Hao Bai International (Cayman) Limited
浩柏國際(開曼)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8431)

ANNUAL REPORT
2018/19

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

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

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Nam Ho Kwan *(Chairman)*
Mr. Ng Wan Lok
Ms. Wong Wing Hung

Non-executive Director

Ms. Wang Rui

Independent non-executive Directors

Mr. Wu Kam On Keith
Mr. Lau Wai Hung
Mr. Chen Lei (Appointed on 16 May 2018)

COMPANY SECRETARY

Mr. Chong Ching Hoi

COMPLIANCE OFFICER

Ms. Wong Wing Hung

COMPLIANCE ADVISER

CLC International Limited

AUTHORISED REPRESENTATIVES

Mr. Nam Ho Kwan
Mr. Chong Ching Hoi

AUDIT COMMITTEE

Mr. Wu Kam On Keith
(Chairman of Audit Committee)
Mr. Lau Wai Hung
Mr. Chen Lei (Appointed on 16 May 2018)

REMUNERATION COMMITTEE

Mr. Lau Wai Hung
(Chairman of Remuneration Committee)
Mr. Wu Kam On Keith
Mr. Chen Lei (Appointed on 16 May 2018)

NOMINATION COMMITTEE

Mr. Nam Ho Kwan
(Chairman of Nomination Committee)
Mr. Wu Kam On Keith
Mr. Lau Wai Hung
Mr. Chen Lei (Appointed on 16 May 2018)

AUDITOR

Mazars CPA Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Workshop Unit A, 7/F
Wah Shing Industrial Building
No. 18 Cheung Shun Street
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

With effect from 11 July 2019,
the address will be changed to
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited
Hang Seng Bank Limited

WEBSITE ADDRESS

www.harmonyasia.com

STOCK CODE

8431

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Hao Bai International (Cayman) Limited (the "Company"), it is my pleasure to present the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019.

REVIEW AND RESULTS

The Group is a Hong Kong-based contractor specialised in design, procurement and installation services of water circulation systems, including swimming pools, water fountains and water curtains, etc..

During the year ended 31 March 2019, the total revenue of the Group increased by approximately HK$4.6 million or 3.5% from approximately HK$130.9 million for the year ended 31 March 2018 to approximately HK$135.5 million.

The Group's profits attributable to shareholders remained relatively stable at approximately HK$3.0 million (2018: approximately HK$3.0 million) for the year ended 31 March 2019. However, if the non-recurring listing expenses charged to the profit or loss was excluded, our adjusted net profit decreased by approximately HK$4.4 million or 59.5% from approximately HK$7.4 million for the year ended 31 March 2018 to approximately HK$3.0 million for the year ended 31 March 2019. Such decrease was mainly attributable to (i) the increase in the administrative expenses incurred such as professional fee, staff cost and rental expenses; and (ii) the increase in finance cost due to the increase in the level of bank borrowings.

FORWARD

Looking forward, we consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong, the recovery of gaming market in Macau and factors affecting the labour costs and material costs as well as the external macroeconomic slowdown. The high labour cost of the experienced labour is also one of the factors to affect the profit margins among the industry peers. The Group's construction businesses will continue to face intense competition to secure projects while we use our best efforts to manage the progress and costs of projects.

Riding on our solid experience in design, procurement and installation services of water circulation system and our established business connection with various main contractors and property developers in the industry, we will explore the opportunities to expand our businesses into other building related contracting services in Hong Kong, Macau and China to maintain the continuous growth of the Group. With the Group's proven track record, experienced management team and reputation in the market, we consider that the Group is well-positioned, well-equipped and confident to compete against its competitors and sustain its development amid the increasingly challenging external business environment. We will keep close track of the economic environment and evaluate its business strategies from time to time to adapt the challenging market for the sustainable development of the Group and grasp the opportunities to enhance the long-term potential growth in future.

A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my deep gratitude to our shareholders, clients, business partners, and suppliers for their continuous support. I would also like to express our sincere appreciation to the Group's management and staff for their commitment, contribution and dedication throughout the years.

Nam Ho Kwan
Chairman
Hong Kong, 17 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a Hong Kong-based contractor specialised in design, procurement and installation services of water circulation systems, including swimming pools, water fountains and water curtains, etc. We provide services mainly to developers, main contractors and subcontractors in various private residential projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau. Our services are mainly categorised as (i) management contracting services – design, procurement and installation of water circulation systems, (ii) consultancy services – provision of consultancy services on water circulation systems and (iii) maintenance services – provision of maintenance and repair services for water circulation systems. For the year ended 31 March 2019, the Group had 24 management contracting projects and 4 consulting projects (2018: 26 management contracting projects and 1 consulting project) with revenue contribution.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong, the recovery of gaming market in Macau and factors affecting the labour costs and material costs as well as the external macroeconomic slowdown. The high labour cost of the experienced labour is also one of the factors to affect the profit margins among the industry peers. The Group's construction businesses will continue to face intense competition to secure projects while we use our best efforts to manage the progress and costs of projects.

Riding on our solid experience in design, procurement and installation services of water circulation system and our established business connection with various main contractors and property developers in the industry, the Group will explore the opportunities to expand our businesses into other building related contracting services in Hong Kong, Macau and China to maintain the continuous growth of the Group. With the Group's proven track record, experienced management team and reputation in the market, the Directors consider that the Group is well-positioned, well-equipped and confident to compete against its competitors and sustain its development amid the increasingly challenging external business environment. The Directors will keep close track of the economic environment and evaluate its business strategies from time to time to adapt the challenging market for the sustainable development of the Group and grasp the opportunities to enhance the long-term potential growth in future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our total revenue increased by approximately HK$4.6 million or 3.5% from approximately HK$130.9 million for the year ended 31 March 2018 to approximately HK$135.5 million for the year ended 31 March 2019. The increase in our revenue was attributable to the combined effect of:

(i) the increase in the revenue derived from management contracting services by approximately HK$3.0 million or 2.4%, from approximately HK$129.7 million for year ended 31 March 2018 to approximately HK$132.7 million for the year ended 31 March 2019. Such increase was primarily derived from increase in revenue from projects located at Tai Po, Southern District and Fanling of approximately HK$28.1 million, while such increase was partially offset by the decrease in revenue from projects located at Tseung Kwan O and Western District of approximately HK$26.7 million for the year ended 31 March 2018 when compared with the year ended 31 March 2019; and

(ii) the increase in the revenue derived from consultancy services by approximately HK$1.6 million or 135.6%, from approximately HK$1.1 million for year ended 31 March 2018 to approximately HK$2.7 million for the year ended 31 March 2019.

Cost of services

The Group's cost of services mainly consists of (i) consumables; (ii) sub-contracting fees; (iii) staff costs; (iv) consulting fees; (v) labour cost; and (vi) other expenses.

Our cost of services increased by approximately HK$3.7 million or 3.5% from approximately HK$105.7 million for the year ended 31 March 2018 to approximately HK$109.4 million for the year ended 31 March 2019, such increase was primarily driven by the increase in cost of sub-contracting fees of approximately HK$16.4 million, which was partially offset by the decrease in consumables costs of approximately HK$13.7 million for the year ended 31 March 2019.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$0.9 million or 3.7% from approximately HK$25.2 million for the year ended 31 March 2018 to approximately HK$26.1 million for the year ended 31 March 2019. Such increase was primarily attributable to the increase in gross profit of approximately HK$0.8 million from the consultancy services.

The overall gross profit margin remained relatively stable at approximately 19.3% (2018: approximately 19.2%) for the year ended 31 March 2019.

Other income

Our other income increased from approximately HK$74,000 for the year ended 31 March 2018 to approximately HK$271,000 for the year ended 31 March 2019, primarily due to the increase in interest income on the time deposit.

Administrative expenses

Our administrative expenses increased by approximately HK$4.7 million or 30.4% from approximately HK$15.4 million for the year ended 31 March 2018 to approximately HK$20.1 million for the year ended 31 March 2019. Such increase was primarily due to the increase in (i) post listing expenses such as legal and professional fees for compliance purpose following the listing of shares of the Company (the "Shares") on GEM (the "Listing") in May 2017; (ii) the bank handling charge for the renewal of banking facility; (iii) staff cost as a result of the recruitment of additional senior staff for the year ended 31 March 2019; and (iv) rental expenses as a result of change of head office and principal place of business in Hong Kong.

Finance costs

Our finance costs increased by approximately HK$1.2 million or 84.4% from approximately HK$1.4 million for the year ended 31 March 2018 to approximately HK$2.6 million for the year ended 31 March 2019, primarily due to the increase in the level of bank borrowings to finance the projects which have been at early stage during the year.

Listing expenses

During the year ended 31 March 2018, our Group recognised non-recurring listing expenses of approximately HK$4.4 million as expenses in connection with the Listing. No such expenses were recognised for the year ended 31 March 2019.

Income tax expenses

Our income tax expense decreased by approximately HK$0.4 million or 32.4% from approximately HK$1.1 million for the year ended 31 March 2018 to approximately HK$0.7 million for the year ended 31 March 2019. Such decrease was primarily driven by the decrease in Hong Kong Profits Tax of HK$0.5 million, which was partially offset by the increase in Macau profit tax of approximately HK$0.1 million as a result of the increase in profit before tax recorded for our Macau operation.

Net Profit

As a result of the foregoing, our net profit for the year remained relatively stable at approximately HK$3.0 million (2018: approximately HK$3.0 million) for the year ended 31 March 2019.

If the non-recurring listing expenses charged to the profit or loss was excluded, our adjusted net profit decreased by approximately HK$4.4 million or 59.5% from approximately HK$7.4 million for the year ended 31 March 2018 to approximately HK$3.0 million for the year ended 31 March 2019.

DIVIDEND

No dividend was declared or proposed by the Board for both years ended 31 March 2019 and 2018.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2019, the Group had total assets of approximately HK$188.0 million (2018: approximately HK$146.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$89.7 million (2018: approximately HK$51.0 million) and approximately HK$98.3 million (2018: approximately HK$95.3 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2019 were approximately HK$53.8 million (2018: approximately HK$34.6 million), and current ratio as at 31 March 2019 was approximately 2.1 times (2018: approximately 2.9 times).

The Group's borrowings and bank balances are mainly denominated in Hong Kong dollars and there was no significant exposure to foreign exchange rate fluctuations during the year.

The Group's gearing ratio, which is calculated by total borrowings, bank overdrafts and obligation under finance leases divided by total equity, increased from approximately 36.6% as at 31 March 2018 to approximately 54.7% as at 31 March 2019, primarily due to the increase in the level of bank borrowings outweighed the increase in the total equity. The increase in the level of bank borrowings was primarily due to the additional term loan raised during the year, whereas the increase in the total equity was primarily due to the net profit for the year ended 31 March 2019.

CAPITAL STRUCTURE

The Shares were successfully listed on the GEM Board of the Stock Exchange on 26 May 2017. Immediately upon listing, the total issued share capital of the Company was HK$13,000,000 divided into 1,300,000,000 Shares of par value of HK$0.01 each. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2019 and 31 March 2018, the Company's issued share capital was HK$13,000,000 divided into 1,300,000,000 ordinary Shares of par value of HK$0.01 each.

COMMITMENTS

The operating lease commitments of the Group were primarily related to the leases of its office premises and the staff quarters. The Group's operating lease commitments amounted to approximately HK$2.8 million as at 31 March 2019 (2018: approximately HK$2.6 million).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 3 of the notes to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2019, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

Save as disclosed in note 29 of the notes to the consolidated financial statements, as at 31 March 2019 and 2018, the Group did not have other material contingent liabilities.

FOREIGN CURRENCY EXPOSURE

The Group's revenue generating operations are mainly transacted in HK$ and MOP. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

PLEDGE OF ASSETS

Save as disclosed in note 28 of notes to the consolidated financial statements, as at 31 March 2019 and 2018, the Group did not have other pledge of assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 37 employees (2018: 36 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$17.3 million for the year ended 31 March 2019 (2018: approximately HK$14.0 million).

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM on The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). Throughout the year ended 31 March 2019, the Company has adopted and complied with, where applicable, the CG Code except for Code Provision A.2.1 of the CG Code, to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Nam Ho Kwan is currently the Chairman of the Board of Directors of the Company (the "Board") and the Chief Executive Officer, responsible for formulating the overall business development strategy and planning of the Group. In view of that, Mr. Nam has been responsible for the overall management of the Group since its inception, the Board believes that it is in the best interest of the Group to have Mr. Nam taking up both roles for effective management and business development.

BOARD OF DIRECTORS

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

The Board is the ultimate decision-making body for all matters considered material to the Group and be responsible to corporate governance functions either by itself or delegated to its Board Committees as set out in Code Provision D.3.1 of the CG Code which include the following:

1. to develop and review the policies and practice on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

COMPOSITION OF THE BOARD

As at the date of this report, the Board comprises seven Directors, including three executive Directors, one non-executive Director (the "NED") and three independent non-executive Directors (the "INED") as set out below:

Executive Directors

Mr. Nam Ho Kwan *(Chairman and Chief Executive Officer)*
Mr. Ng Wan Lok
Ms. Wong Wing Hung

Non-executive Director

Ms. Wang Rui

Independent Non-executive Directors

Mr. Wu Kam On Keith
Mr. Lau Wai Hung
Mr. Chen Lei (appointed on 16 May 2018)

Mr. Chong Kam Fung, the NED, and Mr. Kwong Tsz Ching Jack, the INED, resigned as Directors with effect from 16 May 2018. Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 34 to 37 of this annual report.

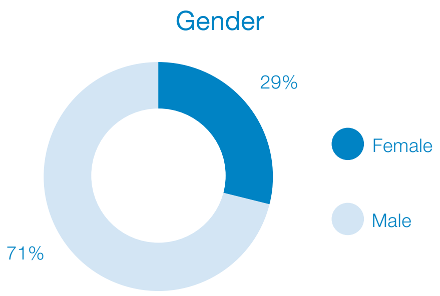
In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed the INEDs representing not less than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each INED an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

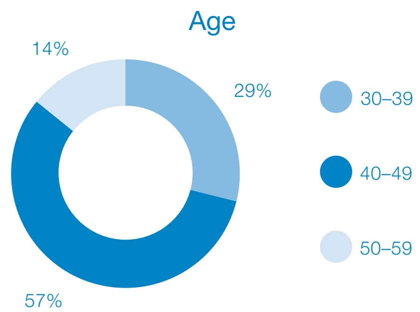
The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired because of the diverse background and experience of our INEDs. Furthermore, all Board Committees including the Audit Committee of the Company (the "Audit Committee") has free and direct access to the Company's external professional adviser(s) when they consider necessary.

