transparent recruitment processes based on merit selection against the job criteria, and recruit individuals based on their suitability for the position and experience to fulfill the Group's current and future needs.

The Group recognises that the recruitment and retention of experienced staff is crucial to sustain our business development and growth. Therefore, we offer attractive salary package to our staff. Our basis for compensation and promotion are job-related skills, qualifications and performances, ensuring that we treat and evaluate employees in a fair manner and compensate employees relative to the industry and local labour markets in which we operate, which consists of competitive level of fixed and variable compensation. Remuneration packages include medical allowance, transport subsidies, group insurance, mandatory provident fund and long service awards.

The promotion of the Group's employees is subject to annual appraisal. The Group has established objective performance indicators for annual performance appraisal on which salary adjustments are based.

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

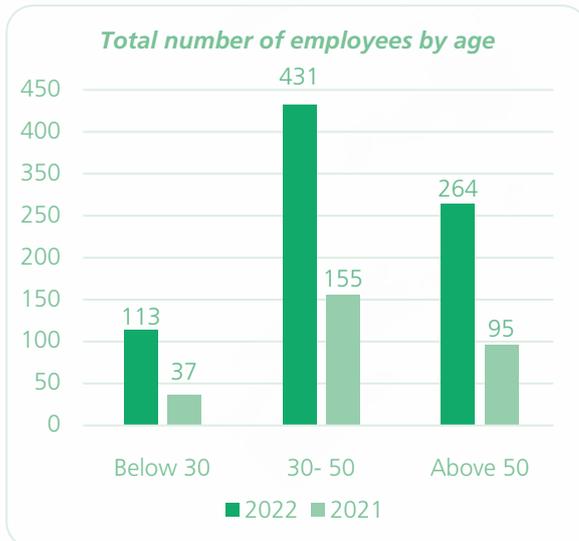
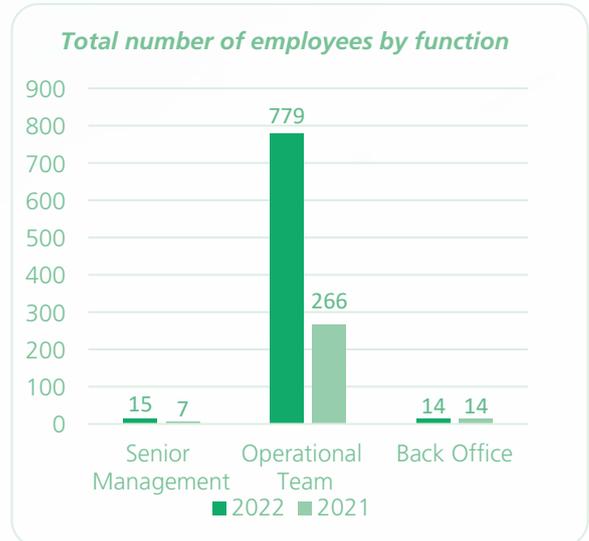
We are committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. We are dedicated to providing equal opportunity in all aspects of employment and maintaining workplace that are free from discrimination against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, sexual orientation. We have zero tolerance on harassment or abuse in the workplace.

#### *Work-life Balance*

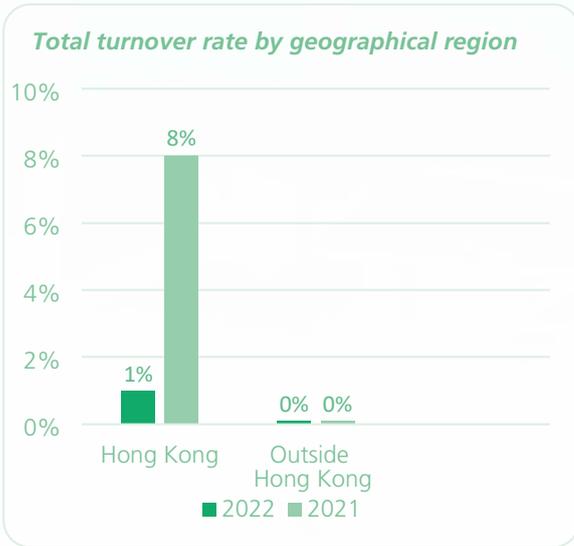
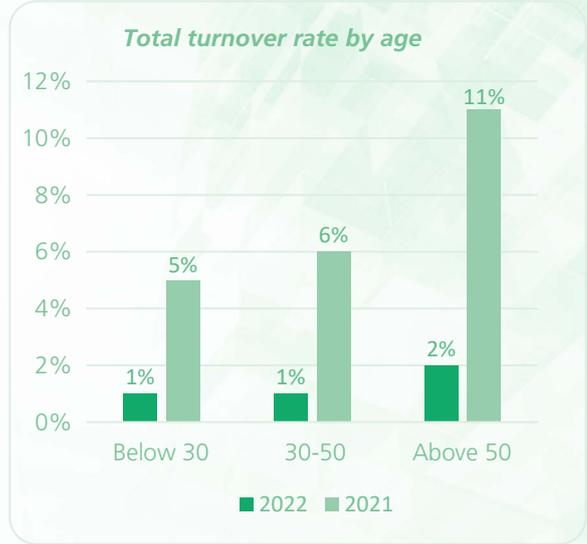
We understand the importance of maintaining our employees to have a healthy lifestyle and work life balance. We support a work-life balance workplace through regular review of employee's working environment, working hours and rest periods. We also actively engage employees through social activities, employee bonding, outing, volunteer works and charity activities. Salary staff enjoys annual leave, maternity leave, paternity leave and public holidays.

*Employee profile:*

As at end of the Reporting Period, the Group had a workforce of 807 full-time employees (2021: 286) and 1 part-time employee (2021: 1) who are all based in Hong Kong. The breakdown by gender, function, and age group are as follows.



Employee Turnover Rates:



**B2. Health and Safety****General Disclosure**

The Group pledges to provide healthy and safe working conditions for all employees, subcontractors and others associated with our business activities, and strives for zero occurrence of hazards, incidents, non-compliance and accidents.

To maintain a safe working environment, the Group has established safety policies and relevant procedures on the prevention and remediation of safety accidents in the projects. The Group has also established a safety and health management system and obtained ISO 45001: 2018 Occupational Health and Safety Management System (“OSHMS”) certification to effectively implement health and safety-related measures.

The Group will continue to invest sufficient resources and devote efforts to maintain and enhance safety management so as to reduce the risks involved in health and safety.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations (i.e. “Occupational Safety and Health Ordinance”) in Hong Kong that would have a significant impact on the Group. During the Reporting Period, the work injury statistics for the Group were as follows:

<b>Work Injury Statistics</b>	<b>Unit</b>	<b>2022</b>	<b>2021</b>
Number of work-related fatalities	case(s)	–	–
Rate of work-related fatalities	percentage	–	–
Number of reported accidents (sick leave > 3 days)	cases(s)	<b>3</b>	2
Days lost due to work injury	Day(s)	<b>622</b>	159

**Safety Management System**

The Group sets up a safety management system to promote safety practices to the staff so as to avoid accidents on the project site. In order to control and mitigate the safety risks of the projects in our operations, we have formulated a series of procedures to assess the occupational health and safety risks of the projects in accordance with the standard of ISO 45001:2018 OSHMS. Regular internal audit on the effectiveness and level of compliance of occupational health and safety management system are carried out on an annual basis.

At the same time, our safety supervisors and main contractors are responsible for monitoring the occupational safety and reporting to the main contractor when any safety issue is discovered. The project director also conducts regular inspections to ensure the compliance with occupational health and safety laws and regulations. In the event of an accident or personal injury, the safety officer will conduct a thorough investigation of the cause and advise on long-term preventive measures against the cause of the accident to avoid the recurrence of such accident.

### *Safety Measures*

We employ a registered safety officer and a qualified safety supervisor to prepare the safety plan according to the special conditions of the project department, working environment, construction organization design, construction plan, risk assessment, contract requirements, etc. and to ensure our employees and staff of the subcontractors adhere to the safety plan. Our safety officer will confirm that the site staff have received basic safety training and hold a valid certificate before they enter the site and work.

In accordance with the safety requirements of the Labour Department and the main contractor, we provide the site staff with qualified safety equipment, including safety helmets, goggles and other necessary safety precautions to ensure the occupational safety.

We regularly conduct safety-related meetings, seminars and activities to promote the message of site safety. At the beginning of each project and weekly safety conference, our safety officer reminds the site staff to comply with the construction site rules and conduct annual training for each site staff and subcontractors on Hong Kong safety and construction rules and regulations.

All newly recruited site staff are required to attend full-day induction safety training on their first working day to understand the Group's occupational health and safety policy, work safety code, site-related laws and regulations and emergency procedures to protect the safety of the site staff.

### *Safety Cooperation with the Main Contractor and Subcontractors*

To enhance the safety standards of projects undertaken by the Group, our safety supervisors and main contractors maintain close communication to provide the staff and subcontractors with the latest safety information. The main contractor regularly holds safety meetings with us to identify and address major safety issues. Generally, the main contractor develops a site safety plan for the construction project and requires compliance by all subcontractors. We strictly follow the safety plan provided by the main contractor.

Subcontractors must also strictly comply with the safety standards of the Labour Department and meet the safety requirements of the construction site to provide the staff with all safety equipment. To ensure the safety of our subcontractors' staff, we require subcontractors to submit sign records related to the safety and security of their employees for inspection.

### **B3. Development and Training**

#### ***General Disclosure***

##### *Development and Training*

The Group recognises the valuable contribution of our talents for the continued success of us. We are committed to inspiring our human capital towards delivering excellence. This is achieved through development of training strategy that focuses on creating value and serving the needs of our customers, our talents and society.