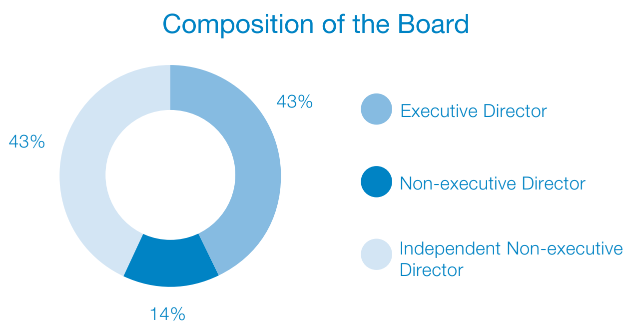
To the best knowledge of the Board, there are no other relationship (including financial business, family, and other material/ relevant relationships) among the members of the Board as of the date of this report.

BOARD DIVERSITY

The Board admits that board diversity is increasingly important as a factor to enhance corporate governance and promote board effectiveness. The current Board composition is well balanced with each Director having skills, experience and expertise relevant to the business operations, development and strategy of the Group and from a variety of backgrounds. There is a diversity of education, professional background, functional expertise, gender, age, culture and industrial experience.







(as at 31 March 2019)

The Board has adopted a Board Diversity Policy which set out the approach to achieve diversity on the Board and the factors (including but not limited to skills, regional and industry experience, professional experience, background, education, race, gender, age, culture and other qualities, etc.) to be considered in determining the composition of the Board so as to ensure the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximise the Board's effectiveness. The Board will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness. During the year ended 31 March 2019, the Board reviewed the Board Diversity Policy adopted before the listing of shares of the Company (the "Listing") and approved the amendments in relation to the recent changes under the GEM Listing Rules to said Policy.

BOARD PROCESS AND MEETINGS

The Board meets regularly to determine overall strategies, receive management updates, approve quarterly, interim and annual results and to consider other significant matters. Management also provides updates to the Board with respect to the business activities and the latest development of the Group on a regular basis.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Company and contribute to the Group's development through their constructive and informed comments. All the members of the Board disclose and update their number and nature of offices held and time involved on a regular basis.

Four Board meetings were held during the year ended 31 March 2019 for approving the financial results, receiving the management updates and reviewing the compliance status of the CG Code, overall strategies and development of the Group. The individual attendance record at the Board and Board Committees meetings as well as the Company's annual general meeting held during the year ended 31 March 2019 is set out as below. Private meeting between the Chairman and the INEDs was held during the year ended 31 March 2019 as required under Code A.2.7 of the CG Code.

Name of Directors	Number of Board meetings attended/eligible to attend	Number of Audit Committee meetings attended/ eligible to attend	Number of Remuneration Committee meetings attended/eligible to attend	Number of Nomination Committee meetings attended/eligible to attend	Annual General Meeting held on 28 August 2018
Executive Directors					
Mr. Nam Ho Kwan	4/4	–	–	1/1	1/1
Mr. Ng Wan Lok	4/4	–	–	–	1/1
Ms. Wong Wing Hung	4/4	–	–	–	1/1
Non-executive Director					
Ms. Wang Rui	4/4	–	–	–	1/1
Independent Non-executive Directors					
Mr. Wu Kam On Keith	4/4	4/4	1/1	1/1	1/1
Mr. Lau Wai Hung	4/4	4/4	1/1	1/1	1/1
Mr. Chen Lei	4/4	4/4	1/1	1/1	1/1

Note: The Directors attended the above meetings in person or through teleconference.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and NEDs entered into a service contract with the Company and each INEDs signed the letter of appointment. Both of the said service contracts and letters of appointment are for an initial term of three years commencing from the date of the Listing or their respective dates of appointment, subject to re-election in accordance with the amended and restated Articles of Association of the Company (the "Articles") and termination in accordance with their respective terms.

Pursuant to Article 84 of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least every three years. However, a retiring Director shall be eligible for re-election. Any Director who is appointed by the Board to fill the casual vacancy shall hold office until next following general meeting of the Company and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election pursuant to Article 83(3).

As such, Mr. Nam Ho Kwan, Mr. Wu Kam On Keith and Mr. Lau Wai Hung will retire from office as Directors and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 30 August 2019 in accordance with the Articles.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors on the terms no less exacting than the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 March 2019.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

The Directors are fully aware of the requirement under the Code Provision A.6.5 of the CG Code regarding the professional development and provided their record of trainings attended during the year ended 31 March 2019 to the Company, particulars of which are as follows:

	Types of trainings *(Note 1)*
Executive Directors	
Nam Ho Kwan	✓
Ng Wan Lok	✓
Wong Wing Hung	✓
Non-executive Director	
Wang Rui	✓
Independent Non-executive Directors	
Wu Kam On Keith	✓
Lau Wai Hung	✓
Chen Lei *(Note 2)*	✓

Notes:

(1) Types of training: attending briefing, seminar, conference or forum relevant to the directors' duties and responsibilities or the Group's business development, strategies or reading news, journals or updates relating to the economy, directors' duties, corporate governance or the Group's business, development and strategies.

(2) Mr. Chen was appointed as Director on 16 May 2018.

BOARD COMMITTEES

The Board established three Board committees, namely the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Group's affairs. All Board committees were established with written terms of reference in compliance with the relevant code provisions of the CG Code, which are available at the GEM's website (www.hkgem.com) and the Company's website (www.harmonyasia.com).

Audit Committee

The Audit Committee was established on 19 January 2017. The Audit Committee currently consists of three members. This includes the INEDs, Mr. Wu Kam On Keith, Mr. Lau Wai Hung and Mr. Chen Lei. Mr. Wu is the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. Mr. Kwong Tsz Ching Jack and Mr. Chong Kam Fung ceased to be members of the Audit Committee during the year ended 31 March 2019.

The primary duties of the Audit Committee are to make recommendation to the Board on appointment or re-appointment and removal of external auditor; review financial statements/results of the Group and the judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the internal control and risk management of the Group. The Audit Committee also has free and direct access to the Company's external auditor and independent professional adviser when it considers necessary.

Four Audit Committee meetings were held during the year ended 31 March 2019 to review and discuss with the management and the external auditor the accounting principles and practices adopted by the Group, review the quarterly, interim and annual financial results, review the compliance status of the CG Code, assess the independence and review the engagement of the external auditor. The Committee also reviewed and recommended to Board on the change of external auditor, the adoption of the dividend policy, the amendments to the terms of reference of the Audit Committee and the engagement of the consultant for internal audit function. Members' attendance records are set out in section headed "Board Process and Meetings" of this report.

Remuneration Committee

The Remuneration Committee was established on 19 January 2017. The Remuneration Committee currently consists of three members which is chaired by an INED, Mr. Lau Wai Hung, and the INEDs, namely Mr. Wu Kam On Keith and Mr. Chen Lei in accordance with the requirements under Rule 5.34 of the GEM Listing Rules. Mr. Kwong Tsz Ching Jack ceased to be member of the Remuneration Committee during the year ended 31 March 2019.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of the Group and ensure that none of the Directors or any their associates determine their own remuneration.

One Remuneration Committee meeting was held during the year ended 31 March 2019 to review the remuneration structure of the Directors and made the recommendation to the Board on the new remuneration scales to the executive Directors to the Board. The Committee also reviewed the remuneration to the new INED. Members' attendance records are set out in section headed "Board Process and Meetings" of this report.

Particulars of the Directors' remuneration and the remuneration of the members of the senior management by band for the year ended 31 March 2019 are set out on pages 96 to 98 of this annual report.

Nomination Committee

The Nomination Committee was established on 19 January 2017. The Nomination Committee currently consists of four members which is chaired by Mr. Nam Ho Kwan, the chairman of the Board, and the INEDs, namely Mr. Wu Kam On Keith, Mr. Lau Wai Hung and Mr. Chen Lei, in accordance with the requirements under Code Provision A.5.1 of the CG Code. Mr. Kwong Tsz Ching Jack ceased to be member of the Nomination Committee during the year ended 31 March 2019.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually, identify individuals suitably qualified to become Board members; assess independence of independent non-executive Directors and make recommendation to the Board on matters relating to appointment and re-appointment of Directors.

To enhance the nomination process for a director candidate, a Nomination Policy was adopted during the year ended 31 March 2019 as a guidance on the selection process and board succession planning. The Nomination Committee utilises various methods for identifying director candidates, including recommendations from the Board members, management, and professional search firms and may review of resume and job history, conduct person interviews and verification of professional and personal references or perform the background checks, etc. On evaluation of the director candidates including incumbents and candidates nominated by the Shareholders, the Board and the Nomination Committee will take into account whether a candidate has the qualifications, skills and experience, gender diversity, etc. that can add to and complement the range of skills, experience and background of the existing Directors and may consider the following qualifications are at a minimum to be required of a director candidate in recommending to the Board potential new Director, or the continued service of the existing Director:

- the highest personal and professional ethics and integrity;
- proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- skills that are complementary to those of the existing Board;
- the ability to assist and support management and make significant contributions to the Company's success;
- an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and
- independence as required by the GEM Listing Rules.

One Nomination Committee meeting was held during the year ended 31 March 2019 to assess the independence of the INEDs, review the structure, size and composition of the Board and make recommendation to the Board on the re-election of the Directors at the Company's annual general meeting held in 2018. The Nomination Committee also reviewed and recommended to the Board on the appointment of the new INED, adoption of the above-mentioned Nomination Policy and amendments to the Board Diversity Policy. Summary of the Board Diversity Policy and its implementation can be found on page 12 of this annual report. Members' attendance records are set out in section headed "Board Process and Meetings" of this report.

COMPANY SECRETARY

Mr. Chong Ching Hoi is the Company Secretary of the Company. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

During the year ended 31 March 2019, Mr. Chong completed the professional trainings which complied with Rule 5.15 of the GEM Listing Rules.

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

The Directors acknowledge their responsibility for preparation of the financial statements which give a true and fair of the state of affairs of the Group and it is fundamental that appropriate accounting policies should be selected and applied consistently when preparing the financial statements.

The statement of external auditor about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 51 to 56 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group and the Board continuously recognises the importance of good internal control procedures including the procedures for handling and dissemination of inside information and its effectiveness in safeguarding the Shareholders' interests. The Group has strictly prohibited unauthorised use of confidential or inside information or any use of such information for the advantage of any individual. In addition to the Company's financial reporting, as delegated by the Board, the Audit Committee is accountable for the oversight of the Company's risk management and internal control systems. The Audit Committee reviews the Company's financial controls, risk management and internal control system on a regular basis.

The Group also established a set of risk management policies and measures. The Group's risk management process starts with identifying the major risks associated with its business, industry and market in the ordinary course of business. The Board and senior management are responsible for identifying and analysing the risk associated with their respective function, preparing and measuring risk mitigation plans and reporting the status of risk management. More information about the principal risks and uncertainties faced by the Group can be found on page 47 of this annual report.

During the year ended 31 March 2019, the Group has engaged an independent internal control consultant to review and assess the internal control systems (including financial, operational and management systems), conduct the follow-up review on the internal control measures and reported to the Audit Committee on factual findings and recommendations for improvements on the internal control systems. The Group have addressed and implemented the internal control measures as recommended by the external consultant during the year ended 31 March 2019. The Audit Committee reviewed and believes that the Group's internal control systems and current procedures including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management procedures are sufficient in terms of the effectiveness and practicability to meet the Company's needs in its current business model and environment.

DIVIDEND POLICY

The Company considers stable and sustainable returns to the Shareholders to be its goal and endeavours to maintain a dividend policy to achieve such goal.

During the year ended 31 March 2019, the Company has adopted a Dividend Policy. In deciding whether to propose a dividend and in determining the dividend amount, the Board would take into account the Group's results of operations, earnings performance, cashflows, financial condition, future prospects, as well as statutory and regulatory restrictions on the payment of dividends, and other factors that the Board may consider relevant. And the Board will review from time to time for determination on proposed dividend with the above factors taken into account, there can be no assurance that dividends will be declared or paid in any particular amount for any given period.

EXTERNAL AUDITOR

Mazars CPA Limited (the "Mazars") is the external auditor of the Company which was appointed on 17 April 2019 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu ("Deloitte") effective on 17 April 2019.

The Audit Committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by its shareholders. The Audit Committee had reviewed the terms and conditions in relation to the appointment of Mazars. Further details about the appointment of Mazars and the resignation of Deloitte as auditor of the Company can be found on the Company's announcement published on 17 April 2019.

For the year ended 31 March 2019, the fee paid or payable in respect of the statutory audit services and non-audit services of the Group are as follows:

	Fee paid or payable for the services rendered	
	FY 2019	FY 2018
	HK$'000	*HK$'000*
Statutory audit services	**650**	700
Non-audit services for tax advisory	**22**	32

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Communications with the Shareholders

The Board values the importance of communications with the Shareholders. As one of the measure to safeguard the shareholders' interests and rights, separate resolutions will be proposed at shareholders' meeting on each substantial issue including the re-election of individual directors. All resolutions put forward at the shareholders' meeting will be conducted by poll pursuant to the GEM Listing Rules and the poll voting results will be published on the GEM's website (www.hkgem.com) and the Company's website (www.harmonyasia.com).

An annual general meeting of the Company was held on 28 August 2018 to seek the shareholders' approval on, among other things, the granting of the general mandates to issue and repurchase the Company's shares and the re-election of the Directors. The Board members' attendance record can be found on page 13 of this report. The next annual general meeting of the Company will be held on 30 August 2019 and notice of the meeting will be sent to the Shareholders at least 20 clear business days before the said meeting.

Procedures and Right for the Shareholders to Convene Extraordinary General Meeting

The following procedures for shareholders to convene an extraordinary general meeting (the "EGM") are subject to the Articles, and the applicable legislation and regulation, in particular the GEM Listing Rules:

1. If any one or more shareholders of the Company (the "Shareholder") 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 submit a 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.

2. The Board should within 21 days from the date of the deposit for the requisition proceed duly to convene the EGM. If the Board failed to do so, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may also make reference to Article 58 of the Articles for further details.

Shareholders who have enquiries regarding the above procedures may write to the company secretary of the Company at Workshop Unit A, 7/F, Wah Shing Industrial Building, No. 18 Cheung Shun Street, Kowloon, Hong Kong.

For the procedures for putting forward proposals at the Shareholders' meeting of the Company, Shareholders who wish to make proposals or move a resolution may convene an EGM in accordance with the procedures mentioned-above.

Procedures for Shareholders to Propose a Person for Election as a Director of the Company

If a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person for election as a Director at that meeting, he/she may lodge a written notice at the Company's principal place of business in Hong Kong at Workshop Unit A, 7/F, Wah Shing Industrial Building, No. 18 Cheung Shun Street, Kowloon, Hong Kong for the attention of the company secretary of the Company. Detailed procedures for the Shareholders to propose a person for election as a Director of the Company can be found on the Company's website (www.harmonyasia.com).

Investors Relations

The Board recognises the importance of maintaining an ongoing dialogue with the Shareholders through various channels including general meetings, announcements and corporate communications such as the quarterly, interim and annual report. Latest information of the Group is also available at the Company's website (www.harmonyasia.com).

The Company has adopted its Shareholders' Communications Policy. The Board welcomed enquiries and proposals from the Shareholders, investors and all stakeholders. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong at Workshop Unit A, 7/F, Wah Shing Industrial Building, No. 18 Cheung Shun Street, Kowloon, Hong Kong for the attention to the company secretary of the Company. Such written enquires or proposals with full name, contact details and identification must deposit and send to said address.

Any enquires in relation to the Company's shareholdings, share transfer or share registration may contact the Company's Hong Kong branch share registrar. Their contact details are set out in the section headed "Corporate Information" of this annual report.

CONSTITUTIONAL DOCUMENTS

The Company first adopted its Memorandum and Articles of Association on 23 November 2015. The amended and restated memorandum and articles of association of the Company adopted for the purpose of the Listing is available at the Company's website (www.harmonyasia.com). There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2019.

GENERAL

This is the third Environmental, Social and Governance ("ESG") report by Hao Bai International (Cayman) Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), reviewing and disclosing its environmental and social performance for the period from 1 April 2018 to 31 March 2019 (the "Reporting Period") pursuant to Appendix 20 – the ESG Reporting Guide of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The Group is a Hong Kong-based professional specialist contractor with major specialty in design, procurement and installation services of water circulation systems, including swimming pools, water fountains and water curtains, etc. We provide services mainly to developers, main contractors and sub-contractors mainly in Hong Kong and Macau, and our services can be categorized into:

(i) Management contracting services – design, procurement and installation of water circulation systems;

(ii) Consultancy services – provision of consultancy services on water circulation systems; and

(iii) Maintenance services – provision of maintenance and repair services for water circulation systems.

THE GROUP'S VISION, COMMITMENTS AND ACTIONS

The Group envisions to be a socially and environmentally responsible corporation. We are committed to promoting sustainable development, which is extremely important to create long-term value for the Group's shareholders, customers, sub-contractors, employees, other stakeholders, general public as well as the natural environment.

The Group and the Board firmly believes that the ESG areas and aspects listed in the ESG Reporting Guide are significant considerations for the long-term operations of its business. We strive to operate our business with the objectives to: lessen the impact on the environment; provide a safe and pleasant working environment to employees; comply with legal and regulatory requirements; adhere to high ethical standards; and contribute to the community.

The Group values opinions and views of its stakeholders and has assigned the senior management to constantly review and to communicate with its stakeholders including but not limited to its employees, investors, suppliers and business partners to gain insights on the ESG material aspects. Through the ongoing dialogue, the Group identified the following material aspects based on the level of the stakeholders' concerns and has managed them in accordance with the Group's policies and guidelines and in compliance with the relevant legal and regulatory standards in the Reporting Period.

- Environmental Protection Against Potential Pollution
- Employment Compensations and Benefits
- Site Working Safety
- Employee Development and Growth
- Raw Materials Supply and Procurement
- Quality of Products and Services
- Privacy Information Protection especially on designs and contract terms
- Bribery and Corruption

The Group endeavours to conducting its business in a transparent, equitable, legal and socially responsible manner, and continues to minimise the impact of its daily operation on the environment and society, and to make efforts to meet the interests of all stakeholders, economy, environment, society and corporate governance, and to achieve a balance position among all such aspects.

(A) Environmental

The Group's operation activities involve both indoor planning and management works, and outdoor heavy duty operation, construction and installation works. As a responsible corporation determined to protect the environment, site workers and society, the Group insists on abiding by relevant environmental laws and industry regulations to ensure a sustainable and eco-friendly operation and production process. With this principle and policy, it is translated as the one of the "business goals" for the Group to achieve during planning, design procurement and implementation stages of the installation jobs. Accordingly, the Group has implemented policies and taken measures to ensure our operation and activities to be carried out in an environmentally responsible manner, to minimize adverse impacts on the environment and the site workers as well as the surrounding communities.

During the course of installation works, the resources such as electricity, fuel, diesel, plywood, water and certain materials (such as pipes, filters, valves) will be consumed. In our trade practice, the majority of the installation works are sub-contracted or co-operated with other sub-contractors normally on lump-sum underwriting contract basis. The Group will generally estimate budget on the value and quantities of raw materials and utilities to be spent and closely monitor the actual consumption among different sub-contractors. This is used to minimize both in cost and quantities of raw materials that would not adversely affect the environment during the course of installation works.

Scope of greenhouse emission	Unit	Total in 2018/19	Total in 2017/18	Increase/ decrease (+/-)
Scope 1 – direct emissions	Tonnes	N/A	N/A	N/A
Scope 2 – indirect emissions (electricity)	Tonnes	35.71	29.09	+22.7%
Scope 3 – other indirect emissions (water)	Tonnes	0.03	0.02	+2.9%
Total emissions	Tonnes	35.74	29.11	+22.7%

As a social and environmentally conscious corporation, the Group plays an active role to patrol and/or to station in the construction and installation sites to ensure:

- The working procedure and process are in compliance with all the relevant laws and rules of industries;
- The polluted emissions and wastes generated are appropriately handled;
- The working environment is almost risk free; and
- The natural resources, power (electricity, fuel and diesel), water, and construction materials are not excessively used or unreasonably wasted.

A1 Emissions

(i) Air Pollutant and Noxious Odour Emissions

Indirect non-hazardous gas emission of carbon dioxide (CO_2) from the use of electricity, and hazardous gases emission of sulphur oxide (SO_x), nitrogen oxide (NO_x) and particulate matter (PM) from the use of fuel and diesel are generated during the installation works on the construction sites. A special kind of dust pollutant will also be produced. In many circumstances, the use of certain chemicals to cleanse the environment or to burn out the wastes will generate noxious odours which will irritate the site workers and people of the surrounding areas.

We are dedicated managing these emissions and our business is subject to Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) and the Environmental Law no. 2/91/M section 1 of Article 8 and section 3 of article 8 of Macau. We have devised, arranged methods and carried out the works in such a manner so as to minimize the greenhouse gas emissions. Regarding dust, we have implemented several simple and effective measures like using waste water to hose down and clear the dust from surfaces to reduce its emissions. To effectively manage these air emissions, we have engaged experienced personnel with appropriate trainings to provide guidance on the implementation of those measures.

Apart from the project sites, as disclosed in last year ESG report, the Group has also implemented measures in our Hong Kong office to monitor the use of electricity and other forms of energy in order to reduce their usage on one hand to reduce operation costs, and on the other hand to reduce greenhouse gas emissions.

For the Reporting Period, the Group was not aware of any non-compliance on the relevant laws and regulations for the above matters.

(ii) Noise Emissions

During installation works on construction site, disturbing noises will be generated. Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) govern the noise from construction, industrial and commercial activities. We are required to get noise permits from the Environmental Protection Department for relevant construction activities in advance, and to carry out the activities during restricted hours. As a means to reduce the impacts to the public, the Group has carried out the construction activities during the permitted hours and days, conducted noise level monitoring, and if required, installed noise barriers.

During the Reporting Period, the Group did not aware of any non-compliance with the relevant laws and regulations on noise emission control, and had not received any direct complaints from the public and fines or warning notices from the Environmental Protection Department.

(iii) Hazardous and Non-Hazardous Wastes

During installation works on construction site, wastes, mostly bulky and non-hazardous one, are generated. Storage, collection, treatment, and disposal of these wastes are subjected to the requirements under Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong). The Group has implemented a waste management hierarchy that prioritises avoidance, reduction, reuse and recycling, over disposal. Our project teams have carefully planned the work programmes to avoid over-ordering of construction materials. Furthermore, good site practices have been adopted to prevent cross contamination of materials. Reusable plywood and metal formwork have been carefully selected for reuse at site or other sites to reduce material consumption. For excavated materials from the site, they have been sorted, segregated and reused as refilling materials at the premises as frequent as possible. Remaining construction materials generated have been sent to designated landfills by qualified waste collectors in accordance with the relevant requirements.

There are no hazardous wastes generated from our office. Only a small amount of office and staff living non-hazardous wastes such as typing paper and packaging materials are generated, which are collected by the property management offices.

During the Reporting Period, the Group did not aware of any non-compliance with all the relevant laws and did not receive any complaints or fines or warning notices from the public or the relevant environmental agencies on our waste disposal activities.

(iv) Waste Water

The Group, as a specialist on design, procurement and installation of water circulation systems, fully understands the art, technology and requirements of "how to manage water efficiently, economically and effectively" including fresh and waste water. During the construction and installation works, large amounts of water will be used for cooling and cleaning purposes and waste water will be generated. Waste water discharge is under the control of the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and the Environmental Law no. 2/91/M section 1 of article 23 of Macau. The Group has implemented all the necessary measures to reduce the production of waste water. In our work sites, waste water has been collected, filtered and treated for reuse on site such as wheel washing and mud cleaning. If waste water is produced in a larger volume, the Group will apply for a special permit to collect and to discharge them onto specially approved sites.

The Group encourages employees to consume less and generate less waste water at our office.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and had not received any complaints or fines or warning notices from the public or the relevant environmental agencies on our wastes water disposal activities.

(v) Mitigation Measures on Emission and Results

At construction sites where our installation work takes place, a substantial volume of hazardous and nonhazardous emissions including air, water and solid wastes as mentioned above are generated. Even though we can only play a relatively passive role on this control in the construction site as a whole, as a socially and environmentally responsible corporation, we have been proactively involved in the emission management process with other sub-contractors and the site-work operators. As discussed in our previous ESG reports, we advocate to minimize emissions through economic, efficient and smart uses of resources, controlling and stopping wastage, recycling of water and construction materials for reuses, proper handling of water and solid wastes, saving the use of energy in our daily operation and activities, etc. For the Reporting Period, the Group did not aware of any non-compliance of all the relevant environmental laws and industries regulations that the Group should abide. The Group believes that through our strict measures and implementation stance, we have discharged our duties satisfactorily in terms of social and environmental improvements.

A2 Use of Resources

The Group's operation in the construction and installation sites use a variety of resources: energy in the form of electricity directly from the city grid, fuel and diesel; fresh water, printing paper, plywood, steel and many types of construction materials such as sand, clay, tiles, etc., while in the management office, only electricity, water and paper are used. However, as discussed above, the sites resources usage is not directly under our account, but we, as a socially and environmentally responsible corporation, have actively involved in the management and control and aim to protect the environment by saving the world's natural resources through implementing various measures to reduce their consumption.

The Group adopts and implements the 3R principle – Reduce, Reuse and Recycle as far as possible in achieving efficient use of energy, water and other raw materials.

All levels of the Group are mindful of the importance of energy saving and its implications to the community and the planet. Continuous monitoring on sites and in office enables us to reduce or use energy and other resources, particularly water, in smart ways. Directional instructions and advice which we disclosed in our previous ESG reports, and future educational programs are and will be the main driving force in this aspect.

(i) Electricity Consumption

For the Reporting Period, 56,683 KWh of electricity was consumed for our office operation, which was 10,503 KWh or 23% higher than the last reporting period. The increase in electricity consumption was mainly due to the removal of principal office where additional consumption of electricity was occurred. Except for this incident, the Group will continue to implement our energy saving measures being taken.

(ii) Water Consumption

Water is supplied from the city central water system. The use of fresh water in the office is for staff general operating purpose, and a total of 36 cubic meters (2017/18: 35 cubic meters) was used for the Reporting Period. Though the amount is insignificant, our staff has been constantly reminded to save on water consumption.

(iii) Paper, Packaging Materials and Other Raw Materials Consumption

Given today's complex construction industry context, it is inevitable to use paper, whereby we need to print drawings, details, etc., for the purpose of site inspection, presentations, etc. Hardcopies of documents also need to be kept on site daily, such as daily tool box meeting records, inspection forms, progress reports and claims, etc. The Group has encouraged employees on best efforts to replace and reduce the use of paper by using electronic means and recycled papers.

Packaging materials involved in the construction and installation sites are minimal as our finished products are building or construction items.

Plywood is identified as the most common natural resource used by our construction and installation operation for formwork. We continuously recycle and reuse plywood for different projects until they are not suitable for further use.

A3 The Environment and Natural Resources

As discussed above, the Group is fully aware that its activities and operation may generate significant environmental impacts if they are not properly managed. The operation and activities consume large amounts of energy, water and other natural resources and generate various types of emissions, water and solid wastes. We have actively and directly introduced and implemented eco-friendly practices to reduce and conserve energy, fresh water and other natural resources, and to minimize the impact on the environment directly or indirectly. We have managed and handled our air, water and solid emissions properly to comply with the environmental laws and regulations of the regions which we are operated. We cooperate with the local government agencies and support environmental organizations' activities to build a "clean and safe" environment and society.

During the Reporting Period, the Group did not aware of any irregularities on natural resource consumption was reported to the management.

(B) Social

Employment and Labour Practices

B1 Employment

As reported before, employees are the most valuable assets of the Group, and the Group's success depends highly on their skills, passion and commitment. On one hand, we ensure employment and labour practices are implemented according to the relevant labour laws and the employment ordinance, on the other hand we establish clear policies and guidelines to attract and retain talents. We provide equal employment opportunities to all without discrimination in hiring, promotion, dismissal, and remuneration and welfare packages, training and development.

Our recruitment process follows normal practices in our industry. We specify the requirements of the vacancies, and will advertise as well as head-hunt through employment agencies. We promote equal opportunity, diversity, anti-discrimination in our selection process which includes background checks, tests and interview. Successful applicants for general staff will be decided by human resources manager and related department head and for senior management will be decided by the Chief Executive Officer.

As at 31 March 2019, the employment characteristics are summarized below:

Description	2018/19	2017/18	Increase/ Decrease (+/-)
(i) Total number of employees	37	36	+3%
(ii) Male/Female ratio	1:2.2	1:3	N/A
(iii) Number of office employees including Executive Director and senior management roles	6	6	N/A
(iv) Age distribution			
(a) 19–40	54.1%	52.8%	+1.3%
(b) 41–60	45.9%	47.2%	-1.3%

From the above comparisons, the Group has a stable management structure and its business was in a steady growing stage to looking for potential business activities.

Employee Compensation and Benefits

One of the major ESG aspects raised by the Group's employees was benefits and compensation packages. The Group addresses salary and compensation packages in a transparent manner by disclosing its salary benchmarking exercises to employees.

Our Group follows Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). Remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration of industry practices and market conditions, and will be reviewed on an annual basis. Senior management staff and directors' remuneration is determined with reference to his/her duties and responsibilities with the Group, the Group's standards for emoluments and market conditions and being reviewed by the remuneration committee of the Company regularly. In compliance of laws, Mandatory Provident Fund (MPF) and mandatory Social Security Fund (SSF) have also been arranged for all the Hong Kong and Macau employees respectively.

During the Reporting Period, the Group honoured all obligations to our employees including the payment of salaries and wages, holiday and leave, compensation, insurance and health benefits without disputes, violations or litigation related to employment.