The Group encourages and supports employees to participate in personal and professional trainings to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of knowledge and experience sharing.

To ensure the effectiveness of the training programs, the Group has relevant policies in controlling the training related procedures. A training plan is developed by the management based on the requirements from various departments and employees. Training contents are regularly updated to ensure they are relevant to stakeholder's changing needs such as laws and regulations, technology change, market trend, product trend and customer behaviour change.

In order to enhance staff's knowledge about their roles and responsibilities, we encourage our employees to attend training courses and obtain professional qualifications. We also provide different trainings for our staff members, including induction training, vocational training and computer trainings so that they can understand the Group's business model and enhance their basic skills and expertise. To meet the needs of individual employees, we also provide education subsidies for them to improve their job skills and encourage continuous learning. Through the redeployment of posts, employees can draw on a wide range of experience in different fields of work while increasing their awareness of various positions in the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following figures show the employee training statistic during the Reporting Period and the corresponding period in 2021:

	2022	2021
The number of employees received training	808	287
Total training hours	2,424	1,523
Percentage of employees received training	100%	100%
Average training hours per employee	3	5.3
Percentage of employees received training by gender		
Male:	100%	100%
Female:	100%	100%
Percentage of employees received training by function		
Senior Management:	100%	100%
Operations:	100%	100%
Back Office:	100%	100%
Average training hours completed per employee by gender		
Male:	3	5.3
Female:	3	5.3
Average training hours completed per employee by function		
Senior Management:	3	5.3
Operations:	3	5.3
Back Office:	3	5.3

### B4. Labour Standards

#### **General Disclosure**

##### *Prohibition of Child Labour or Forced Labour*

Child and forced labour are strictly prohibited during the applicant shortlisting stage. We require applicants to provide valid identification documents to ensure that they attained the legal minimum working age. Personal data are collected and checked to assist in the selection of suitable candidates. Job titles and working hours are clearly set out in the contract to avoid forced labour.

Furthermore, the Group has included terms in the agreements with subcontractors that their human resource policies and procedures have to comply with the local labour laws and regulations.

During the Reporting Period, the Group has not identified material non-compliance of child and forced labour-related laws and regulations (including but not limited to: "Employment of Children Regulations" and "Employment Ordinance").

## **B5. Supply Chain Management**

### ***General Disclosure***

#### *Supply Chain Management Structure*

Our selection criteria for suppliers are price, material quality and delivery time from the list of pre-qualified suppliers unless our customer request for purchasing materials from designated supplier of the project. In order to ensure that our suppliers and subcontractors have met customers' and our requirements regarding quality, environmental and safety standards, we have formulated standards and stringent procedures in selecting suppliers and sub-contractors.

We maintain an approved list of suppliers and subcontractors. Assessments are carried out on our suppliers and subcontractors by project directors and the managing director. The materials purchased from suppliers and works performed by subcontractors will be checked and monitored on a regular basis. Suppliers or subcontractors may be suspended or removed from the approved list if they fail to fulfill our standards. The supplier and subcontractor relationship may also be terminated in the event of any substantial violation of environmental and labour laws and regulations.

In the procurement of materials, we use the concept of resource utilization to purchase the right amount of materials for different projects to avoid wasting resources. We also emphasise on quality management of the procured materials. We generally procure the materials from pre-qualified suppliers, except when the client requests us to order from designated suppliers. We obtain the customer's approval before purchasing the materials from supplier to ensure that the quality of the materials meets the customer's requirements. Materials delivered to the site shall be tested before use.

During the Reporting Period, there were 25 suppliers and all of them were located in Hong Kong.

In project management, apart from confirming construction quality, we also value the environmental and social performances of subcontractors and encourage them to use of eco-friendly materials. We regularly check their work to ensure that our environmental protection requirements are met. During the implementation of the EMS, the Group regularly monitors and measures its work to properly control the environmental and social factors during operations and achieves the internal environmental and social goals. For instance, the Group monitors subcontractors' use of resources and wastewater, exhaust and waste management and checks their implementation of emission reduction work. In the event of any non-compliance with environmental principles, the Group will investigate the cause and take appropriate corrective and preventive actions to prevent the recurrence of such issues.

### **B6 Product Responsibility**

#### ***General Disclosure***

The Group always strives to satisfy its customers and has been committed to provide its customers with quality services. In order to ensure that we deliver high quality services and sustainable projects to our customers, the progress of the projects is controlled and monitored regularly.

The quality management system of the Group is applicable to the design, supply, installation and maintenance of ELV system and has achieved ISO9001:2015 Quality Management System certification. Regular internal audits on the effectiveness and level of compliance of quality management system are carried out annually.

As the Group's operational process does not involve advertising and labelling practices, the information relating to advertising and labelling is considered not material to the Group.

During the Reporting Period, we were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group, concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. The relevant laws and regulations include but are not limited to "Supply of Services (Implied Terms) Ordinance" and "Personal Data (Privacy) Ordinance".

#### ***Quality Control of Projects***

The Group's project management team is responsible for quality control of various projects. The project manager is responsible for monitoring the progress and quality of projects to ensure that such projects can be completed on schedule. The project director is responsible for closely monitoring the progress of various projects, ensuring that the projects meet the requirements of our customers, completing the project within the predetermined deadline, and complying with the project-related laws and regulations. Percentage of total products sold or shipped subject to recalls is not disclosed since this is not a material issue to the Group's business.

#### ***Subcontractor Management***

For subcontractor management, the Group chooses only subcontractors holding valid business registration documents and carrying out such projects by qualified engineering staff to ensure the service quality. We require the subcontractors to strictly comply with the specifications of the main contractor in order to complete such projects and submit them to the prospective owners, architect and the Group for acceptance and delivery. Before delivery, the subcontractors shall conduct a test to confirm that the projects have been completed in accordance with the specifications and refer relevant records to us.

### *Customer Service*

In addition, the Group values the opinions of its customers and has established procedures to handle customers' feedback or complaints in a professional manner. As the project progresses, customers can monitor our installation at all stages. Customer feedback helps us develop and continuously review quality objectives. If, during the project, any potential non-conforming process is identified or any customer complaint is received, we will take corrective action according to the circumstances so as to prevent the recurrence of the non-compliance. In response to customer complaints, we conduct improvement work and review the working procedures. During the Reporting Period, no major products or services related complaints had been received.

### *Privacy Protection*

As a responsible service provider, the Group respects the values and rights of the customers' information assets, and in the process of providing our customers with products and services, we strictly comply with the customers' information security management systems and standards. The Group has classified the business-related information as highly confidential and requires employees not to disclose confidential information to third parties to ensure that the data will not be leaked.

### *Protection of Intellectual Property Rights*

To safeguard intellectual property rights, employees should also not use computer software, online services, information and data that are not consented by the company or illegally downloaded/installed and should sign a letter of confirmation every year to undertake not to use pirated software.

### **B7. Anti-corruption**

#### ***General Disclosure***

##### *Anti-corruption*

The Group regards fair competition, honesty and integrity as fundamental principal in doing business. Our anti-corruption policy sets out the basic standards of expected conduct of all staff members. Periodic seminars are arranged for our staff to reinforce the knowledge of recognizing and dealing with bribery and corruption. The Group has complied with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering throughout the year.

The Group has formulated an anti-money laundering policy and provided our staff members with relevant training to raise their anti-corruption awareness. We also support employees in reporting suspicious transactions to prevent money laundering.

In addition, the Group has formulated the “Good Professional Conduct and Related Procedures” policy on conflict of interests, which are included in the employee handbook for employees to perform their duties with the highest level of integrity and professional attitude. All employees are not allowed to engage in any activities that conflict with the interests of the Group. Employees must report any activities and situations that may lead to conflict of interest to the Group. Relevant activities can only be carried out with the consent of the Group. Employees failing to report potential conflicts of interests may be subjected to disciplinary actions.

To further prevent business frauds, an Audit Committee is also established for continuous evaluation of the Group’s internal control effectiveness, detecting potential deficiency, and identifying areas of improvement. Audit report is distributed to the responsible department for the timely remediation. The Board of Directors and Audit Committee supervise and review the implementation and effectiveness of the internal control policies and procedures on a regular basis.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering. The relevant laws and regulations include, but are not limited to “Prevention of Bribery Ordinance”, etc.

## **B8. Community Investment**

### ***General Disclosure***

#### *Community Commitment*

While devoting ourselves to business development, the Group also emphasises the importance of reciprocate to society. Therefore, the Group is committed to support public by means of social participation and contribution as part of its strategic development. We embrace human capital into the social management strategies to sustain our corporate social responsibility as a part of the strategic development of the Group.

We participate in community activities, such as, making charitable donations, participate in voluntary social services and making voluntary sponsorships to NGOs. We also actively support the development of charities. We regularly communicate with local charities to understand community's needs. We believe it helps to connect us with the local community and maintain a mutually beneficial relationship to society as a whole. During the Reporting Period, we donated a total of approximately HK\$996,580 to charities (2021: HK\$1,167,230) to help the underprivileged. Moreover, we have been awarded the "Caring Company" logo from the Hong Kong Council of Social Service.

# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

德勤

## **TO THE SHAREHOLDERS OF GOLDEN FAITH GROUP HOLDINGS LIMITED**

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

### **OPINION**

We have audited the consolidated financial statements of Golden Faith Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 54 to 117, which comprise the consolidated statement of financial position as at 30 September 2022, 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 30 September 2022, 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. The 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 the matter.