B2 Health and Safety

The Group is committed to provide a safe, healthy and pleasant working environment in its office and project sites. We have equipped the office with adequate equipment and facilities to ensure safety and convenience to employees. The Group has established work safety rules and policies, which are in all material aspects in compliance with all the relevant laws, rules and regulations relating to safety and health requirements of Hong Kong and Macau including: Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong). All permanent staff have been covered with insurance as required by laws. All employees are also requested to strictly observe the health and safety policies, to follow safety rules at work and to place safety as their priority during work at all times. The Group places the highest priority on securing occupational safety and health of all our employees, and endeavours to protect employees from work related accidents and injuries.

Pursuant to the statutory requirements of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong), safety audits have been conducted periodically in office and on project sites to check the efficiency, effectiveness and reliability of the safety management and set up plan for further remediation and improvement actions. During the Reporting Period, the Group was not aware of any identified any material non-compliance cases relating to health and safety.

During the Reporting Period there were no fatalities, work injury, occupational health and safety hazard cases recorded.

B3 Development and Training

The Group values its employees as human capital and commits to investing resources to refresh their standards, skills and knowledge so that they can maximise their contribution to the Group's growth and success. The Group supports continuous learning and recognizes its importance to the development of the employees, and would sponsor employees to attend internal and external training programs relevant to their work to improve their skills and knowledge.

On the training side, apart from orientation programmes for new employees to familiarize them with the Group's general working environment, work culture and safety awareness, on-the-job training programmes and guidance from supervisors are also provided to enhance their technical or product knowledge.

A record of the development and training programmes with a breakdown of the types, number of attendants and hours attended has been established, chosen and maintained as a KPI to facilitate the management team to assess the human resources plan, and the performance improvements.

B4 Labour Standards

The Group has strictly complied with any provisions of the local labour laws and employment ordinances of Hong Kong and Macau. The Group has honoured all of its obligations towards its employees and has built a safe, healthy and pleasant working environment. No child or forced labours have been employed. Equal opportunities have been given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees have not been discriminated against or deprived of opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws.

During the Reporting Period, the Group did not aware of any labour dispute records or any non-compliance cases on labour employment issues.

Operating Practices

These aspects include management of sourcing, procurement, products quality assurance, sales, intellectual property rights and anti-corruption.

B5 Supply Chain Management

Supply chain management in the ESG Guide mainly refers to management of sourcing and procurement. In our case, there are 2 main types of suppliers: (i) sub-contractors who undertake sub-contracting construction and installation project works; and (ii) suppliers who supply raw materials, tools, equipment and consumables, etc., which the Group uses to complete the construction and installation projects.

We open raw materials purchase acquisitions to all suppliers on a fair and equitable manner following our purchase policies. All purchase transactions are open and transparent to all involved parties during the purchase acquisition process. They are subject to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks.

We maintain a list of suppliers who have track records in dealing with us or in the market. We prefer to cooperate with the suppliers that share common moral values and standards with us. Regular assessments on the suppliers including requests to provide basic certifications, licenses and product catalogues are conducted to ensure that the suppliers are not only committed to the cost and quality of the products supplied, but also have not violated any laws and practices.

The purchases of the construction projects in principle follow the established prevalent trade practice and industry norms by inviting a number of tenderers depending on the contract value, time and amount involved and any other technicality or time constraints. They are executed and documented in accordance with the in-house rules which predominantly impose concern on and attach importance to its fit for purpose, safety and reliability. We include green items or environmental friendly provisions which our Group are obliged to comply under our contract specifications. We also consider the price competitiveness, availability and reputation of the suppliers. Suppliers are chosen based on their continuous ability to guarantee satisfactory product quantity and quality, reasonable price and timely delivery.

On the selection of sub-contractors, a list of approved sub-contractors is maintained who have passed the Group's quality control tests and have a satisfactory record of quality and on-time delivery. The Group prefers to choose those sub-contractors who are willing to work together to promote sustainable development of the industry.

The Group performs the evaluation of the raw material suppliers and the sub-contractors on an annual basis to make sure the suppliers and sub-contractors are up to the required standard and expectation. The assessment mainly includes but is not limited to the professional qualifications, services and products qualities, financial status, operation in good integrity, social responsibility, etc. Unsatisfactory suppliers and sub-contractors will be removed from the approved list.

During the Reporting Period, the Group had a total 77 key suppliers/subcontractors, which can be categorized by region as follow: Hong Kong 61, Macau 8, PRC 3 and others 5. The increase in 2 or approximately 3% more than 2017/18, is mainly due to the increase number in suppliers in Hong Kong of which may enhance the support in project operations.

B6 Product Responsibility

(i) Quality Assurance

The Group's end products are completed water circulation systems which are subject to stringent government control and independent consultant supervision and inspection in a progressive manner during the planning, design and construction stages. Most of the risks regarding defaulted end products are detected in a timely manner. Such risks are reasonably minimized by the established industry checking practices and our in-house supervision plans.

The Group is committed to providing high quality end products as we believe that the quality and consistency of our products are critical to our ability to retain our professionalism and to expand our market share. The Group has established policies which cover service quality and safety in order to ensure relevant measures comply with the laws and regulations. Great importance is attached to the safety standard of our products. The Group maintains close contact with our business peers in the market to keep abreast of the latest building construction technology and knowledge. Also, policies and procedures are adopted to ensure that all customer complaints or concerns are appropriately addressed and in a timely manner.

During the Reporting Period, the Group did not aware of any quality claims on our products and services which had an adverse impact to our business.

(ii) Intellectual Property Rights

Given the nature of our works, intellectual property rights are not an issue to the Group. Yet, the Group still observes and respects all intellectual property rights such as the purchase of genuine computer software for usage in office and work sites. Also, the designers are frequently be reminded not to infringe on any intellectual property rights during development of their designs.

During the Reporting Period, the Group was not aware of any intellectual property right infringement case filed against us.

(iii) Privacy

The Group's construction and installation contracting business does generate private, confidential and sensitive information of the principals and their projects such as design, costs and commercial terms of contracts. We also possess confidential information on our business partners, sub-contractors and employees. These types of information are extremely sensitive and important, and by law, we have to cautiously keep and safeguard them. The Group is fully aware of our obligation, and has taken measures to ensure safe keeping of the information. We only use the information for our own business purposes, not for other unrelated purposes. Our employees' employment contracts specifically contain confidentiality provisions and employees are prohibited from accessing information without approval and/or leaking private and confidential information. All employees are warned to handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law. Legal actions will be taken against any violation.

No complaint from regulatory bodies regarding customer privacy was recorded for the Reporting Period.

B7 Anti-corruption

The prevention of bribery, extortion, fraud, and money laundering under this anti-corruption section is a material aspect to all the stakeholders. The Group realizes the importance of employees' integrity and has established the Code of Conduct (CoC) for all the employees for the purpose of providing employees with the guidance for allowable acceptance of gifts or entertainment, conflict of interest, handling of confidential information, and whistle-blowing procedure. The Group adopts a zero tolerance approach to bribery, extortion, fraud and money laundering. In daily work, the directors, management and employees must comply with related national and local government laws and regulations on prevention of bribery, extortion, fraud and money laundering. Any person, who contravenes the regulations, will be subject to disciplinary sanction. With the implementation of clear policies and well-structured processes on purchases, sales, operation and finance, and the adoption of a high CoC especially in our senior management, the Group reported no bribery nor corruption cases for the Reporting Period.

B8 Community Investment

The Group understands that community participation is important for its long-term development. The Group supports its employees to take part in volunteer services such as regularly visiting the people who need help and arranging outdoor activities for disadvantaged groups. The Group believes in investing on youth education and provides internship program for undergraduate students through practical working experience to support talent and career development. The Group has also actively participated in charitable donations, as well as supporting educational and environmental protection activities. During the reporting period, the Group has contributed charitable donation to Hong Kong Impaired Golfers Association and Oxfam Hong Kong to support those in need. Further details about the charitable donation made by the Group can be found on page 50 of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Nam Ho Kwan (藍浩鈞), aged 47, our founder, Chairman, Chief Executive Officer and Executive Director and one of the controlling shareholders of the Company. He was appointed as a Director on 23 November 2015 and re-designated as Executive Director and elected as Chairman on 8 June 2016. He is also a Chairman of the Nomination Committee. He is mainly responsible for formulating the overall business development strategy and planning; overseeing the Group's performance and management; and leading and representing the Group in negotiation with potential business partner.

In November 1994, Mr. Nam obtained a Bachelor of Engineering in Mechanical Engineering from The Hong Kong Polytechnic (now known as Hong Kong Polytechnic University). Subsequently, he completed the "ISO 9001:2000 Training Course (Module 1)", the "ISO 9001:2000 Implementation Training Course (Module 2)", the "ISO 9001:2000 Internal Audit Training Course (Module 3)" and the "ISO 9001:2000 Management System "Lean & Green" TM Training Course (Module 4)" organized by Hong Kong Productivity Council in 2002.

After obtaining the aforesaid Bachelor of Engineering, Mr. Nam gained working experience in the water landscape design and construction industry for about 22 years, during which he founded our Group in November 2006. Before establishing the Group, Mr. Nam was a marketing manager of a company engaged in the design and installation of water filtration system from 2002 to 2005.

Mr. Nam is director of the major operating subsidiaries namely, Harmony Asia Limited and Best Innovation Limited and holds a number of directorship in other subsidiaries within the Group.

Mr. Ng Wan Lok (吳蘊樂), aged 51, was appointed as an executive Director on 8 June 2016. He joined the Group as a marketing manager in March 2014 and is mainly responsible for managing and supervising the operations of projects of the Group.

He obtained a post-graduate certificate in Information Technology from the Hong Kong Management Association in September 1994 and further obtained a Bachelor's degree in Computer Science from Victoria University of Technology in November 1996.

Mr. Ng has more than 24 years of experience in project management. He had worked in various companies and was responsible for project development, managing manufacturing operation and handling product sales and development. Before joining the Group, Mr. Ng was a Manager of Wellgo Development Limited from August 2007 to February 2014 and he was mainly responsible for handling the trading business of consumer electronics.

Ms. Wong Wing Hung (王詠紅), aged 45, was appointed as an executive Director on 8 June 2016. She is also the compliance officer of the Company. She joined the Group as a project administrator in November 2006 and is responsible for project tendering and administration as well as project accounting of the Group.

She obtained a Bachelor's degree in Business Administration from the Open University of Hong Kong in June 2003. She also completed "ISO 9000:2000 Internal Auditor Training Course" organized by Hong Kong Quality Assurance Agency in November 2001.

Ms. Wong has about 20 years of experience in project tendering, accounting and administration. Before joining the Group, she was project secretary for companies engaged in design and installation of water filtration system. She was a Project Secretary of Dawn Enterprise Limited from February 1998 to August 2002, Assistant to Manager of P&A Engineering Limited from November 2002 to October 2004, Project Secretary of Harmony Project Limited from November 2004 to September 2005 and Project Secretary of Fortune Universe Limited from September 2005 to July 2006.

Non-executive Director

Ms. Wang Rui (王蕊), aged 31, was appointed as a non-executive Director on 17 January 2018. She has numerous years of experience in property project management and she is currently a vice general manager of 廊坊翔達房地產開發有限公司 (Langfang Xiangda Real Estate Development Co., Ltd.*), a subsidiary of 天津隆昌投資集團有限公司 (Tianjin Long Chang Investment Group Co., Ltd.*) and responsible for the management of 中國紅木城 (the China Rosewood City*) project which is one of the largest real estate projects in northern People's Republic of China (the "PRC"). Prior to that, Ms. Wang also gained the working experience in the financial service industry in the PRC. Ms. Wang obtained a Bachelor's degree in Business Administration (Accounting) in Hong Kong Baptist University in November 2010 and attained a Master's degree in Master of Science (Technopreneurship & Innovation) in July 2014 from Nanyang Technological University in Singapore.

Independent Non-executive Directors

Mr. Wu Kam On Keith (鄔錦安), aged 44, was appointed as an independent non-executive Director on 19 January 2017. He is also a Chairman of the Audit Committee and members of the Remuneration Committee and Nomination Committee.

He is currently an independent non-executive director of Fulum Group Holdings Limited (富臨集團控股有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 1443), since October 2014 and an independent non-executive director of Sanbase Corporation Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8501) since January 2018. In July 2005, Mr. Wu joined Tsit Wing International Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 2119)) and is currently its executive director, group chief operation officer and company secretary. Prior to that, he was an accountant of Hong Kong International Terminals Limited from April 2001 to June 2004 and practised as a certified public accountant at Deloitte Touche Tohmatsu from June 1997 to July 2000. These past and present positions have given Mr. Wu over 22 years of financial and accounting experience.

Mr. Wu received a Bachelor's degree in Accountancy from the City University of Hong Kong in November 1997 and a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in October 2009. He was admitted as a fellow of the Hong Kong Institute of Certified Public Accountants in September 2008 and a fellow of The Hong Kong Institute of Chartered Secretaries in September 2018. He has also been a fellow of the Taxation Institute of Hong Kong since July 2010 and an elected fellow of The Institute of Chartered Secretaries and Administrators in the United Kingdom since September 2018.

Mr. Lau Wai Hung (劉偉雄), aged 43, was appointed as an independent non-executive director on 17 January 2018. He is also Chairman of Remuneration Committee and members of the Audit Committee and Nomination Committee.

He has over 20 years of experience in finance, accounting and auditing and corporate development advisory. Mr. Lau served as the financial controller and company secretary of Chanco International Group Limited (with its name changed to Ascent International Holdings Limited effective from 14 June 2016) (Stock code: 264) from July 2002 to April 2015. Mr. Lau obtained a Bachelor's degree of Business Administration from The Chinese University of Hong Kong in December 1997. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities and Investment Institute.

Mr. Chen Lei (陳磊), aged 32, was appointed as an independent non-executive director on 16 May 2018. He is also members of the Audit Committee, Remuneration Committee and Nomination Committee.

He is currently the investment director of Jingdong Securities Limited. Prior to that, he served as the deputy general manager of 啟迪誠曉投資管理有限公司 (Qidi Chengxiao Investment Management Co., Ltd.*) and the general manager of the investment sector of 北京啟迪厚德投資管理有限公司 (Beijing Qidi Houde Investment Management Co., Ltd.*), each of them a company which engages in private fund management in the PRC. He has more than 7 years of experience in private fund management in the PRC where he was responsible for formation of fund, investment project and post-investment management. Mr. Chen obtained a Master of Science degree in Financial Economics in January 2010 from the University of Leicester in the United Kingdom.

SENIOR MANAGEMENT

The following are the senior management team of the Group:

Mr. Chong Ching Hoi (莊清凱), aged 36, joined the Group in March 2016 as the chief financial officer of the Group and he was appointed as our company secretary of the Company on 8 June 2016. He is mainly responsible for handling and overseeing the financial reporting, financial planning and reviewing internal control of our Group. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Chong obtained a Bachelor's degree of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2004. He has more than 10 years of experience in accounting and audit. Before joining the Group, Mr. Chong was the chief financial officer and company secretary of China Yuanbang Property Holdings Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited, (Stock Code: BCD.SI) from November 2012 to March 2016 and he was responsible for the preparation of financial statements as well as reviewing and developing effective financial policies and control procedures. He has been currently an independent non-executive director of China New Economy Fund Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 80), since December 2017.