### KEY AUDIT MATTER *(continued)*

#### Key audit matter

##### **Revenue recognition from engineering service contracts**

We identified the recognition of revenue from engineering service contracts as a key audit matter due to the use of estimates by management in determining the contract revenue for each engineering service contract in progress.

During the year ended 30 September 2022, the Group recognised revenue of HK\$348,610,000 from engineering service contracts.

The Group recognised contract revenue of engineering service contracts by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period, as set out in note 4 to the consolidated financial statements. The recognition of revenue therefore relies on the management's estimation of the progress and outcome of the project, which involves the exercise of significant management estimation, particularly in estimating the budgeted engineering service costs, which are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management.

In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred.

#### How our audit addressed the key audit matter

Our procedures in relation to recognition of revenue from engineering service contracts included:

- Understanding management's process in estimation of the contract revenue, total budget costs and determination of completion status of the engineering service contracts;
- Agreeing the total contract value and variation orders, where applicable, to the relevant signed contracts and the correspondence with customers, on a sample basis;
- Evaluating the reasonableness of estimated total contract costs to be incurred by checking against the agreements, quotations or other correspondences from time to time provided by subcontractors, suppliers or vendors involved, on a sample basis;
- Evaluating the accuracy of actual contract costs from engineering service recognised for the year by checking against the supporting documents including the invoices issued by the subcontractors, suppliers or vendors and their correspondences, on a sample basis; and
- Assessing the accuracy of revenue recognised for the year by recalculating the revenue based on the percentage of completion of the contract by using the input method.

### **OTHER INFORMATION**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter 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 Poon Kam Chuen.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23 December 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	5	<b>348,610</b>	254,863
Costs of sales		<b>(302,257)</b>	(211,035)
Gross profit		<b>46,353</b>	43,828
Other income	6	<b>8,400</b>	4,691
Other gains and losses	6	<b>(8,178)</b>	6,340
Impairment losses recognised on trade receivables and contract assets, net of reversal		<b>344</b>	(314)
Administrative expenses		<b>(30,959)</b>	(32,280)
Finance cost	7	<b>(130)</b>	(125)
Profit before taxation	8	<b>15,830</b>	22,140
Income tax expense	9	<b>(2,205)</b>	(4,892)
Profit and total comprehensive income for the year		<b>13,625</b>	17,248
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		<b>11,591</b>	16,992
Non-controlling interests		<b>2,034</b>	256
		<b>13,625</b>	17,248
Earnings per share	12		
Basic (HK cents)		<b>1.75</b>	2.61
Diluted (HK cents)		<b>1.75</b>	2.61

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	1,767	1,999
Right-of-use assets	14	2,411	3,032
Investment properties	15	50,480	54,970
Deferred tax assets	16	211	187
Deposits	18	331	331
		<u>55,200</u>	<u>60,519</u>
<b>Current assets</b>			
Trade receivables	17	105,416	24,132
Other receivables, deposits and prepayments	18	3,941	1,696
Contract assets	19	69,402	119,523
Financial assets at fair value through profit or loss ("FVTPL")	20	7,111	2,348
Tax recoverable		577	448
Short term bank deposits	21	–	5,220
Cash and cash equivalents	21	127,723	107,011
		<u>314,170</u>	<u>260,378</u>
<b>Current liabilities</b>			
Trade payables	22	20,230	9,210
Other payables and accrued charges	23	25,884	12,500
Contract liabilities	19	13,721	1,663
Lease liabilities	24	2,050	1,904
Tax liabilities		282	5,404
		<u>62,167</u>	<u>30,681</u>
Net current assets		<u>252,003</u>	<u>229,697</u>
Total assets less current liabilities		<u>307,203</u>	<u>290,216</u>
<b>Non-current liabilities</b>			
Provisions	25	1,272	1,070
Rental deposits received		257	345
Lease liabilities	24	446	1,123
		<u>1,975</u>	<u>2,538</u>
Net assets		<u><u>305,228</u></u>	<u><u>287,678</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	NOTE	2022 HK\$'000	2021 HK\$'000
Capital and reserves			
Share capital	26	6,657	6,562
Reserves		<u>295,977</u>	<u>280,556</u>
Equity attributable to owners of the Company		<b>302,634</b>	287,118
Non-controlling interests		<u>2,594</u>	<u>560</u>
Total equity		<b><u>305,228</u></b>	<b><u>287,678</u></b>

The consolidated financial statements on pages 54 to 117 were approved and authorised for issue by the board of directors on 23 December 2022 and are signed on its behalf by:

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**Ko Chun Hay Kelvin**

*DIRECTOR*

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**Chan Cho Chak**

*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2022

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Other reserves	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 September 2020	6,436	121,767	2,514	5,955	128,254	264,926	304	265,230
Profit and total comprehensive income for the year	-	-	-	-	16,992	16,992	256	17,248
Recognition of equity-settled share-based payments	-	-	900	-	-	900	-	900
Issue of shares upon exercise of share options	126	5,422	(1,248)	-	-	4,300	-	4,300
Transfer upon the lapse of share options	-	-	(322)	-	322	-	-	-
<b>At 30 September 2021</b>	<b>6,562</b>	<b>127,189</b>	<b>1,844</b>	<b>5,955</b>	<b>145,568</b>	<b>287,118</b>	<b>560</b>	<b>287,678</b>
Profit and total comprehensive income for the year	-	-	-	-	11,591	11,591	2,034	13,625
Recognition of equity-settled share-based payments	-	-	1,300	-	-	1,300	-	1,300
Issue of shares upon exercise of share options	95	3,497	(967)	-	-	2,625	-	2,625
<b>At 30 September 2022</b>	<b>6,657</b>	<b>130,686</b>	<b>2,177</b>	<b>5,955</b>	<b>157,159</b>	<b>302,634</b>	<b>2,594</b>	<b>305,228</b>

Note: Other reserves represented (a) contribution from immediate holding company of the Company in previous years; (b) the difference of the combined share capital of the operating subsidiaries and the share capital of a group entity incorporated in the British Virgin Islands ("BVI") for shares issued pursuant to the group reorganisation in preparation for the Listing; and (c) the difference of issuance of shares of the Company to immediate holding company of the Company during the year ended 30 September 2017.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2022

	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	15,830	22,140
Adjustments for:		
Interest income	(103)	(65)
Finance cost	130	125
Gain on disposal of property, plant and equipment	(1,444)	(4,145)
Depreciation of property, plant and equipment	834	754
Depreciation of right-of-use assets	1,677	1,643
Impairment losses recognised on trade receivables and contract assets, net of reversal	(344)	314
Fair value change of investment properties	4,490	(1,970)
Fair value change of financial assets at FVTPL	4,500	(113)
Share-based payment expenses	1,300	900
	<hr/>	<hr/>
Operating cash flows before movements in working capital	26,870	19,583
Increase in trade receivables	(81,665)	(23,653)
(Increase) decrease in other receivables, deposits and prepayments	(2,245)	4,530
Decrease (increase) in contract assets	50,846	(67,984)
Increase (decrease) in contract liabilities	12,058	(3,822)
Increase in trade payables	11,020	844
Increase (decrease) in other payables and accrued charges and rental deposits received	13,296	(15,615)
Increase in provisions	202	774
	<hr/>	<hr/>
Cash from (used in) operations	30,382	(85,343)
Income tax paid	(7,480)	(5,690)
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	22,902	(91,033)
INVESTING ACTIVITIES		
Interest received	103	65
Purchase of property, plant and equipment	(673)	(1,381)
Proceeds on disposal of property, plant and equipment	1,515	5,880
Purchase of financial assets at FVTPL	(12,000)	(2,365)
Disposal of financial assets at FVTPL	2,737	1,454
Withdrawal (placement) of short term bank deposits	5,220	(5,220)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(3,098)	(1,567)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2022

	2022 HK\$'000	2021 HK\$'000
FINANCING ACTIVITIES		
Interest paid	(130)	(125)
Repayment of lease liabilities	(1,587)	(1,648)
Issue of shares upon exercise of share options	2,625	4,300
	<u>908</u>	<u>2,527</u>
NET CASH FROM FINANCING ACTIVITIES		
	<u>908</u>	<u>2,527</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,712	(90,073)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	107,011	197,084
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>127,723</u>	<u>107,011</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	92,586	71,258
Short term bank deposits with maturity less than three months	35,137	35,753
	<u>127,723</u>	<u>107,011</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

## 1. GENERAL

Golden Faith Group Holdings Limited (the “Company”) is incorporated and registered as an exempted company in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The address of the registered office and principal place of business are stated in the “Corporate Information” section of the annual report. The parent and ultimate holding company of the Company is Greatly Success Investment Trading Limited, which is incorporated in the Republic of Seychelles.

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are disclosed in note 35 to the consolidated financial statements.

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

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 October 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

### New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>4</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2024.

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.

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

### Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 30 September 2022, the application of the amendments will not result in reclassification of the Group’s liabilities.

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

#### 3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

#### 3.2 Significant accounting policies

##### Basis of consolidation

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

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

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

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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

#### Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

##### *Input method*

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

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

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

##### **Variable consideration**

For contracts that contain variable consideration (i.e. variation orders), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

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

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

##### **Government grants**

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

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

##### **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 of HKFRS 16 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.

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

#### *Leases (continued)*

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

##### *Short-term leases*

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

##### *Right-of-use assets*

The cost of right-of-use asset includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

##### *Refundable rental deposits*

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

##### *Lease liabilities*

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

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

#### **Leases** *(continued)*

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

##### *Lease liabilities (continued)*

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

##### **The Group as a lessor**

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value.

Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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

#### **Property, plant and equipment**

Property, plant and equipment held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, depreciation method and residual values 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, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant 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.

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

#### Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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.

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 in profit or loss immediately.

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

#### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

#### **Cash and cash equivalents**

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

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

#### **Retirement benefit costs**

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

#### **Short-term and other long-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 and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits (such as long service payments) are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of the reporting period.

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

#### Share-based payments

##### *Equity-settled share-based payment transactions*

###### *Share options granted to directors and employees*

Equity-settled share-based payments to directors and employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

###### *Share options granted to non-employees*

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

#### 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 terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. 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).

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

#### 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 of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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 rates (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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

#### **Taxation** *(continued)*

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

Current and deferred tax are recognised in profit or loss.

#### **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).

#### **Financial instruments**

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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 and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

#### **Financial assets**

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

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

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

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

#### *Classification and subsequent measurement of financial assets (continued)*

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and deposits, short term bank deposits and cash and cash equivalents) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at 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-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually.

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

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

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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:

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

(iv) Write-off policy

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

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

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

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

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data 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 the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

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

#### *Derecognition of financial assets*

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

On derecognition of a financial asset, 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 instruments**

#### *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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

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

#### **Financial liabilities and equity instruments** *(continued)*

#### *Financial liabilities at amortised cost*

Financial liabilities (including trade payables, other payables and accrued charges and rental deposits received) 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, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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 financial year.

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

##### Engineering service contracts

The Group reviews and revises the estimates of contract revenue and contract budget costs prepared for each engineering service contract as the contract progresses. Budgeted engineering service costs are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit or loss recognised in each period.

Recognised amounts of engineering service contract revenue reflect management's best estimate of each contract's outcome and the progress towards complete satisfaction of a performance obligation measured based on input method. Notwithstanding that the management reviews and revises the estimates for both contract revenue and contract budget costs for the engineering services as the contract progresses, the actual outcomes in terms of total cost 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 to be recognised in future years as an adjustment to the amounts recorded to date.

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

ECL on the trade receivables and contract assets are assessed individually. The assessment is based on the ageing, repayment history and/or past due status of the respective customers, taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The assessment of credit risk of trade receivables and contract assets involves high degree of estimation uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly in future periods. The provision of ECL is sensitive to changes in estimates. The information about the ECL on trade receivables and contract assets is disclosed in notes 17, 19 and 30. As at 30 September 2022, the trade receivables and contract assets were HK\$105,416,000 and HK\$69,402,000 (2021: HK\$24,132,000 and HK\$119,523,000), respectively.

##### Fair value of investment properties

All of the Group's investment properties are measured using the fair value model based on a valuation performed by independent qualified professional valuers. In determining the fair value, the valuers based its valuation on income capitalisation approach for investment properties, which involves certain estimates, including comparable market transactions, appropriate capitalisation rates and rental value. In relying on the valuation, management of the Group has exercised judgment and is satisfied that the valuation method used is reflective of the current market conditions. At 30 September 2022, the carrying amount of investment properties was HK\$50,480,000 (2021: HK\$54,970,000).

## 5. REVENUE AND SEGMENT INFORMATION

### Revenue from services

#### (i) Disaggregation of revenue

	2022 HK\$'000	2021 HK\$'000
Types of services		
– Electric and maintenance engineering services in Hong Kong	<u>348,610</u>	<u>254,863</u>
Timing of revenue recognition		
– Over time	<u>348,610</u>	<u>254,863</u>

#### (ii) Performance obligations for contracts with customers

##### *Electric and maintenance engineering services*

Under the terms of contracts, the Group's performance creates or enhances the properties which the customers control during the course of work by the Group. Revenue from provision of electric and maintenance engineering services is therefore recognised based on the progress towards complete satisfaction of a performance obligation of contract using input method. The progress towards complete satisfaction of a performance obligation is determined as the proportion of the costs incurred for the works (i.e. direct labor costs, subcontracting costs and costs of materials incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services and the margin of each project, to the extent that the revenue can be measured reliably and its recovery is considered probable.

The Group's engineering service contracts include payment schedules which require stage payments over the construction period once certain specified milestones based on surveyors' assessment are reached.

Retention receivables, prior to expiration of maintenance period, which ranges from one to two years from the date of the practical completion of the engineering services, are classified as contract assets. The relevant amount of contract asset is reclassified to trade receivables when the maintenance period expires. The maintenance period serves as an assurance that the engineering services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the engineering services are performed representing the Group's right to consideration for the services performed and not billed because the rights are conditioned on the Group's future performance accepted by the customers. The contract assets are transferred to trade receivables when the rights become unconditional. If the progress payment exceeds the revenue recognised to date under the input method, the Group recognises a contract liability for the difference.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 September 2022*

### 5. REVENUE AND SEGMENT INFORMATION *(continued)*

#### Revenue from services *(continued)*

- (iii) The transaction price allocated to the remaining performance obligations of electric and maintenance engineering services contracts (unsatisfied or partially unsatisfied) as at 30 September 2022 and the expected timing of recognised revenue are as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>199,161</b>	186,530
More than one year	<b>459,108</b>	759,750
	<b><u>658,269</u></b>	<u>946,280</u>

#### Segment information

Information reported to the executive directors of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide discussions, major customers and geographic information are presented.

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

#### For the year ended 30 September 2022

	<b>Consolidated</b>
	<b>HK\$'000</b>
Segment revenue from electric and maintenance engineering services	<b><u>348,610</u></b>
Segment results from electric and maintenance engineering services	<b>31,140</b>
Interest income	<b>84</b>
Rental income from investment properties	<b>1,137</b>
Change in fair value of investment properties	<b>(4,490)</b>
Change in fair value of financial assets at FVTPL	<b>(4,500)</b>
Administrative expenses	<b>(7,489)</b>
Finance cost	<b><u>(52)</u></b>
Profit before taxation	<b><u>15,830</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 5. REVENUE AND SEGMENT INFORMATION (continued)

#### Segment information (continued)

For the year ended 30 September 2021

	Consolidated HK\$'000
Segment revenue from electric and maintenance engineering services	<u>254,863</u>
Segment results from electric and maintenance engineering services	27,956
Interest income	65
Rental income from investment properties	1,398
Change in fair value of investment properties	1,970
Change in fair value of financial assets at FVTPL	113
Administrative expenses	(9,307)
Finance cost	<u>(55)</u>
Profit before taxation	<u>22,140</u>

All of the segment revenue reported above is from external customers.

The accounting policies of the operating and reportable segment is the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by the segment excluding interest income, rental income from investment properties, change in fair value of investment properties, change in fair value of financial assets at FVTPL, certain administrative expenses, certain finance costs and income tax expense. This is the measure reported to the Group's management for the purpose of resource allocation and performance assessment.

No analysis of segment asset and segment liability is presented as the chief operating decision maker 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 30 September 2022*

### 5. REVENUE AND SEGMENT INFORMATION *(continued)*

#### Segment information *(continued)*

#### *Other segment information*

	<b>Electric and maintenance engineering services</b>	<b>Unallocated</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<i>For the year ended 30 September 2022</i>			
Interest income	19	84	103
Depreciation of property, plant and equipment	592	242	834
Depreciation of right-of-use assets	1,042	635	1,677
Impairment losses on trade receivables, net	381	–	381
Impairment losses on contract assets, net	(725)	–	(725)
Change in fair value of investment properties	–	4,490	4,490
Change in fair value of financial assets at FVTPL	–	4,500	4,500
Gain on disposal of property, plant and equipment	1,444	–	1,444
Finance cost	78	52	130
	78	52	130

#### *For the year ended 30 September 2021*

Interest income	–	65	65
Depreciation of property, plant and equipment	754	–	754
Depreciation of right-of-use assets	729	914	1,643
Impairment losses on trade receivables, net	115	–	115
Impairment losses on contract assets, net	199	–	199
Change in fair value of investment properties	–	1,970	1,970
Change in fair value of financial assets at FVTPL	–	113	113
Gain on disposal of property, plant and equipment	4,145	–	4,145
Finance cost	70	55	125
	70	55	125

#### **Geographical information**

All of the segment revenue reported above is from Hong Kong.

The Group's, property, plant and equipment of HK\$1,767,000 (2021: HK\$1,999,000), right-of-use assets amounting to HK\$2,411,000 (2021: HK\$3,032,000), investment properties of HK\$50,480,000 (2021: HK\$54,970,000) and deposits of HK\$331,000 (2021: HK\$331,000) as at 30 September 2022 are all located in Hong Kong by geographical location of assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 5. REVENUE AND SEGMENT INFORMATION (continued)

#### Segment information (continued)

#### Information about major customers

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

	2022 HK\$'000	2021 HK\$'000
Customer A (note)	N/A	38,957
Customer B (note)	71,815	N/A
Customer C	179,792	149,493
Customer D	<u>96,485</u>	<u>56,669</u>

Note: The customer attributed less than 10% of revenue in respective year. All of above customers are derived from electric and maintenance engineering services segment.

### 6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2022 HK\$'000	2021 HK\$'000
Other income:		
Bank interest income	103	65
Government grant (note)	7,150	2,919
Rental income from investment properties	1,137	1,398
Others	<u>10</u>	<u>309</u>
	<u>8,400</u>	<u>4,691</u>

Note: The government grant represented the government subsidies received under Employment Support Scheme and the Employment Support Scheme for the construction section (casual employees) launched by the Government of the Hong Kong Special Administrative Region.