Ms. Tong Sau Wai (湯秀慧), aged 36, is the operation and human resources manager of the Group. She joined the Group in August 2015 and has been mainly responsible for project management, supervising overall site and office activities, recruitment and human resources matters and staff administration of the Group. She obtained a Bachelor's degree of Business Administration from the EU Business School in December 2018. She also obtained a Professional Diploma in Marketing Management from The Hong Kong Management Association in July 2009 and completed a course of instruction in Project Management Professional (PMP)® Preparation Course at Informatics Education (HK) Limited in March 2015. She has more than 10 years of experience in office administration and has involved in project management of various fixture installation and fit out work of shopping malls in, including but not limited to, Hong Kong, Macau and the PRC.

Mr. Yeung Yuen Wang (楊元宏), aged 33, is the project manager of the Group. He joined the Group in October 2013 as a project engineer. He is responsible for project management and supervising and overseeing site activities of the Group. Mr. Yeung obtained a Higher Diploma in Environmental Engineering and Energy Management from the Hong Kong Institute of Vocational Education in July 2008. He has more than 10 years of experience in the engineering and construction field. Before joining the Group, he worked at Perricom Pool Equipments & Engineering Company Limited from July 2008 to September 2013 with his last position being Assistant Project Manager.

* *For identification purpose only*

REPORT OF DIRECTORS

The directors of the Company (the "Directors") hereby presented their report and audited consolidated financial statements for the year ended 31 March 2019.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 November 2015 under the Companies Law of the Cayman Islands.

The companies now comprising the Company and its subsidiaries (the "Group") underwent a reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the prospectus issued by the Company dated 16 May 2017 (the "Prospectus").

The shares of the Company ("Shares") were listed on GEM of the Stock Exchange on 26 May 2017 (the "Listing").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged as contractor specialised in design, procurement and installation services of the Water Circulation Systems. The services are mainly categorised as (i) management contracting services – design, procurement and installation of Water Circulation Systems, (ii) consultancy services – provision of consultancy services on Water Circulation Systems; and (iii) maintenance services – provision of maintenance and repair services for Water Circulation Systems. Details of the principal activities of its subsidiaries are set out in note 32 to the consolidated financial statements.

For discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of business, discussion of the principal risks and uncertainties facing by the Group, its key relationship with employees, customers and suppliers and an indication of likely future developments in the Group's business, can be found in section "Management Discussion and Analysis" set out on pages 5 to 9 and pages 42 and 47 of this annual report and the discussion of its environmental policies and performance, can be found in section "Environmental, Social and Governance Report" of this annual report. During the year ended 3 1 March 2019, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact of the Group.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 March 2019 by operating segment is set out in note 3 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this annual report.

PAYMENT OF FINAL DIVIDEND

The Board do not recommend the payment of final dividend of the Company for the year ended 31 March 2019 (2018: Nil) to the shareholders of the Company.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 128 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 March 2019 in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year ended 31 March 2019 in the share capital of the Company are set out in note 22 to the consolidated financial statements.

RESERVES

As at 31 March 2019, the Company's reserve available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK$58,972,000 (2018: approximately HK$61,241,000). Movement in reserves of the Company during the year ended 31 March 2019 are set out on page 126 of this annual report.

BANK BORROWINGS

Details of bank borrowings during the year ended 31 March 2019 are set out in note 19 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 12 May 2017 (the "Share Option Scheme") under which certain selected classes of participants (including, among others, employees, non-executive directors, suppliers of goods and services, customers, shareholder, adviser or consultant of any member of the Group or any invested entity) may be granted option to subscribe for the Shares. The Share Option Scheme will remain in force for a period of 10 years commencing from date of adoption. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

The total number of the Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue on the date of Listing unless the Company obtains the approval of the shareholders for refreshing such 10% limit, in which case the total number of the Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company as "refreshed" shall not exceed 10% of the total number of the Shares in issue as at the date of the approval of the Company's shareholders on the refreshment of the limit. The number of the Shares in respect of which options may be granted to any individual in any 12-months period is not permitted to exceed 1% of the Shares in issue. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in excess of 0.1% of the Shares in issue and a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

An option may be accepted by a participant within 21 days from the date of grant with a nominal consideration of HK$1 on each grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price is determined by the Directors and will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. For the details of the Share Option Scheme, please refer to the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus.

No share option has been granted during the period from the date of adoption of the Share Option Scheme to 31 March 2019. The Company will consider to grant share options as incentive to any eligible personnel of the Group thereafter.

EQUITY LINKED AGREEMENT

Save for the Share Option Scheme, no equity-linked agreement was entered into by the Group; or existed during the year ended 31 March 2019.

DISCLOSURE OF INTERESTS

(I) Directors' and Chief Executives' Interest and Short Position in Shares, Underlying Shares or Debentures

So far as the Directors are aware, as at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Mr. Nam Ho Kwan *(Note)*	Interest in controlled corporation	731,250,000	Long position	56.25%

Note: Mr. Nam owns the entire issued share capital of Harmony Asia International Limited ("Harmony Asia International") and is deemed, or taken to be, interested in the same number of the Shares held by Harmony Asia International for the purpose of the SFO. Mr. Nam is the Chairman of the Board and Chief Executive Officer and one of the controlling shareholders of the Company.

Save as disclosed above, as at 31 March 2019, none of the Directors nor chief executive of the Company has registered an interest and short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(II) Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares or Debentures

So far as the Directors are aware, as at 31 March 2019, the following persons/entities had or deemed to taken to have an interest or short position in the Shares or underlying Shares or debentures of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Name of Shareholder	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Harmony Asia International	Beneficial owner *(Note 1)*	731,250,000	Long position	56.25%
Mr. Nam Ho Kwan	Interest in controlled corporation *(Note 1)*	731,250,000	Long position	56.25%
Mr. Zhang Wei	Beneficial owner/ Interest in controlled corporation	243,750,000 *(Note 2)*	Long position	18.75%
Morgan Star Investment Limited	Beneficial owner	109,590,000 *(Note 2)*	Long position	8.43%

Notes:

(1) Harmony Asia International is a company incorporated in Samoa which is wholly-owned by Mr. Nam. Therefore, Mr. Nam is deemed to be interested in all Shares held by Harmony Asia International.

(2) Morgan Star Investment Limited is a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Zhang. Therefore, Mr. Zhang is deemed to be interested in all Shares held by Morgan Star Investment Limited.

Save as disclosed above, as at 31 March 2019, no person/entities, had notified the Company of an interest or short position in the Shares, underlying Shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MAJOR CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS AND RELATIONSHIP

We strive to provide high quality and reliable services to its customers. The privacy of the Group's customers are well protected. Policies and procedures are adopted to ensure that all customer complaints or concerns are appropriately addressed. During the year ended 31 March 2019, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 96.9% (2018: 95.8%) and 86.5% (2018: 87.8%), respectively, of the Group's total revenue for the year ended 31 March 2019.

The Group is committed to forging collaborative partnership with its suppliers and have a list of approved suppliers who are assessed on a regular basis. Purchases from the Group's five largest suppliers accounted for approximately 21.0% (2018: 42.4%) of the Group's total costs of services for the year ended 31 March 2019 and the purchase from the largest supplier included therein amounted to approximately 11.0% (2018: 38.9%).

We also maintain a list of sub-contractors who have passed the Group's quality control tests and have a satisfactory record of quality and on time-delivery. Sub-contracting fees paid to the Group's five largest sub-contractors accounted for approximately 47.7% (2018: 33.1%) of the Group's total costs of services for the year ended 31 March 2019 and the sub-contracting fee paid to the largest subcontractor included therein amounted to approximately 42.4% (2018: 24.3%).

So far as the Directors are aware, none of the Directors, or any of his close associates (as defined under the GEM Listing Rules) or the Company's shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers, suppliers or sub-contractors during the year ended 31 March 2019.

RELATIONSHIP WITH EMPLOYEES

The Group value its employees as human capital and commits to investing resources to refresh their standards, skills and knowledge so that they can maximise their contribution to the Group's growth and success. Further details can be found in section "Environmental, Social and Governance Report" of this annual report.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

REPORT OF DIRECTORS

DIRECTORS

The Directors up to the date of this report were:

Executive Directors

Mr. Nam Ho Kwan *(Chairman and Chief Executive Officer)*
Mr. Ng Wan Lok
Ms. Wong Wing Hung

Non-executive Director

Ms. Wang Rui

Independent Non-executive Directors

Mr. Wu Kam On Keith
Mr. Lau Wai Hung
Mr. Chen Lei (Appointed on 16 May 2018)

During the year ended 31 March 2019 and up to the date of this report, Non-executive Director, Mr. Chong Kam Fung and Independent Non-executive Director, Mr. Kwong Tsz Ching Jack, both resigned as Directors with effect from 16 May 2018.

Information regarding directors' emoluments is set out in note 8 to the consolidated financial statements. Annual confirmations of independence pursuant to the requirements under Rule 5.09 the GEM Listing Rules have been received from the Independent Non-executive Directors.

BIOGRAPHICAL DETAILS OF DIRECTORS AND CHANGES IN INFORMATION OF DIRECTORS

Updated biographical details of the Directors are set out on pages 35 to 36 of this annual report.

DIRECTORS' SERVICES CONTRACTS

Each of the executive and non-executive Directors has entered into a services agreement with Company for an initial term of three years commencing from the Listing Date or his/her date of appointment and will continue thereafter unless and until terminated by the Company or Director or the Director has not been re-elected as a director of the Company or has been removed by the Company's shareholders at any of its general meeting or is disqualified from acting as a director of the Company in accordance with the articles of association of the Company (the "Articles"). Each independent non-executive Director was appointed under a letter of appointment for a fixed term of three years unless terminated by the Company or the Director in accordance with the terms as set out in the letter of appointment.

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

DIRECTORS' RETIREMENT AND RE-ELECTION

Pursuant to Article 84 of the Articles, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 83(3) of the Articles, the Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Article 84 of the Articles, Mr. Nam Ho Kwan, Mr. Wu Kam On Keith and Mr. Lau Wai Hung shall retire by rotation at the forthcoming annual general meeting of the Company. They are, being eligible, offer themselves for re-election at the said annual general meeting.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, CONTRACTS OF SIGNIFICANCE

Save as disclosed in Prospectus and elsewhere in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2019.

CONTROLLING SHAREHOLDERS' INTERESTS

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

EMOLUMENTS OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of Directors and the five highest paid individuals of the Group are set out in note 8 and note 9 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

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

The Company adopted a share option scheme and the details are set out under section "Share Option Scheme" of this report.

COMPETING INTERESTS

The Directors are not aware of any business or interest of Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during the year ended 31 March 2019.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Harmony Asia International and Mr. Nam Ho Kwan, details of which were set out in the Prospectus has been fully complied and enforced for the year ended 31 March 2019. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the shareholders of the Company and the potential investors.

INTEREST OF COMPLIANCE ADVISER

As at 31 March 2019, except for (i) the participation of CLC International Limited ("CLC") as the sponsor in relation to the listing of the Company on GEM; (ii) the compliance adviser agreement entered into between the Company and CLC dated 26 January 2017; and (iii) the supplemental agreement to the compliance adviser agreement entered into between the Company and CLC dated 23 May 2017, neither CLC nor any of its directors, employees or its close associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company not any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 16 May 2017 (the "Prospectus") with the Group's actual business progress for the period from the Listing Date to 31 March 2019 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2019 as stated in the Prospectus	Actual business progress up to 31 March 2019
Strengthening of our industry position and expansion of our business	Undertake more projects and satisfy potential requirements of performance bond	The Group has been identifying suitable business opportunities with potential customers and the Group has also committed to undertaking new projects. Up to 31 March 2019, the Group has paid approximately HK$0.8 million to satisfy requirement of performance bond of new projects.
Repayment of bank borrowings	Repay outstanding amount under the bank borrowings advanced to our Group.	The Group has used approximately HK$7.6 million to repay the outstanding bank borrowings.
Strengthening our technical and project management capabilities	Recruit additional professional staff with relevant experience, including one chartered senior engineer, one quantity surveyor, one assistant project manager and one engineer. Provide technical seminars and safety courses for our staff.	The Group has added 10 headcounts of junior to senior level engineering staff to cope with its business development with additional staff costs of approximately HK$3.5 million. The Group regularly reviews the need for further recruitments to cope with the business development. The Group has paid approximately HK$0.1 million to sponsor its engineering staff to attend technical seminars and safety courses organised by third parties.
Establishing a Macau office/ warehouse	Rent an office/a warehouse in Macau and renovate and purchase fixed assets for the newly leased office/warehouse	The Group is in the process of identifying appropriate office/warehouse in Macau.
Purchase of tools and equipment	Purchase tools and equipment to enhance our high level working environment and improve our efficiency for the provision of installation services of Water Circulation Systems	The Group has purchased tools and equipment of approximately HK24,000 for the reporting period. The Group is in the process of selecting other tools and equipment.

USE OF PROCEEDS FROM LISTING

The Shares were listed on GEM on 26 May 2017 pursuant to the initial public offering of the Company. The net proceeds from the Listing (after deducting the underwriting fees and expenses related to the Listing) of a total of approximately HK$38.0 million would be used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

As at 31 March 2019, the net proceeds had been utilised as follows:

	Actual net proceeds *HK$ million*	Amount utilised as at 31 March 2019 *HK$ million*	Balance *HK$ million*
Strengthening of the Group's industry position and expansion of business	19.4	0.8	18.6
Repayment of bank loans	7.6	7.6	–
Strengthening of the Group's technical and project management capabilities	3.6	3.6	–
Establishment of a Macau office/warehouse	2.5	–	2.5
Purchase of tools and equipment	1.6	–	1.6
General working capital	3.3	3.3	–
	38.0	15.3	22.7

Due to the increasingly challenging external business environment and the actual development of the Group, the Group did not fully utilise the net proceeds as per the planned time frame with reference to the disclosure in the Prospectus.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group:

(a) The Group's business is project-based. The Group mainly derive revenue from projects which are nonrecurrent in nature. Fee collection and profit margin significantly depend on various factors of each project such as the terms of contracts, duration of project, variation orders, efficiency of implementation of contract work and the general market condition. In general, variation orders usually carry higher profit margin as compared with the works under original contracts. Therefore, revenue generated from the Group's business is irregular and is subject to the availability of projects, variation orders and other factors beyond the Group's control;

(b) The number and size of the projects the Group can undertake depends on the Group's human and other resources. Due to the size of the Group, a mega-sized project will occupy a substantial part of the Group's resources and inevitably resulted in the Group not being able to deploy resources to other projects and as a result the Group have to rely on a single project or otherwise a small number of projects during the project period. Any decrease in the number of sizable projects in terms of revenue recognised may affect the Group's operations and financial results;

(c) For the Group's management contracting business, the Group normally receive progress payments from the customers with reference to the percentage of completion of the contract works done by the Group during the relevant month in accordance with the rates and prices based on the agreed tender price. Any failure by the customers to make any payment on time or in full may have a material adverse effect on the Group's liquidity position. Any failure by the customers to eventually pay the amount to the Group's may have a material adverse effect on the Group's financial position and operating results; and

(d) Most of the Group's contracts are awarded to the Group through tendering process. The Group have to determine the tender price and service fee of each project based on the information available to the Group at the time of submitting the tender. The tender price is determined by factors including the scope of works, the estimated duration of the project period, the total time cost and estimated cost involved. The Group determine the price of all the projects at fixed costs based on an agreed scope of works and the estimation of time cost and estimated cost involved. Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss.

PERMITTED INDEMNITY PROVISIONS

Every Director shall be entitled under the Articles to be indemnified out of the assets of the Company against all actions, costs, charges, losses or liabilities incurred or sustained by him or her as a Director in the execution or discharge of his or her duty.

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

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2019 are set out in note 24 to the consolidated financial statements in this annual report. None of these related party transactions constituted a connected transaction under Chapter 20 of the GEM Listing Rules which were subject to the reporting, announcement or independent shareholders' approval requirements for the year ended 31 March 2019.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on the information that is publicly available to the Company, at least 25% of the Company's issued capital were held by public as at the date of this report.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

AUDITOR

Deloitte Touche Tohmatsu ("Deloitte") had been the independent auditor of the Company since the Listing. On 17 April 2019, Deloitte resigned as the independent auditor of the Company. On the same date, the Board appointed Mazars CPA Limited ("Mazars") to fill the casual vacancy as the independent auditor until the conclusion of the forthcoming annual general meeting of the Company. Further details can be found on the Company's announcement published on 17 April 2019. Save for the above, there were no other changes in the Company's auditor in the pas three years.

The consolidated financial statements for the year ended 31 March 2019 have been audited by Mazars. Mazars shall retire in the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Mazars as auditor of the Company and authorise the Directors to fix their remuneration will be proposed at the said annual general meeting.

REPORT OF DIRECTORS

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed "Corporate Governance Report" on pages 10 to 21 of this annual report.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

No contracts concerning management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 March 2019.

CHARITABLE DONATIONS

During the year ended 31 March 2019, the Group has made charitable donations of HK$53,000 (2018: HK$302,000).

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2019 and up to the date of this report.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 30 August 2019, the register of members of the Company will be closed from Tuesday, 27 August 2019 to Friday, 30 August 2019, both days inclusive, during which period no transfer of Shares will be registered. Shareholders of the Company are reminded to ensure all properly executed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which address will be changed to level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) no later than 4:30pm on Monday, 26 August 2019.

On behalf of the Board

Hao Bai International (Cayman) Limited
Nam Ho Kwan
Chairman

Hong Kong, 17 June 2019

INDEPENDENT AUDITOR'S REPORT

MAZARS

MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話 : (852) 2909 5555
Fax 傳真 : (852) 2810 0032
Email 電郵 : info@mazars.hk
Website 網址 : www.mazars.hk

To the members of
Hao Bai International (Cayman) Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hao Bai International (Cayman) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 127, which comprise the consolidated statement of financial position of the Group as at 31 March 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key Audit Matters	How our audit addressed the Key Audit Matter

Revenue and profit recognition of management contracting services and contract assets and liabilities for contract works

Refer to significant accounting policy and critical accounting estimate and judgement in Note 2 and the disclosures of revenue and contract assets and liabilities in Notes 4 and 15(a) to the consolidated financial statements respectively

The Group's revenue and segment profit from management contracting services amounted to approximately HK$133 million and HK$25 million respectively for the year ended 31 March 2019, and the Group had contract assets and liabilities of approximately HK$104 million and HK$2 million respectively at 31 March 2019.

The Group recognised contract revenue and profit of management contracting services by making reference to the percentage of completion of the contract work based on the contract costs incurred for work performed to date relative to the estimated total contract costs. The Group estimated total contract costs based on quotations from time to time provided by the major subcontractors/suppliers/vendors and the experience of the management of the Group.

We identified the revenue and profit recognition of management contracting services and contract assets/liabilities for contract works as a key audit matter due to the significance of the amounts involved and the significant degree of management's judgement on the estimation of the total outcome of construction contracts as well as the percentage of completion of construction work.

Our procedures, among others, included:

- Understanding of the Group's internal controls over the recognition of revenue and costs;
- Evaluating the estimation of revenue and profit recognised on management contracting services, on a sample basis, by:
  - agreeing the total contract sum of the contracts, and budgeted costs to respective construction contracts or other correspondences and approved budgets;
  - understanding the process of estimating the total contract costs by discussing with the project managers of the Group who are responsible for the budgeting of projects;
  - evaluating the reasonableness of their total estimated contract costs, taking into account of factors including the profit margin, contract costs of similar projects from the Group and comparing the latest quotation by the major subcontractors/suppliers/vendors to the budgeted contract costs and actual contract costs;
  - evaluating the reasonableness of percentage of completion by discussing with the project managers of the Group for the projects status of the projects and performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences; and
  - checking the calculation of percentage of completion and contract revenue;

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters

Revenue and profit recognition of management contracting services and contract assets and liabilities for contract works *(continued)*

- Assessing the appropriateness of the basis of deriving the contract assets/liabilities for contract works by agreeing the amount of contract costs to supporting documents such as supplier invoices, and progress billings to invoices issued to customers, on a sample basis; and

- Checking certificate payments subsequent to year end date issued by customers, on a sample basis.

Recoverability of trade debtors and contract assets

Refer to significant accounting policy and critical accounting estimate and judgement in Note 2, the disclosures of trade debtors and contract assets in Notes 16 and 15(a) and the disclosures of the financial risk management objective and policy – credit risk in Note 25 to the consolidated financial statements respectively

The trade debtors and contract assets of the Group carried at HK$32 million and HK$104 million respectively at 31 March 2019.

In determining the impairment losses on trade debtors and contract assets, the management performed the assessment on individual balances based on the Group's historical default rates after taking into consideration of certain forward-looking information which involved estimation and significant judgement.

We identified the recoverability of trade debtors and contract assets as a key audit matter due to the significance of the amounts involved and the use of judgement and estimates by the management in assessing the recoverability of trade debtors and contract assets.

Our procedures, among others, included:

- Understanding the management's basis and assessment in relation to the recoverability of trade debtors and contract assets;

- Assessing the reasonableness of impairment recognised by examining the information used by management to form such judgements, such as checking the accuracy of the ageing analysis of trade debtors to the payment certificates or completion certificates issued by the customers, respectively, on a sample basis;

- For individually assessed expected credit losses, assessing the estimated loss rates with reference to the individual customers' historical observed default rates and checking the settlement history and changes in the forward-looking information; and

- Testing subsequent settlements of trade debtors and contract assets, on a sample basis, to cash receipt and bank remittance.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2018/19 annual report of the Company, 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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 auditors' report that includes our opinion. This report is made 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.

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

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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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, related safeguards.

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 17 June 2019

The engagement director on the audit resulting in this independent auditor's report is:
She Shing Pang
Practising Certificate number: P05510

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*4*	**135,469**	130,886
Cost of services		**(109,363)**	(105,714)
Gross profit		**26,106**	25,172
Other income	*5*	**271**	74
Administrative expenses		**(20,082)**	(15,395)
Listing expenses		**–**	(4,373)
Finance costs	*6*	**(2,568)**	(1,393)
Profit before income tax	*7*	**3,727**	4,085
Income tax expenses	*10*	**(745)**	(1,102)
Profit for the year		**2,982**	2,983
Other comprehensive income		**–**	–
Total comprehensive income for the year		**2,982**	2,983
Earnings per share, basic and diluted (HK cents)	*11*	**0.23**	0.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	**761**	910
Payment for a life insurance policy	14	**2,647**	2,650
		3,408	3,560
Current assets			
Contract assets	15	**103,560**	–
Amounts due from customers for contract works	15	**–**	79,655
Trade and other debtors, deposits and prepayments	16	**40,230**	32,272
Pledged and restricted bank deposits	17	**17,366**	2,733
Bank balances and cash	17	**23,446**	28,094
		184,602	142,754
Current liabilities			
Contract liabilities	15	**1,975**	–
Trade and other creditors and accrued expenses	18	**33,544**	14,311
Bank borrowings – due within one year	19	**47,173**	24,950
Obligations under finance leases	20	**–**	277
Income tax payable		**316**	1,720
Bank overdrafts – secured	17	**4,669**	7,705
		87,677	48,963
Net current assets		**96,925**	93,791
Total assets less current liabilities		**100,333**	97,351

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Bank borrowings – due over one year	19	**1,993**	1,993
NET ASSETS		**98,340**	95,358
Capital and reserves			
Share capital	22	**13,000**	13,000
Reserves		**85,340**	82,358
TOTAL EQUITY		**98,340**	95,358

These consolidated financial statements on pages 57 to 127 were approved and authorised for issue by the Board of Directors on 17 June 2019 and signed on its behalf by

Mr. Nam Ho Kwan
Director

Mr. Ng Wan Lok
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

		Reserves			
	Share capital	**Share premium**	**Other reserve**	**Accumulated profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 22)		*(Note i)*		
At 1 April 2017	–	37,344	(16,790)	15,069	35,623
Profit for the year and total comprehensive income for the year	–	–	–	2,983	2,983
Transactions with owners:					
Contributions and distributions					
Capitalisation Issue *(Note 22(i))*	9,750	(9,750)	–	–	–
Issue of new shares by way of public offer *(Note 22(ii))*	3,250	61,750	–	–	65,000
Transaction costs attributable to issue of new shares	–	(8,248)	–	–	(8,248)
Total transactions with owners	13,000	43,752	–	–	56,752
At 31 March 2018	13,000	81,096	(16,790)	18,052	95,358
At 1 April 2018	**13,000**	**81,096**	**(16,790)**	**18,052**	**95,358**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**2,982**	**2,982**
At 31 March 2019	**13,000**	**81,096**	**(16,790)**	**21,034**	**98,340**

Note:

(i) Other reserve of the Group represents the aggregate amount of the issued share capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any) in relation to the reorganisation carried out in preparation for the initial listing of the Company's shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	*23(a)*	**(3,915)**	(39,408)
Income tax paid		**(2,149)**	(1,863)
Net cash used in operating activities		**(6,064)**	(41,271)
INVESTING ACTIVITIES			
Interest received		**263**	66
Acquisition of property, plant and equipment		**(559)**	(157)
Proceeds from disposal of property, plant and equipment		**3**	–
Placement of pledged and restricted bank deposits		**(14,633)**	(2,733)
Advances to staffs		**–**	(2,250)
Release of pledged and restricted bank deposits		**–**	473
Net cash used in investing activities		**(14,926)**	(4,601)
FINANCING ACTIVITIES			
New bank borrowings raised		**91,638**	23,000
Proceeds from issuance of new shares in connection with the initial listing of the Company's shares		**–**	65,000
Payments of share issuance expenses		**–**	(8,248)
Repayment of bank borrowings		**(69,415)**	(9,650)
Repayment of finance leases		**(277)**	(549)
Interest paid		**(2,568)**	(1,393)
Net cash from financing activities	*23(b)*	**19,378**	68,160
Net (decrease) increase in cash and cash equivalents		**(1,612)**	22,288
Cash and cash equivalents at the beginning of the reporting period		**20,389**	(1,899)
Cash and cash equivalents at the end of the reporting period	*17*	**18,777**	20,389

1. CORPORATE INFORMATION

Hao Bai International (Cayman) Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company consider the Company's immediate and ultimate holding company is Harmony Asia International Limited, a company incorporated in Samoa. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business was located at Room 95–12, 12/F, No. 93–95 Lai Chi Kok Road, Prince Edward, Kowloon, Hong Kong in 2018 and changed to Workshop Unit A, 7/F, Wah Shing Industrial Building, No.18 Cheung Shun Street, Kowloon, Hong Kong with effect from 21 July 2018.

The principal activity of the Company is investment holding and the Company together with its subsidiaries (the "Group") are principally engaged in provision of design, procurement and installation services of water circulation systems.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The consolidated financial statements are presented in Hong Kong Dollar ("HK$"), which is also the functional currency of the Company and all amounts have been rounded to the nearest thousand (HK$'000), unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Adoption of new/revised HKFRSs (continued)

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The HK(IFRIC)-Int 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the HK(IFRIC)-Int 22 does not have any significant impact on the consolidated financial statements.

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss
- FVOCI: fair value through other comprehensive income
- Designated FVOCI: equity instruments measured at FVOCI
- Mandatory FVOCI: debt instruments measured at FVOCI

HKFRS 9 replaces HKAS 39 *"Financial Instruments: Recognition and Measurement"* for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 April 2018 (i.e. the date of initial application), except as described below (if applicable):

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

(i) the determination of the business model within which a financial asset is held;

(ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

(iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Adoption of new/revised HKFRSs (continued)

HKFRS 9: Financial Instruments *(continued)*

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

	Measurement category under HKAS 39	**Carrying amount under HKAS 39 at 31 March 2018**	**Measurement category under HKFRS 9**	**Carrying amount under HKFRS 9 at 1 April 2018**
		HK$'000		*HK$'000*
Payment for a life insurance policy *<Remark>*	Loans and receivables	2,650	FVPL	2,650
Bank balances and cash	Loans and receivables	28,094	Amortised cost	28,094
Pledged and restricted bank deposits	Loans and receivables	2,733	Amortised cost	2,733
Trade and other debtors	Loans and receivables	31,934	Amortised cost	31,934
		65,411		65,411

<Remark> Payment for a life insurance policy would be classified as financial assets at FVPL as contractual right to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal outstanding. Upon initial application of HKFRS 9, the directors of the Company do not anticipate a fair value gain or loss relating to the payment for a life insurance policy would be adjusted to the accumulated profits at 1 April 2018 as they considered the carrying amount of the payment for a life insurance policy at 31 March 2018 approximates to its fair value upon initial application of HKFRS 9.

Apart from the payment for a life insurance policy, there were no effects of transition to HKFRS 9 on the carrying amounts of financial assets under HKAS 39 based on the measurement category under HKFRS 9 on 1 April 2018.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Adoption of new/revised HKFRSs (continued)

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 April 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 April 2018 in accordance with the transitional provisions therein.

The following tables show the amount at 31 March 2019 reported under HKFRS 15 would be affected if HKFRS 15 were not applied:

	Amounts reported if HKFRS 15 were not adopted *HK$'000*	Adjustment *HK$'000*	Amounts reported under HKFRS 15 *HK$'000*
At 31 March 2019			
Contract assets	–	103,560	103,560
Amounts due from customers for contract works	83,117	(83,117)	–
Trade and other debtors, deposit and prepayments	60,673	(20,443)	40,230
Contract liabilities	–	(1,975)	(1,975)
Amounts due to customers for contract works	(1,975)	1,975	–

Within the context of HKFRS 15, a receivable is an entity's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due. If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional, before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Adoption of new/revised HKFRSs (continued)

***HKFRS 15: Revenue from Contracts with Customers** (continued)*

In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied upon the application of HKFRS 15. Approximately HK$83,117,000 of amounts due from customers for contract works and approximately HK$1,975,000 of amounts due to customers for contract works were reclassified to contract assets and contract liabilities respectively.