	2022 HK\$'000	2021 HK\$'000
Other gains and losses:		
Change in fair value of investment properties	(4,490)	1,970
Change in fair value of financial assets at FVTPL	(4,500)	113
Gain on disposal of property, plant and equipment	1,444	4,145
Net exchange (loss) gain	(656)	112
Others	<u>24</u>	<u>–</u>
	<u>(8,178)</u>	<u>6,340</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 September 2022*

### 7. FINANCE COST

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Interest on lease liabilities	<b>130</b>	125

### 8. PROFIT BEFORE TAXATION

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000

Profit before taxation has been arrived at after charging (crediting):

Staff costs (note):

Directors' remuneration (note 10)	<b>10,228</b>	12,462
Other staff costs	<b>172,562</b>	111,435
Contributions to retirement benefits schemes for other staff	<b>5,765</b>	3,834
	<b>188,555</b>	127,731

Auditor's remuneration	<b>965</b>	950
Depreciation of property, plant and equipment (note 13)	<b>834</b>	754
Depreciation of right-of-use assets (note 14)	<b>1,677</b>	1,643
Gross rental income from investment properties	<b>(1,137)</b>	(1,398)
Less: Direct operating expenses arising from investment properties that generated rental income	<b>64</b>	11
	<b>(1,073)</b>	(1,387)

Note: Staff costs of HK\$171,728,000 (2021: HK\$107,573,000) included in cost of sales and remaining HK\$16,827,000 (2021: HK\$20,158,000) included in administrative expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 9. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Hong Kong Profits Tax:		
– Current year	2,201	4,799
– Underprovision in prior years	28	–
	<u>2,229</u>	<u>4,799</u>
Deferred taxation (credit) charge for the year (note 16)	(24)	93
	<u>2,205</u>	<u>4,892</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualified for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax for the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

	2022 HK\$'000	2021 HK\$'000
Profit before taxation	<u>15,830</u>	<u>22,140</u>
Taxation at income rate of 16.5%	2,612	3,653
Tax effect of expenses not deductible for tax purposes	1,330	1,059
Tax effect of income not taxable for tax purposes	(1,499)	(1,568)
Tax effect of tax losses not recognised	749	1,913
Utilisation of tax losses previously not recognised	(850)	–
Underprovision in prior years	28	–
Income tax at concessionary rate	<u>(165)</u>	<u>(165)</u>
Income tax expense	<u>2,205</u>	<u>4,892</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 30 September 2022

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

The emoluments paid or payable to the directors of the Company for both years as follows:

	Executive directors			Non-executive directors			Independent non-executive directors			Total
	Mr. Ko Chun Hay Kelvin HK\$'000	Mr. Chan Cho Chak HK\$'000	Mr. Han Zheng Hai HK\$'000 (note (iv))	Mr. Yung On Wah HK\$'000	Mr. Li Kar Fai Peter HK\$'000	Ms. Wong Cheuk Wai Helena HK\$'000	Mr. Chan Wing Fai HK\$'000	Mr. Yeung Wai Lung HK\$'000	Mr. Ng Man Li HK\$'000	
2022										
Fees	-	-	-	-	-	-	120	120	120	360
Other emoluments										
Salaries and other benefits	2,418	240	39	3,679	180	180	-	-	-	6,736
Performance and discretionary bonus (Note i)	30	-	-	1,861	-	-	-	-	-	1,891
Share-based payments	703	54	-	-	454	-	-	-	-	1,211
Retirement benefits scheme contributions	18	12	-	-	-	-	-	-	-	30
<b>Total emoluments</b>	<b>3,169</b>	<b>306</b>	<b>39</b>	<b>5,540</b>	<b>634</b>	<b>180</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>10,228</b>
	Executive directors			Non-executive directors			Independent non-executive directors			Total
	Mr. Ko Chun Hay Kelvin HK\$'000	Mr. Chan Cho Chak HK\$'000 (note (iii))	Mr. Han Zheng Hai HK\$'000 (note (iii))	Mr. Yung On Wah HK\$'000	Mr. Li Kar Fai Peter HK\$'000 (note (iii))	Ms. Wong Cheuk Wai Helena HK\$'000	Mr. Chan Wing Fai HK\$'000	Mr. Yeung Wai Lung HK\$'000	Mr. Ng Man Li HK\$'000 (note (iii))	
2021										
Fees	-	60	-	-	-	-	120	120	60	360
Other emoluments										
Salaries and other benefits	2,415	120	-	3,728	330	180	-	-	-	6,773
Performance and discretionary bonus (Note i)	1,000	-	-	3,396	-	-	-	-	-	4,396
Share-based payments	654	-	-	-	246	-	-	-	-	900
Retirement benefits scheme contributions	18	6	-	-	9	-	-	-	-	33
<b>Total emoluments</b>	<b>4,087</b>	<b>186</b>	<b>-</b>	<b>7,124</b>	<b>585</b>	<b>180</b>	<b>120</b>	<b>120</b>	<b>60</b>	<b>12,462</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

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

#### (a) Directors' emoluments (continued)

Notes:

- (i) The performance and discretionary bonus is determined by reference to the duties and responsibilities of the directors of the Company within the Group and the Group's performance.
- (ii) The Company does not officially have a position of chief executive, the executive directors have effectively performed the role of chief executive leading the Board to work effectively. The emoluments of the executive directors shown above were for their services in connection with the management of the affairs of the Group. The emoluments of the non-executive directors and independent non-executive directors shown above were for their services as directors of the Company.
- (iii) On 1 April 2021, Mr. Li Kar Fai, Peter has been redesignated from executive director of the Company to a non-executive director of the Company, Mr. Chan Cho Chak has been redesignated from an independent non-executive director to an executive director of the Company. Also, on the same date, Mr. Han Zheng Hai and Mr. Ng Man Li have been appointed as executive director and independent non-executive director of the Company, respectively.
- (iv) Mr. Han Zheng Hai has resigned as an executive director on 28 January 2022.

During both years, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 28 to the consolidated financial statements.

No remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years. There is no arrangement under which a director has waived or agreed to waive any remuneration.

#### (b) Employees' emoluments

The five highest paid individuals included two (2021: three) of the directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2021: two) individuals for both years were as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	5,011	3,150
Performance and discretionary bonus	2,541	1,597
Retirement benefit schemes contributions	54	36
	<u>7,606</u>	<u>4,783</u>

Their emoluments are within the following bands:

	2022 Number of employees	2021 Number of employees
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	<u>1</u>	<u>1</u>

The performance and discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

No emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 11. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

### 12. EARNINGS PER SHARE

The calculation of the basic and diluted earning per share is based on the following data:

#### Earnings

	2022 HK\$'000	2021 HK\$'000
Profit for the purpose of calculating basic earnings and diluted earnings per share for the year attributable to owners of the Company	<u>11,591</u>	<u>16,992</u>

#### Number of shares

	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings for share	661,449	650,215
Effect of dilutive potential ordinary shares – share options	<u>349</u>	<u>407</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>661,798</u>	<u>650,622</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>					
At 30 September 2020	3,106	804	3,785	1,436	9,131
Additions	–	–	127	1,254	1,381
Disposals	(2,947)	(690)	(11)	(329)	(3,977)
At 30 September 2021	159	114	3,901	2,361	6,535
Additions	–	–	193	480	673
Disposals	(159)	–	(2,265)	(120)	(2,544)
At 30 September 2022	–	114	1,829	2,721	4,664
<b>DEPRECIATION</b>					
At 30 September 2020	1,223	722	3,023	1,056	6,024
Provided for the year	82	23	291	358	754
Eliminated on disposals	(1,221)	(690)	(3)	(328)	(2,242)
At 30 September 2021	84	55	3,311	1,086	4,536
Provided for the year	4	23	280	527	834
Eliminated on disposals	(88)	–	(2,265)	(120)	(2,473)
At 30 September 2022	–	78	1,326	1,493	2,897
<b>CARRYING AMOUNTS</b>					
At 30 September 2022	<u>–</u>	<u>36</u>	<u>503</u>	<u>1,228</u>	<u>1,767</u>
At 30 September 2021	<u>75</u>	<u>59</u>	<u>590</u>	<u>1,275</u>	<u>1,999</u>

The above property, plant and equipment are depreciated on the straight-line basis over their estimated useful lives, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 50 years
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Motor vehicles	25%

## 14. RIGHT-OF-USE ASSETS

	Leased properties	
	As at 30 September	
	2022	2021
	HK\$'000	HK\$'000
Carrying amounts	<u>2,411</u>	<u>3,032</u>
	<b>For the year ended</b>	
	<b>30 September</b>	
	2022	2021
	HK\$'000	HK\$'000
Depreciation	1,677	1,643
Total cash outflow for leases	1,717	1,773
Additions to right-of-use assets	<u>1,056</u>	<u>3,009</u>

As at 30 September 2022 and 2021, the Group has no outstanding short-term lease commitments.

For both years, the Group leases various office premises and workshop for its operations. Lease contracts are entered into for fixed term of 1 to 3 years.

Details of the lease maturity analysis of lease liabilities are set out in note 24.

### Restrictions or covenants on leases

In addition, lease liabilities of HK\$2,496,000 (2021: HK\$3,027,000) are recognised with related right-of-use assets of HK\$2,411,000 (2021: HK\$3,032,000) as at 30 September 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 15. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 October 2020	53,000
Net increase in fair value recognised in profit or loss	<u>1,970</u>
At 30 September 2021	54,970
Net decrease in fair value recognised in profit or loss	<u>(4,490)</u>
<b>As 30 September 2022</b>	<b><u>50,480</u></b>

The Group leases out a car parking space and a retail store under operating leases with rentals payable monthly. The leases typically run for an initial period of one to two years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

All of the Group's investment properties are held under operating leases to earn rentals or for capital appreciation purposes. They are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 30 September 2022 and 2021 has been arrived at on the basis of a valuation carried out on the respective dates by BMI Appraisals Limited, independent qualified professional valuers not connected to the Group. In determining the fair value of the investment properties, the valuation was based on income capitalisation approach, which involves certain estimates, including comparable market transactions, appropriate capitalisation rates and rental value.

The Group's investment properties are categorised into level 3 of the fair value hierarchy. At the end of the reporting period, the group finance director works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs to be used in determining the fair value of the investment properties. Discussions on valuation processes and results are held between group finance director and the directors of the Company at least twice a year.

There is no transfer into or out of Level 3 for both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 15. INVESTMENT PROPERTIES (continued)

The following table shows the valuation techniques used in the determination of the fair values of investment properties and unobservable inputs used in the valuation models:

Types of investment properties	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Retail store 2022: HK\$48,300,000 (2021: HK\$52,800,000)	Income capitalisation approach	(i) Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 2.60% (2021: 2.50%)	The higher the capitalisation rate, the lower the fair value, and vice versa
		(ii) Retail store monthly market rent of HK\$115,000 (2021: HK\$115,000) and adjusted market rate (per sq ft) of HK\$70,900 to HK\$95,100 (2021: HK\$77,900 to HK\$94,600), taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property	The higher the market rent and adjusted market rate, the higher the fair value, and vice versa
Car parking space 2022: HK\$2,180,000 (2021: HK\$2,170,000)	Income capitalisation approach	(i) Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 2.50% (2021: 2.56%)	The higher the capitalisation rate, the lower the fair value, and vice versa
		(ii) Car park monthly market rent of HK\$3,128 (2021: HK\$3,496) and adjusted market price (per car parking space) of HK\$1,720,000 to HK\$2,500,000 (2021: HK\$1,666,000 to HK\$2,754,000), taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property	The higher the market rent and adjusted market price, the higher the fair value, and vice versa

There were no changes to the valuation techniques for the investment properties other than disclosed above during the year.

The fair value measurement is based on the above investment properties' highest and best use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 16. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Deferred tax assets	<u><b>211</b></u>	<u>187</u>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>Accelerated accounting (tax) depreciation</b> HK\$'000	<b>Allowance for credit losses on trade receivables and contract assets</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1 October 2020	130	150	–	280
(Charge) credit to profit or loss (note 9)	<u>(210)</u>	<u>52</u>	<u>65</u>	<u>(93)</u>
At 30 September 2021	(80)	202	65	187
(Charge) credit to profit or loss (note 9)	<u>80</u>	<u>(56)</u>	<u>–</u>	<u>24</u>
At 30 September 2022	<u>–</u>	<u>146</u>	<u>65</u>	<u>211</u>

At 30 September 2022, the Group has estimated unutilised tax losses of approximately HK\$23,138,000 (2021: HK\$23,753,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$393,000 (2021: HK\$393,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK\$22,745,000 (2021: HK\$23,360,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

Under the EIT Law of the People's Republic of China ("PRC"), withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiary amounting to approximately HK\$40,000 (2021: HK\$40,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 17. TRADE RECEIVABLES

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Gross trade receivables	<b>105,915</b>	24,250
Less: allowance for credit losses	<b>(499)</b>	(118)
	<u>105,416</u>	<u>24,132</u>
Total	<b>105,416</b>	24,132

As at 1 October 2020, the carrying amount of trade receivables is HK\$594,000.

The Group grants credit terms of 0 to 30 days to its customers from the date of invoices on progress payments of engineering service works. An ageing analysis of the trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period, is as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>105,416</b>	24,132

As at 30 September 2021 and 30 September 2022, entire trade receivables were not past due at the reporting date.

Details of impairment assessment of trade receivables are set out in note 30.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Rental and other deposits	636	503
Deposits for trading products/materials purchase	2,090	593
Prepayments and others	<u>1,546</u>	<u>931</u>
Total	<u><u>4,272</u></u>	<u><u>2,027</u></u>
Presented as non-current assets	331	331
Presented as current assets	<u>3,941</u>	<u>1,696</u>
Total	<u><u>4,272</u></u>	<u><u>2,027</u></u>

### 19. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Contract assets		
– Engineering service contracts	69,785	120,631
Less: allowance for credit losses	<u>(383)</u>	<u>(1,108)</u>
	<u><u>69,402</u></u>	<u><u>119,523</u></u>
Contract liabilities		
– Engineering service contracts	<u>13,721</u>	<u>1,663</u>

As at 1 October 2020, the carrying amounts of contract assets and contract liabilities are HK\$51,738,000 and HK\$5,485,000, respectively.

The Group has rights to considerations from customers for the electric and maintenance engineering services. Contract assets arise when the Group has right to consideration for completion of electric and maintenance engineering services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

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

Retention monies withheld by customers of electric and maintenance engineering services are unsecured, interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of practical completion of respective electric and maintenance engineering services. The retention money, included in contract assets and contract liabilities, is to be settled, based on the completion of maintenance period, at the end of the reporting period as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	11,500	24,840
After one year	<u>22,587</u>	<u>13,638</u>
Total	<u><u>34,087</u></u>	<u><u>38,478</u></u>

The Group classified certain of contract assets, which are expected to be recovered more than 12 months, as current because the Group expects to realise them in its normal operating cycle.

For the contract liabilities as at 1 October 2020 and 30 September 2021 and 2022, the entire balances were/expected to be recognised as revenue within twelve months after the end of the reporting period.

The decrease of contract assets as at 30 September 2022 is the result of increase in completion of certain contracts work which are certified by customers at the end of the reporting period.

The increase of contract liabilities as at 30 September 2022 is the result of advances by customers for a new project at initial stage at the end of the reporting period.

Details of impairment assessment on contract assets are set out in note 30.

### 20. FINANCIAL ASSETS AT FVTPL

	2022 HK\$'000	2021 HK\$'000
Equity securities listed in Hong Kong	<u><u>7,111</u></u>	<u><u>2,348</u></u>

The fair values of the listed equity securities are determined based on the quoted market bid prices available.

### 21. SHORT TERM BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and short term bank deposits with an original maturity of three months or less, and carry interest at prevailing market rate ranging from 0.01% to 2.90% (2021: 0.01% to 0.05%) per annum.

As at 30 September 2021, short term bank deposits comprised bank deposits which carried fixed interest rate of 0.15% per annum with an original maturity of six months.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 22. TRADE PAYABLES

The credit period on purchases and subcontracting of contract work services is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022 HK\$'000	2021 HK\$'000
0 – 30 days	15,111	7,738
31 – 60 days	<u>5,119</u>	<u>1,472</u>
	<u><b>20,230</b></u>	<u><b>9,210</b></u>

### 23. OTHER PAYABLES AND ACCRUED CHARGES

	2022 HK\$'000	2021 HK\$'000
Accrued charges for engineering service contracts	5,226	1,870
Retention payables (note)	–	771
Accrued payroll and bonus	19,999	8,732
Other accrued charges	<u>659</u>	<u>1,127</u>
	<u><b>25,884</b></u>	<u><b>12,500</b></u>

Note: Retention payables to subcontractors of contract works are unsecured, interest-free and payable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.

### 24. LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Lease liabilities payable:		
Within one year	2,050	1,904
Within a period of more than one year but not exceeding two years	<u>446</u>	<u>1,123</u>
	<b>2,496</b>	3,027
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(2,050)</u>	<u>(1,904)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u><b>446</b></u>	<u><b>1,123</b></u>

The weighted average incremental borrowing rates applied to lease liabilities are 7.88% (2021: 7.52%).

## 25. PROVISIONS

	<b>Long service payments and annual leave</b> HK\$'000 (note)
At 30 September 2020	296
Provision during the year	<u>774</u>
At 30 September 2021	1,070
Provision during the year	<u>202</u>
At 30 September 2022	<u><u>1,272</u></u>

Note: The Group provides for the probable future long service payments and annual leave payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees from their services to the group entities up to the end of the reporting period.

## 26. SHARE CAPITAL

Details of the share capital of the Company are disclosed as follows:

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<b>Ordinary shares of HK\$0.01 each</b>		
Authorised:		
At 1 October 2020, 30 September 2021 and 2022	<u><b>10,000,000,000</b></u>	<u>100,000</u>
Issued and fully paid:		
At 1 October 2020	<b>643,621,000</b>	6,436
Issue of shares upon exercise of share options (note i)	<u><b>12,570,000</b></u>	<u>126</u>
At 30 September 2021	<b>656,191,000</b>	6,562
Issue of shares upon exercise of share options (note ii)	<u><b>9,510,000</b></u>	<u>95</u>
At 30 September 2022	<u><u><b>665,701,000</b></u></u>	<u><u>6,657</u></u>

Notes:

- (i) During the year ended 30 September 2021, a total of 12,570,000 new ordinary shares of HK\$0.01 each were issued upon exercises of the share options of the Company. The new shares rank pari passu with the existing shares in all respects.
- (ii) During the year ended 30 September 2022, a total of 9,510,000 new ordinary shares of HK\$0.01 each were issued upon exercises of the share options of the Company. The new shares rank pari passu with the existing shares in all respects.

## 27. RETIREMENT BENEFITS SCHEME

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

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

At 30 September 2022 and 2021, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

During the year ended 30 September 2022, total contribution to retirement benefits scheme charged to profit or loss amounted to HK\$5,795,000 (2021: HK\$3,867,000).