Upon the application of HKFRS 15, retention receivables of approximately HK$20,443,000 previously included in trade and other debtors, and prepayments were reclassified to contract assets.

Other from the above reclassifications, the adoption of the HKFRS 15 does not have any significant impact on the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for the payment for a life insurance policy which is measured at fair value as explained in the accounting policy as set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Allocation of total comprehensive income

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

Changes in ownership interests

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, an associate, a joint venture or others, as appropriate, from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position as set out in Note 31 to the consolidated financial statements, an investment in a subsidiary is stated at cost less impairment loss, if any. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	Over the shorter of the term of the lease or 5 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

Classification and measurement – Applicable from 1 April 2018

Financial assets (except for trade debtors without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade debtors are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) Mandatory FVOCI; (iii) Designated FVOCI; or (iv) measured at FVPL.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Classification and measurement – Applicable from 1 April 2018 (continued)

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

(1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its 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 at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

(2) Mandatory FVOCI

A financial asset is measured at Mandatory FVOCI if both of the following conditions are met and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is subsequently measured at fair value. Interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses are recognised in profit or loss. Other gains or losses are recognised in other comprehensive income until the financial asset is derecognised. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Classification and measurement – Applicable from 1 April 2018 (continued)

(3) Designated FVOCI

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument- by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss.

(4) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, and financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Classification and measurement – Applicable before 1 April 2018

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

(1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other creditors, bank borrowings and bank overdrafts. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities *(continued)*

Classification and measurement (continued)

Financial liabilities at FVPL include financial liabilities held for trading, financial liabilities designated upon initial recognition as at FVPL and financial liabilities that are contingent consideration of an acquirer in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss (excluding interest expenses) recognised in profit or loss, except for the portion of fair value changes of financial liabilities designated at FVPL that are attributable to the credit risk of the liabilities which is presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss. The amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. Interest expenses are presented separately from fair value gain or loss. Before the adoption of HKFRS 9, all the fair value gain or loss of financial liabilities at FVPL is recognised in profit or loss.

A financial liability is classified as held for trading if it is:

(i) incurred principally for the purpose of repurchasing it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial liabilities are designated at initial recognition as at FVPL only if:

(i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;

(ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

Derivatives embedded in a hybrid contract with a host that is not an asset within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their economic characteristics and risks are not closely related to those of the host, and the hybrid contract is not measured at FVPL.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets and other items under HKFRS 9

Applicable from 1 April 2018

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost, Mandatory FVOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive. For a lease receivable, the cash flows used for determining the ECL should be consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) 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); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets and other items under HKFRS 9 *(continued)*

Applicable from 1 April 2018 (continued)

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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 in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in Note 25 to the consolidated financial statements, other debtors are determined to have low credit risk.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets and other items under HKFRS 9 *(continued)*

Applicable from 1 April 2018 (continued)

Simplified approach of ECL

For trade debtors and contract assets without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when based on historical experience of recoveries of similar assets, the Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets and other items under HKFRS 9 *(continued)*

Applicable before 1 April 2018

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as trade debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of debtors could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit periods and observable changes in national or local economic conditions that correlate with default on debtors.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost or Mandatory FVOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Applicable from 1 April 2018

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

- Management contracting services
- Consultancy services
- Maintenance service

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Applicable from 1 April 2018 *(continued)*

Revenue from contracts with customers within HKFRS 15 (continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) 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.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from management contracting services is recognised over time based on the percentage of completion of the contracts, which is determined by the direct proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, at the end of each reporting period.

Consultancy and maintenance service income is recognised over time when services are rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Group's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The principal input applied in the input method is cost incurred including consumables, sub-contracting fees, staff and labour costs and others.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Applicable from 1 April 2018 *(continued)*

Revenue from contracts with customers within HKFRS 15 (continued)

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Applicable before 1 April 2018

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period measured based on the contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other debtors, deposits and prepayments.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

In accordance with the standard payment schedules of the Group, payments are normally not due or received from the customer until the services are completed or when the goods are delivered. However, for such transactions, revenue is recognised over time and therefore, a contract asset is recognised until it becomes a receivable or payments are received. During that period, any significant financing components, if applicable, will be included in the contract asset and recognised as interest income.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is HK$.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;

- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and

- on all other partial disposals, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's property, plant and equipment and the Company's investment in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. In addition, the Group tests its intangible assets that are yet to be available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. If any such indication exists, the recoverable amount of intangible assets not yet available for use is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill, or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the holding company of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the consolidated financial statements provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Management contracting services

The Group recognises revenue and associated attributable profit from management contracting services based on the latest available budgets of those construction contracts with reference to the overall performance and the percentage of completion of construction works of each construction contract which requires management's best estimation and judgment. The percentage of completion of construction works is estimated based on the contract costs incurred for work performed to date relative to the estimated total contract costs. Contract costs of construction works, which mainly comprise costs for interior decorative materials, labour costs and subcontracting fees, are based on quotations from time to time provided by the major subcontractors/suppliers/vendors and the experience of the management of the Group taking into account of factors including the profit margin and contract costs of similar projects, which involve the management's best estimates and judgments. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

Loss allowance for ECL

The Group's management estimates the loss allowance for trade debtors and contract assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade debtors and contract assets.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Annual Improvements to HKFRSs	*2015–2017 Cycle* [1]
HKFRS 16	*Leases* [1]
IFRIC 23	*Uncertainty over Income Tax Treatments* [1]
Amendments to HKAS 19	*Employee Benefits* [1]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures* [1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [1]
Amendments to HKASs 1 and 8	*Definition of Material* [2]
Amendments to HKFRS 3	*Definition of a Business* [3]
HKFRS 17	*Insurance Contracts* [4]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 The effective date to be determined

Save for HKFRS 16 as set out below, the management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Future changes in HKFRSs (continued)

HKFRS 16: Leases

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

As set out in Note 30 to the consolidated financial statements, at 31 March 2019, the total future minimum lease payables under non-cancellable operating leases of the Group in respect of office premises amounted to approximately HK$2,758,000. The management of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statements of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statements of cash flows.

3. SEGMENT INFORMATION

The executive directors of the Company, who have been identified as the chief operating decision makers review the Group's internal reports in order to assess performance and allocate resources.

Based on the products and services offered by the Group to the customers, the executive directors of the Company consider that the operating segments are as follows:

Management contracting services:	provision of design, procurement and installation services of the water circulation systems
Consultancy services:	provision of consultancy services on water circulation systems
Maintenance services:	provision of maintenance and repair services for water circulation systems and replacement of parts

No operating segments have been aggregated in arriving at the reportable segments of the Group.

3. SEGMENT INFORMATION (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2 to the consolidated financial statements. Segment profit represents the profit earned by each reportable and operating segment without allocation of other income, administrative expenses, listing expenses, finance costs and income tax expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

The assets of the Group are allocated to reportable and operating segments except for pledged and restricted bank deposits, bank balances and cash and payment for a life insurance policy.

The liabilities of the Group are allocated to reportable and operating segments except for bank borrowings, obligations under finance leases and bank overdrafts.

The segment information for the reportable and operating segments for the years ended 31 March 2019 and 2018 is as follows:

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Total *HK$'000*
Year ended 31 March 2019				
Revenue from external customers and segment revenue	132,733	2,700	36	135,469
Segment profits	24,764	1,331	11	26,106
Other income				271
Administrative expenses				(20,082)
Finance costs				(2,568)
Profit before income tax				3,727

3. SEGMENT INFORMATION (continued)

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Total *HK$'000*
Year ended 31 March 2018				
Revenue from external customers and segment revenue	129,668	1,146	72	130,886
Segment profits	24,575	576	21	25,172
Other income				74
Administrative expenses				(15,395)
Listing expenses				(4,373)
Finance costs				(1,393)
Profit before income tax				4,085

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's assets and liabilities by operating segments:

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Total *HK$'000*
At 31 March 2019				
Assets				
Segment assets	136,036	–	–	136,036
Pledged and restricted bank deposits				17,366
Bank balances and cash				23,446
Payment for a life insurance policy				2,647
Other debtors, deposits and prepayments				7,754
Property, plant and equipment				761
Consolidated assets				188,010
Liabilities				
Segment liabilities	31,993	–	–	31,993
Bank borrowings				49,166
Bank overdrafts				4,669
Other creditors and accrued expenses				3,842
Consolidated liabilities				89,670

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's assets and liabilities by operating segments:

	Management contracting services HK$'000	Consultancy services HK$'000	Maintenance services HK$'000	Total HK$'000
At 31 March 2018				
Assets				
Segment assets	103,671	–	–	103,671
Pledged and restricted bank deposits				2,733
Bank balances and cash				28,094
Payment for a life insurance policy				2,650
Other debtors, deposits and prepayments				8,256
Property, plant and equipment				910
Consolidated assets				146,314
Liabilities				
Segment liabilities	13,556	–	–	13,556
Bank borrowings				26,943
Obligations under finance leases				277
Bank overdrafts				7,705
Other creditors and accrued expenses				2,475
Consolidated liabilities				50,956

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's other information by reportable and operating segments:

	Management contracting services *HK$'000*	**Consultancy services** *HK$'000*	**Maintenance services** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2019				
Other information				
Additions to property, plant and equipment	**559**	**–**	**–**	**559**
Depreciation of property, plant and equipment	**664**	**–**	**–**	**664**
Written-off of property, plant and equipment	**17**	**–**	**–**	**17**

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Total *HK$'000*
Year ended 31 March 2018				
Other information				
Additions to property, plant and equipment	157	–	–	157
Depreciation of property, plant and equipment	687	–	–	687

The following table provides an analysis of the Group's revenue based on geographical location where installation works or other services are provided:

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong	**121,190**	120,649
Macau	**14,279**	10,237
	135,469	130,886

3. SEGMENT INFORMATION (continued)

The following is an analysis of the carrying amounts of non-current assets, excluding payment for a life insurance policy, analysed by the geographical area in which the assets are located:

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong	**756**	902
Macau	**5**	8
	761	910

Information about major customers

Revenue from customers of the corresponding years in respect of construction contracts from management contracting services segment individually contributed 10% or more of total revenue of the Group are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Customer A and its affiliated companies	**117,162**	114,892

4. REVENUE

	2019 *HK$'000*	2018 *HK$'000*
Revenue from management contracting services	**132,733**	129,668
Revenue from consultancy services	**2,700**	1,146
Revenue from maintenance services	**36**	72
	135,469	130,886

All revenue generated by the Group during the year ended 31 March 2019 was from contracts with customers within HKFRS 15, recognised over time and with fixed type of transaction price.

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**263**	66
Interest income arising from a life insurance policy	**8**	8
	271	74

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**2,564**	1,366
Interest on finance leases	**4**	27
	2,568	1,393

7. PROFIT BEFORE INCOME TAX

This is stated after charging:

	2019	2018
	HK$'000	*HK$'000*
Staff costs and related expenses (including directors' remuneration):		
Directors' emolument *(Note 8)*	**3,993**	3,827
Salaries, allowances and other benefits	**12,835**	9,819
Discretionary bonus	**–**	–
Contributions to defined contribution plans	**490**	386
	17,318	14,032
Less: Amount included in cost of services	**(9,716)**	(7,177)
	7,602	6,855
Other items		
Auditors' remuneration	**650**	700
Contract costs recognised as expenses *	**107,969**	105,093
Loss on disposal of property, plant and equipment	**24**	–
Depreciation of property, plant and equipment	**664**	687
Operating lease payments on premises	**2,174**	1,810
Written-off of property, plant and equipment	**17**	–

* Contract costs of inventories included approximately HK$39,903,000 (2018: approximately HK$53,583,000) and approximately HK$8,347,000 (2018: approximately HK$6,607,000) relating to the consumables and staff cost respectively which are also included in the amounts disclosed separately above.

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the following directors were as follows:

Year ended 31 March 2019

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonus	Contributions to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Nam Ho Kwan ("Mr. Nam")	–	1,818	–	18	1,836
Mr. Ng Wan Lok ("Mr. Ng")	–	720	–	18	738
Ms. Wong Wing Hung ("Ms. Wong")	–	660	–	18	678
Non-executive directors:					
Ms. Wang Rui	180	–	–	–	180
Mr. Chong Kam Fung *(Note ii)*	22	–	–	–	22
Independent non-executive directors:					
Mr. Wu Kam On Keith	180	–	–	–	180
Mr. Lau Wai Hung	180	–	–	–	180
Mr. Chen Lei *(Note i)*	157	–	–	–	157
Mr. Kwong Tsz Ching Jack *(Note ii)*	22	–	–	–	22
	741	3,198	–	54	3,993

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Year ended 31 March 2018

	Directors' fees *HK$'000*	Salaries, allowances and other benefits *HK$'000*	Discretionary bonus *HK$'000*	Contributions to defined contribution plans *HK$'000*	Total *HK$'000*
Executive directors:					
Mr. Nam	–	1,818	–	18	1,836
Mr. Ng	–	574	–	18	592
Ms. Wong	–	594	–	18	612
Non-executive directors:					
Ms. Wang Rui *(Note iii)*	37	–	–	–	37
Mr. Chong Kam Fung	165	–	–	–	165
Mr. Tan Kean Ee *(Note v)*	90	–	–	–	90
Independent non-executive directors:					
Mr. Wu Kam On Keith	165	–	–	–	165
Mr. Kwong Tsz Ching Jack	165	–	–	–	165
Mr. Lau Wai Hung *(Note iii)*	37	–	–	–	37
Ms. Chan So Fong *(Note iv)*	128	–	–	–	128
	787	2,986	–	54	3,827

Notes:

(i) Mr. Chen Lei was appointed as an independent non-executive director on 16 May 2018.

(ii) Mr. Chong Kam Fung and Mr. Kwong Tsz Ching Jack, being a non-executive director and an independent non-executive director respectively, resigned with effect from 16 May 2018.

(iii) Mr. Lau Wai Hung and Ms. Wang Rui were appointed as an independent non-executive director and a non-executive director respectively on 17 January 2018.

(iv) Ms. Chan So Fong, being an independent non-executive director, resigned with effect from 17 January 2018.

(v) Mr. Tan Kean Ee, being a non-executive director, resigned with effect from 25 October 2017.

Mr. Nam is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Executive Officer for the years ended 31 March 2019 and 2018.

During the years ended 31 March 2019 and 2018, no remuneration was paid by the Group to any of these directors and the Chief Executive Officer as an inducement to join or upon joining the Group or as a compensation for loss of office.