## 28. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 22 July 2017 for the primary purpose of providing incentives to any directors (including executive directors and independent non-executive directors) and full-time employees of any member of the Group, and any advisor, consultant, contractor, sub-contractor, supplier, agent, customer, business partner, joint venture business partner or service provider of any member of the Group who the directors of the Company considers, in its sole discretion, has contributed or shall contribute to the Group ("Participant").

The following is a summary of the principal terms of the Share Option Scheme:

- (i) On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the directors of the Company shall be entitled to, at its absolute discretion and on such terms as it deems fit, grant options to any Participant.
- (ii) The maximum number of options in respect of which might be granted under the Share Option Scheme must not exceed 10% of the aggregate of the shares in issue on the date the shares commence trading on the Stock Exchange. The maximum number of shares in respect of which options may be granted was 64,362,000 shares as at 30 September 2022, being 10% of issued share capital of the Company on the date the shares commence trading on the Stock Exchange.

The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme shall not exceed 30% of the shares in issue from time to time.

**28. SHARE-BASED PAYMENTS** *(continued)*

- (iii) The total number of shares issued, and to be issued, upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) in any twelve months period shall not exceed 1% of the shares in issue.
- (iv) The period within which the shares shall be taken up under an option shall be a period to be notified by the directors of the Company to each grantee at the time of making an offer, which shall be determined by the directors of the Company in its absolute discretion at the date of grant of the relevant option, but such period shall not expire later than 10 years from the date of grant of the relevant option.
- (v) An option shall remain open for acceptance by the Participant concerned for a period of 14 days exclusive of the date on which the letter containing the offer is delivered to the Participant. HK\$1 is payable by the grantee to the Company on acceptance of the offer of the option.
- (vi) The subscription price shall be such price determined by the directors of the Company at its absolute discretion and notified to the Participant in the offer at the time of the offer, and shall be no less than the highest of:
  - (a) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the relevant option, which shall be a business day;
  - (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant option (provided that, in the event that any option is proposed to be granted within a period of less than five business days after the trading of the shares first commences on the Stock Exchange, the new issue price of the shares for the share offer shall be used as the closing price for any business day falling within the period before listing of the shares on the Stock Exchange); and
  - (c) the nominal value of a share on the date of grant of the relevant option.

On 3 March 2022, the Company granted an aggregate of 11,710,000 share options to the directors of the Company and an employee under the Share Option Scheme.

On 26 February 2021, the Company granted 8,790,000 share options to the directors of the Company under the Share Option Scheme.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 28. SHARE-BASED PAYMENTS (continued)

The table below discloses movement of the Company's share options granted under the Share Option Scheme during each of the year ended 30 September 2022 and 2021:

	At 1 October 2021	Granted during the year	Exercised during the year	At 30 September 2022	
Number of share options outstanding:					
– Directors of the Company	7,119,000	11,210,000	(9,510,000)	8,819,000	
– An employee of the Group	–	500,000	–	500,000	
	<u>7,119,000</u>	<u>11,710,000</u>	<u>(9,510,000)</u>	<u>9,319,000</u>	
Number of share options exercisable	<u>7,119,000</u>			<u>9,319,000</u>	
Weighted average exercise price	<u>0.500</u>	<u>0.276</u>	<u>0.276</u>	<u>0.447</u>	
	At 1 October 2020	Granted during the year	Exercised during the year	Lapsed during the year	At 30 September 2021
Number of share options outstanding:					
– Directors of the Company	12,879,000	8,790,000	(12,570,000)	(1,980,000)	7,119,000
– Employees of the Group	600,000	–	–	(600,000)	–
– Consultants of the Group	36,900,000	–	–	(36,900,000)	–
	<u>50,379,000</u>	<u>8,790,000</u>	<u>(12,570,000)</u>	<u>(39,480,000)</u>	<u>7,119,000</u>
Number of share options exercisable	<u>16,368,000</u>				<u>7,119,000</u>
Weighted average exercise price	<u>0.418</u>	<u>0.315</u>	<u>0.342</u>	<u>0.405</u>	<u>0.500</u>

During the year ended 30 September 2022, 11,710,000 share options were granted to the directors of the Company and an employee of the Group, with exercise price of HK\$0.276 per share. The closing prices per share immediately before the date of grant of the share options was HK\$0.26 per share. The directors of the Company exercised 9,510,000 share options with exercise price of HK\$0.276 per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 September 2022*

### 28. SHARE-BASED PAYMENTS *(continued)*

During the year ended 30 September 2021, 8,790,000 share options were granted to the directors of the Company. The directors of the Company exercised 8,790,000 share options with exercise price of HK\$0.315 per share and 3,780,000 share options with exercise price of HK\$0.405 per share. Also, 39,480,000 share options with exercise price of HK\$0.405 per share were lapsed during the year ended 30 September 2021.

The share options granted under the Share Option Scheme are exercisable on the date of grant of such options. The exercise period of these share options granted during the year ended 30 September 2022 is five years from the date of grant of the share options (2021: three year).

The fair value of the options, which are vested immediately at the date of grant, determined at the date of grant using the Binomial option pricing model was HK\$1,300,000 on the date of grant of share options on 3 March 2022. The Group had recognised share-based payment expenses of HK\$1,300,000 in profit or loss during the year ended 30 September 2022.

The fair value of the options, which are vested immediately at the date of grant, determined at the date of grant using the Binomial option pricing model was HK\$900,000 on the date of grant of share options on 26 February 2021. The Group had recognised share-based payment expenses of HK\$900,000 in profit or loss during the year ended 30 September 2021.

The following assumptions were used to calculate the fair values of share options at the date of grant on 26 February 2021 and 3 March 2022:

	<b>26 February 2021</b>	<b>3 March 2022</b>
Grant date stock price	HK\$0.29	HK\$0.26
Exercise price	HK\$0.315	HK\$0.276
Life to expiration (Note a)	3 years	5 years
Expected volatility (Note b)	58.33%	53%
Dividend yield	0%	0%
Risk-free interest rate (Note c)	0.237%	1.283%

Notes:

- (a) Life to expiration: Being the period of 3 or 5 years commencing on the date of grant based on the contractual terms of the share options.
- (b) Expected volatility: Estimated based on the daily stock prices of comparable companies with similar business nature of the Group.
- (c) Risk-free interest rate: Being the yield of Hong Kong Exchange Fund Notes with a maturity life equal to the life to expiration on the valuation date.

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company 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 represents lease liabilities, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium, share options reserve, other reserves and retained profits.

Management of the Group reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues and raise of new borrowings.

### 30. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
Financial assets		
At amortised cost	235,865	137,456
At FVTPL	<u>7,111</u>	<u>2,348</u>
Financial liabilities		
At amortised cost	<u>26,372</u>	<u>12,978</u>

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

The Group's financial instruments include trade receivables, other receivables and deposits, financial assets at FVTPL, short term bank deposits, cash and cash equivalents, trade payables, other payables and accrued charges and rental deposits received and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### 30. FINANCIAL INSTRUMENTS *(continued)*

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

##### **Market risk**

###### *Currency risk*

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

As at 30 September 2022, the cash and cash equivalents of HK\$3,106,000 (2021: HK\$3,706,000) is denominated at British Pound ("GBP"). GBP is a currency other than the functional currency of the respective group entities. Sensitivity analysis of strengthening 10% in functional currency of the Company (i.e. HK\$) against GBP resulted a decrease in post-tax profit of HK\$259,000 (2021: HK\$309,000). For a 10% weakening of HK\$ against GBP, there would be an equal and opposite impact on the results.

###### *Interest rate risk*

The Group's cash flow interest rate risk primarily relates to cash and cash equivalents (note 21) as at 30 September 2022 and 2021. Also, the Group's fair value interest rate primarily relates to short term bank deposits (note 21) and lease liabilities (note 24) as at 30 September 2022.

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

The management of the Group considers that the Group's exposure to future cash flow risk on variable-rate cash and cash equivalents as a result of the change of market interest rate is insignificant and thus variable-rate cash and cash equivalents are not included in the sensitivity analysis.

###### *Price risk*

The Group is exposed to price risk arising from equity investments. The Group's equity investments are listed on the Stock Exchange. The directors of the Company manage the exposure by closely monitoring the portfolio of investments and imposing trading limits on individual trades.

### 30. FINANCIAL INSTRUMENTS (continued)

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

##### **Market risk** (continued)

##### *Price risk* (continued)

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. The analysis is prepared assuming the listed equity investments outstanding at the end of reporting period were outstanding for the whole year.

As at 30 September 2022, if the quoted prices of the Group's listed equity investments had been 5 percent higher/lower, the Group's profit after tax would increase/decrease by approximately HK\$297,000 (2021: HK\$98,000). This is attributable to the changes in fair values of the listed equity investments.

##### **Credit risk and impairment assessment**

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

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

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

In order to minimise the credit risk on trade receivables and contract assets, management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment loss allowance are made for irrecoverable amounts on trade receivables and contract assets. The Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. ECL on trade receivables and contract assets are assessed individually. The assessment is based on the ageing, repayment history and/or past due status of the respective customers and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. In this regard, management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

The Group has concentration of credit risks with exposure limited to certain customers. The Group's largest debtor contributed approximately 61% (2021: 67%) of the Group's trade receivables and 56% (2021: 43%) of the Group's contract assets, respectively. The Group's five largest debtors contributed approximately 100% (2021: 100%) of the Group's trade receivables and 100% (2021: 100%) of the Group's contract assets, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 30. FINANCIAL INSTRUMENTS (continued)

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

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

##### *Other receivables and deposits*

For other receivables and deposits, the management of the Group makes individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's other receivables and deposits.

##### *Short term bank deposits/cash and cash equivalents*

The credit risk on short term bank deposits and cash and cash equivalents of the Group is limited because the counterparties are banks with good reputation and credit ratings and no history of default in the past and no impairment loss allowance for short term bank deposits and cash and cash equivalents was recognised. The Group has limited exposure to any single financial institution.

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2022 Gross carrying amount HK\$'000	2021 Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>						
Trade receivables	17	N/A	Note 1	Lifetime ECL (not credit-impaired)	105,915	24,250
Other receivables and deposits	18	N/A	Note 2	12-month ECL	2,726	1,093
Short term bank deposits	21	A2	N/A	12-month ECL	–	5,220
Cash and cash equivalents	21	Aa3 – A2	N/A	12-month ECL	127,723	107,011
<b>Other items</b>						
Contract assets	19	N/A	Note 1	Lifetime ECL (not credit-impaired)	69,785	120,631

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 30. FINANCIAL INSTRUMENTS (continued)

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

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

Notes:

- For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the allowance for credit losses at lifetime ECL. ECL on trade receivables and contract assets are assessed individually. The assessment is based on the internal credit ratings, ageing, repayment history and/or past due status of the respective customers and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort.
- For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. All of these balances are not past due at 30 September 2022 and 2021.

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

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired)		Total HK\$'000
	Trade receivables HK\$'000	Contract assets HK\$'000	Trade receivables HK\$'000	Contract assets HK\$'000	
<b>As at 1 October 2020</b>	3	909	–	4,354	5,266
Changes due to financial instruments recognised as at 1 October 2020:					
– impairment losses reversed	(3)	(780)	–	–	(783)
– write-offs	–	–	–	(4,354)	(4,354)
New financial assets originated	118	979	–	–	1,097
<b>As at 30 September 2021</b>	<b>118</b>	<b>1,108</b>	<b>–</b>	<b>–</b>	<b>1,226</b>
Changes due to financial instruments recognised as at 1 October 2021:					
– impairment losses reversed	(118)	(1,108)	–	–	(1,226)
New financial assets originated	499	383	–	–	882
<b>As at 30 September 2022</b>	<b>499</b>	<b>383</b>	<b>–</b>	<b>–</b>	<b>882</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 30. FINANCIAL INSTRUMENTS (continued)

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

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

There was no material change in the loss allowance for credit losses on trade receivables and contract assets for the year ended 30 September 2022 and 2021.

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

##### **Liquidity risk**

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

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

	Effective interest rate %	Within 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>As at 30 September 2022</b>					
<b>Non-derivative financial liabilities</b>					
Trade payables	N/A	20,230	–	20,230	20,230
Other payables and accrued charges	N/A	6,142	–	6,142	6,142
Lease liabilities	7.88	2,128	554	2,682	2,496
		<u>28,500</u>	<u>554</u>	<u>29,054</u>	<u>28,868</u>
<b>As at 30 September 2021</b>					
<b>Non-derivative financial liabilities</b>					
Trade payables	N/A	9,210	–	9,210	9,210
Other payables and accrued charges	N/A	3,768	–	3,768	3,768
Lease liabilities	7.52	2,044	1,149	3,193	3,027
		<u>15,022</u>	<u>1,149</u>	<u>16,171</u>	<u>16,005</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 30. FINANCIAL INSTRUMENTS (continued)

#### (c) Fair value measurement of financial instruments

##### *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique
	2022 HK\$'000	2021 HK\$'000		
Equity securities listed in Hong Kong	7,111	2,348	Level 1	Quoted prices in an active market

There were no transfers between Levels 1 and 2 during both years.

The management estimates the fair values of its financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

### 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

#### Reconciliation of liabilities arising from financing activities

	Lease liabilities HK\$'000
At 1 October 2020	1,666
Financing cash flows	(1,773)
New lease entered	3,009
Finance costs	125
	<hr/>
At 30 September 2021	3,027
	<hr/>
Financing cash flows	(1,717)
New lease entered	1,056
Finance costs	130
	<hr/>
<b>At 30 September 2022</b>	<b>2,496</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 32. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for 2-3 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK\$1,056,000 and HK\$1,056,000 (2021: HK\$3,009,000 and HK\$3,009,000), respectively.

### 33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has entered into the following related party transactions:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Salaries paid to a spouse of a director of the Company	<u>671</u>	<u>630</u>

#### Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 30 September 2022 and 2021 are as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>12,107</b>	12,374
Performance and discretionary bonus	<b>4,433</b>	7,743
Share-based payments	<b>1,211</b>	900
Retirement benefits schemes contributions	<b>84</b>	81
	<u><b>17,835</b></u>	<u>21,098</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

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

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Property, plant and equipment	72	116
Right-of-use assets	368	999
Deposits	291	244
Investment in a subsidiary	4,056	4,056
Amount due from a subsidiary	<u>25,308</u>	<u>25,308</u>
	<u>30,095</u>	<u>30,723</u>
Current assets		
Other receivables	46	97
Amounts due from subsidiaries	73,757	75,889
Cash and cash equivalents	<u>221</u>	<u>327</u>
	<u>74,024</u>	<u>76,313</u>
Current liabilities		
Other payables and accrued charges	967	1,024
Lease liabilities	376	984
Amounts due to subsidiaries	<u>272</u>	<u>273</u>
	<u>1,615</u>	<u>2,281</u>
Net current assets	<u>72,409</u>	<u>74,032</u>
Total assets less current liabilities	<u>102,504</u>	<u>104,755</u>
Capital and reserves		
Share capital	6,657	6,562
Reserves	<u>95,847</u>	<u>98,193</u>
	<u>102,504</u>	<u>104,755</u>

### 34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

#### Movement in the Company's reserves

	Share premium HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 October 2020	121,767	2,514	(27,747)	96,534
Loss and total comprehensive expense for the year	–	–	(3,415)	(3,415)
Recognition of equity-settled share-based payments	–	900	–	900
Issue of shares upon exercise of share options	5,422	(1,248)	–	4,174
Transfer upon the lapse of share options	–	(322)	322	–
At 30 September 2021	127,189	1,844	(30,840)	98,193
Loss and total comprehensive expense for the year	–	–	(6,176)	(6,176)
Recognition of equity-settled share-based payments	–	1,300	–	1,300
Issue of shares upon exercise of share options	3,497	(967)	–	2,530
At 30 September 2022	<u>130,686</u>	<u>2,177</u>	<u>(37,016)</u>	<u>95,847</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

### 35 . PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Paid-up issued/ registered capital	Proportion of ownership interest attributable to the Company				Principal activities
			Directly		Indirectly		
			2022	2021	2022	2021	
Champion Goal Investments Limited	BVI	US\$1	100%	100%	–	–	Investment holding
KF Medical Technology Company Limited	Hong Kong	HK\$100,000	–	–	100%	100%	Inactive
Cornwall Contracting Company Limited	Hong Kong	HK\$5,000,000	–	–	100%	100%	Provision of staff and sourcing of materials of the Group
Cornwall Electrical Engineering Limited	Hong Kong	HK\$1	–	–	100%	100%	Electric and maintenance engineering services business in Hong Kong
Cornwall (Building Services) Engineering Limited	Hong Kong	HK\$100,000	–	–	80%	80%	Electric engineering services business in Hong Kong
KF Strategic Capital Limited	Hong Kong	HK\$1,000,000	–	–	100%	100%	Investment holding
Richfield International Enterprise Limited	Hong Kong	HK\$800,000	–	–	100%	100%	Properties investment
Guangxi Nanning Junjinhui Commercial Trade Co., Ltd.	PRC	Nil	–	–	100%	100%	Inactive
Da Wen Qu Securities Company Limited*	Hong Kong	HK\$10,000	–	–	100%	100%	Inactive
KF Strategic Management Limited*	Hong Kong	HK\$10,000	–	–	100%	100%	Inactive

\* The entity was incorporated during the year ended 30 September 2021.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period.

### **36. EVENTS AFTER THE REPORTING PERIOD**

On 5 November 2022, the Group and Pangu Creation Network International Limited entered into a joint venture agreement in relation to co-investment in a joint venture which requires the unanimous consent of both parties sharing joint control, on a shareholding ratio of 40% and 60% respectively. The Group agreed to invest in the joint venture up to HK\$20,500,000. The joint venture will be engaged in the business of the products and services of information technology and big data on finance and commerce. The joint venture has been incorporated in Hong Kong since 13 October 2022 with initial share capital of HK\$100,000 (divided into 100,000 shares), and the Group will recognise the investment in a joint venture amounting to HK\$40,000 accordingly.

# FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years.

## RESULTS

	2022 HK\$'000	For the year ended 30 September			2018 HK\$'000
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	
Revenue					
– continuing operations	<b>348,610</b>	254,863	244,209	376,642	375,023
– discontinued operation	–	–	8,562	1,822	–
	<b>348,610</b>	254,863	252,771	378,464	375,023
Profit for the year attributable to					
– owners of the Company	<b>11,591</b>	16,992	23,150	21,908	27,125
– non-controlling interests	<b>2,034</b>	256	286	(2)	–
	<b>13,625</b>	17,248	23,436	21,906	27,125

## ASSETS AND LIABILITIES

	2022 HK\$'000	At 30 September			2018 HK\$'000
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	
Total assets	<b>369,370</b>	320,897	315,350	285,606	234,742
Total liabilities	<b>64,142</b>	(33,219)	(50,120)	(73,665)	(48,260)
Total equity	<b>305,228</b>	287,678	265,230	211,941	186,482