There was no arrangement under which these directors and the Chief Executive Officer waived or agreed to waive any remuneration for the years ended 31 March 2019 and 2018.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 March 2019 and 2018 is as follows:

	Number of individuals	
	2019	2018
Director	**3**	3
Non-director	**2**	2
	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**2,100**	1,800
Discretionary bonus	**–**	–
Contributions to defined contribution plans	**36**	36
	2,136	1,836

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	2019	2018
Not exceeding HK$1,000,000	**2**	2

During the years ended 31 March 2019 and 2018, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration for the years ended 31 March 2019 and 2018.

10. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Hong Kong Profits tax		
Current year	**448**	965
Macau Complementary Tax		
Current year	**297**	137
	745	1,102
Deferred tax *(Note 21)*	**–**	–
Total income tax expenses for the year	**745**	1,102

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. For the year ended 31 March 2019, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax rates regime.

Hong Kong Profits Tax had been provided at the rate of 16.5% of the Group's estimated assessable profit arising from Hong Kong during the year ended 31 March 2018.

Pursuant to tax incentive approved under Section 20 of Decree Law No. 9/2014, Macau Complementary Tax is levied at a fixed rate of 12% (2018: 12%) on the taxable income above Macau Pataca ("MOP") 600,000.

10. INCOME TAX EXPENSES (continued)

Reconciliation of income tax expenses

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	**3,727**	4,085
Applicable income tax rates of 16.5% (2018: 16.5%)	**615**	674
Non-deductible expenses	**435**	783
Tax exempt revenue	**(160)**	(104)
Utilisation of previously unrecognised tax losses	**–**	(190)
Unrecognised tax losses	**46**	26
Difference in tax rates of a subsidiary operating in another jurisdiction	**(111)**	(87)
Others	**(80)**	–
Income tax expenses	**745**	1,102

The applicable tax rate is the Hong Kong Profits Tax rate of 16.5% (2018:16.5%).

11. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to the owners of the Company, used in basic and diluted earnings per share calculation	**2,982**	2,983

	Number of shares	
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	**1,300,000,000**	1,251,027,000

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2019 and 2018.

12. DIVIDENDS

The directors of the Company did not declare or propose any dividend for the year ended 31 March 2019 (2018: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount – Year ended 31 March 2018					
At 1 April 2017	–	37	352	1,051	1,440
Additions	–	–	97	60	157
Depreciation	–	(10)	(129)	(548)	(687)
At 31 March 2018	–	27	320	563	910
Reconciliation of carrying amount – Year ended 31 March 2019					
At 1 April 2018	**–**	**27**	**320**	**563**	**910**
Additions	**236**	**196**	**89**	**38**	**559**
Disposals	**–**	**–**	**–**	**(27)**	**(27)**
Depreciation	**(35)**	**(40)**	**(138)**	**(451)**	**(664)**
Written-off	**–**	**(17)**	**–**	**–**	**(17)**
At 31 March 2019	**201**	**166**	**271**	**123**	**761**
At 31 March 2018					
Cost	6	51	771	2,854	3,682
Accumulated depreciation	(6)	(24)	(451)	(2,291)	(2,772)
Net book value	–	27	320	563	910
At 31 March 2019					
Cost	**242**	**195**	**860**	**2,847**	**4,144**
Accumulated depreciation	**(41)**	**(29)**	**(589)**	**(2,724)**	**(3,383)**
Net book value	**201**	**166**	**271**	**123**	**761**

At 31 March 2018, the net book value of approximately HK$563,000 included an amount of approximately HK$391,000 in respect of assets held under finance leases.

14. PAYMENT FOR A LIFE INSURANCE POLICY

During the year ended 31 March 2016, Harmony Asia Limited, a wholly-owned subsidiary of the Company, entered into a life insurance policy with an insurance company, an independent third party not related to the Group, on Mr. Nam, the Chief Executive Officer of the Company. Under the policy, the beneficiary and policy holder is Harmony Asia. Harmony Asia is required to pay an upfront payment for the policy. Harmony Asia may request partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged. If such withdrawal is made at any time during the first to the fifteen policy year, as appropriate, a pre-determined specified surrender charge would be imposed.

As represented by the directors of the Company, the Group will not terminate the policies nor withdraw cash prior to the fifteenth policy year for the insurance policy and the expected life of the policies remained unchanged from the initial recognition.

The payment for a life insurance policy is denominated in United States dollar ("US$"), being a currency other than the functional currency of Harmony Asia.

Particulars of the policy are as follows:

		Guaranteed interest rates	
Insured sum	**Upfront payment**	**First to third years**	**Fourth year and onwards**
US$1,000,000 (equivalent to approximately HK$7,800,000)	US$340,919 (equivalent to approximately HK$2,659,000)	3.80% per annum	2.25% per annum

The fair value of the payment for a life insurance policy is determined by reference to the surrender cash value of a life insurance policy at the end of the reporting period, together with the guaranteed interest rate as mentioned above.

On 1 April 2018, the Group reclassified the payment for a life insurance policy to financial assets at FVPL upon the initial application of HKFRS 9 and did not recognise significant change in fair value in profit or loss for the year ended 31 March 2019.

15. CONTRACT ASSETS (LIABILITIES)/AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

15(a) Contract assets (liabilities)

	2019
	HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred	**405,224**
Recognised profits less recognised losses	**152,164**
Less: Progress billings	**(476,246)**
	81,142
Retention receivables	**20,443**
	101,585
Represented by:	
Contract assets	**103,560**
Contract liabilities	**(1,975)**
	101,585

At 31 March 2019, the contract assets that are expected to be recovered after more than 12 months are HK$13,156,000, which represented the retention receivables. The remaining contract assets and liabilities are expected to be recovered within 12 months.

15. CONTRACT ASSETS (LIABILITIES)/AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS (continued)

15(a) Contract assets (liabilities) (continued)

The movements of contract assets and liabilities (excluding those arising from increases and decreases both occurred within the same year) from contracts with customers within HKFRS 15 during the year are as follows:

	HK$'000
Contract assets	
At 1 April 2018	
– Contracts in progress *(Note 15(b))*	79,655
– Retention receivables *(Note 16(b))*	9,968
Transferred to trade debtors	(60,806)
Recognition of revenue	74,743
At 31 March 2019	**103,560**

	HK$'000
Contract liabilities	
At 1 April 2018	–
Receipt of advances or recognition of receivables	(1,975)
At 31 March 2019	**(1,975)**

15. CONTRACT ASSETS (LIABILITIES)/AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS (continued)

15(a) Contract assets (liabilities) (continued)

The expected timing of the revenue recognition of the performance obligations that are unsatisfied (or partially unsatisfied) at 31 March 2019 is within 1 year. As permitted under HKFRS 15, the transaction price allocated to those contracts is not disclosed.

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from one to two years from the date of the completion of the respective projects. The retention receivables to be settled, based on the expiry of the defect liability period, at 31 March 2019 are:

	2019 ***HK$'000***
On demand or within one year	**7,287**
After one year	**13,156**
	20,443

15(b) Amounts due from customers for contract works

	2018 *HK$'000*
Contracts in progress at the end of the reporting period:	
Contract costs incurred	308,291
Recognised profits less recognised losses	120,439
	428,730
Less: Progress billings	(349,075)
Amounts due from customers for contract works	79,655

At 31 March 2018, retention held by customers for contract works of approximately HK$9,968,000 was included in trade and other debtors, deposits and prepayments, which are set out in Note 16(b) to the consolidated financial statements.

16. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	2019 HK$'000	2018 HK$'000
Trade debtors	16(a)	**32,476**	14,048
Retention receivables	16(b)	**–**	9,968
Advances to staff	16(c)	**2,250**	2,250
Pledged deposits to an insurance company	16(d)	**647**	757
Other debtors, deposits and prepayments		**4,857**	5,249
		40,230	32,272

16(a) Trade debtors mainly arise from management contracting business. The Group's credit terms for its management contracting business are negotiated at terms determined and agreed with its trade customers. The credit periods are ranging from 30 to 60 days. The ageing analysis of trade debtors based on invoice date at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	**21,161**	12,449
31 to 60 days	**7,303**	212
Over 60 days	**4,012**	1,387
	32,476	14,048

The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors.

At the end of the reporting period, the ageing analysis of the past due trade debtors:

	2019 HK$'000	2018 HK$'000
Within 30 days	**7,303**	212
More than 30 days	**4,012**	1,387
	11,315	1,599

16. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

16(b) Retention receivables at 31 March 2018 were unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from one to two years from the date of the completion of the respective projects. The retention receivables were to be settled, based on the expiry of the defect liability period, at 31 March 2018:

	2018 *HK$'000*
On demand or within one year	2,550
After one year	7,418
	9,968

Retention receivables were reclassified to contract assets (Note 15(a)) upon initial application of HKFRS 15 on 1 April 2018.

16(c) Advances to staff are unsecured, interest-free and repayable on demand, which mainly consist of advances to the following executive directors of approximately HK$1,250,000 (2018: approximately HK$1,250,000).

Details of advances to the executive directors are as follows:

	Greatest during the year ended		**Outstanding amount**		
Name of directors	**31 March 2019** ***HK$'000***	31 March 2018 *HK$'000*	**At 31 March 2019** ***HK$'000***	At 31 March 2018 *HK$'000*	At 1 April 2017 *HK$'000*
Mr. Ng	**750**	750	**750**	750	–
Ms. Wong	**500**	500	**500**	500	–
			1,250	1,250	–

The advances made available to the executive directors are intended to be applied for payment of relevant enhancement courses or programs taken by the directors relating to the business and development of the Group.

16(d) Pledged deposits of approximately HK$647,000 (2018: approximately HK$757,000) to an insurance company is the security for issuance of performance bonds in respect of contracts for management contracting services with prevailing market rates at 0.2% (2018: 0.05% to 0.10%) per annum.

17. PLEDGED AND RESTRICTED BANK DEPOSITS, BANK BALANCES AND CASH AND BANK OVERDRAFTS

	Note	**2019**	2018
		HK$'000	*HK$'000*
Pledged bank deposits	*17(a)*	**17,139**	2,506
Restricted bank deposits	*17(b)*	**227**	227
Short-term time deposits	*17(c)*	**20,000**	20,000
Bank balances and cash		**3,446**	8,094
Bank overdrafts	*17(d)*	**(4,669)**	(7,705)
		36,143	23,122
Less: Pledged and restricted bank deposits		**(17,366)**	(2,733)
Cash and cash equivalents	*17(e)*	**18,777**	20,389
Represented by:			
Bank balances and cash		**23,446**	28,094
Bank overdrafts		**(4,669)**	(7,705)
		18,777	20,389

17(a) The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group with maturity within one year from the end of the reporting period. The pledged bank deposits carry fixed interest rates, ranged from 0.01% to 1.3% per annum at 31 March 2019 (2018: 0.50% per annum).

17(b) The restricted bank deposits represent cash held at banks as security for due performance under several management contracting work with prevailing market rates at 0.2% at 31 March 2019 (2018: 0.05% to 0.10%) per annum.

17(c) The short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rate at 0.65% per annum (2018: 0.65% per annum).

17(d) The bank overdrafts carry interest rates ranging from 1.5% to 1.75% over the prime rate (2018: 1.5% to 1.75% over prime rate) per annum and are secured by the pledged bank deposit of approximately HK$17,100,000 (2018: HK$2,500,000) and restricted bank deposits of approximately HK$227,000 (2018: HK$227,000).

17. PLEDGED AND RESTRICTED BANK DEPOSITS, BANK BALANCES AND CASH AND BANK OVERDRAFTS (continued)

17(e) The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2019	2018
	HK$'000	*HK$'000*
MOP	**47**	150
US$	**21**	8

18. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Trade creditors	**29,702**	11,836
Other creditors and accrued expenses	**3,842**	2,475
	33,544	14,311

The credit period on trade creditors is 30–90 days. The ageing analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**8,710**	1,486
31 to 60 days	**7,551**	1,089
61 to 90 days	**1,780**	1,550
Over 90 days	**11,661**	7,711
	29,702	11,836

19. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured	**49,166**	25,853
Unsecured	**–**	1,090
	49,166	26,943

The bank borrowings are repayable as follows:

	2019 HK$'000	2018 HK$'000
On demand or within one year	**47,173**	24,950
More than five years	**1,993**	1,993
	49,166	26,943
Less: Amount due within one year shown under current liabilities	**(47,173)**	(24,950)
Amount due after one year shown under non-current liabilities	**1,993**	1,993

Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**35,760**	24,950
Within a period of more than one year but not exceeding two years	**5,087**	–
Within a period of more than two years but not exceeding five years	**6,326**	–
Over five years	**1,993**	1,993
	49,166	26,943

19. BANK BORROWINGS (continued)

Except for bank borrowings of approximately HK$1,993,000 (2018: approximately HK$1,993,000) which are denominated in US$ and approximately HK$888,000 (2018: Nil) which are denominated in British Pound ("GBP"), all the remaining bank borrowings are denominated in HK$. The bank borrowings carry floating interest rates ranging from 3.35% to 5.88% (2018: 3.35% to 5.75%) per annum based on prime rate or London Interbank Offered Rate ("LIBOR") or Hong Kong Interbank Offered Rate ("HIBOR") plus a spread.

At 31 March 2019, bank borrowing amounting to approximately HK$39,506,000 (2018: approximately HK$23,860,000) is secured by pledged bank deposit of approximately HK$13,139,000 (2018: approximately HK$2,506,000) and guaranteed by the Company for HK$55,000,000 (2018: HK$37,000,000).

At 31 March 2019, bank borrowing amounting to approximately HK$7,667,000 is secured by pledged bank deposit of approximately HK$4,000,000 (2018: Nil) and guaranteed by the Company for HK$4,000,000 (2018: Nil).

At 31 March 2019, bank borrowing amounting to HK$1,993,000 (2018: HK$1,993,000) is secured by payment for a life insurance policy as disclosed in Note 14 to the consolidated financial statements.

At 31 March 2018, bank borrowing amounting to HK$1,090,000 was guaranteed by the Company for HK$5,000,000 and was fully settled during the year ended 31 March 2019.

20. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. The lease term was four years. Interest rates underlying all obligations under finance leases were fixed at respective contract dates at 6.54% (2018: 6.54%) per annum. These leases had no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		**Present value of minimum lease payments**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount payable – within one year	**–**	281	**–**	277
Future finance charges	**–**	(4)		
Present value of lease obligations	**–**	277		
Less: Amount due for settlement within 12 months			**–**	(277)
Amount due for settlement after 12 months			**–**	–

21. DEFERRED TAX

Recognised deferred tax (assets) liabilities at the end of each reporting period represent the following:

	Tax loss	**Accelerated tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2017	(181)	181	–
Charge (Credit) to profit or loss	39	(39)	–
At 31 March 2018	(142)	142	–
Charge (Credit) to profit or loss	47	(47)	–
At 31 March 2019	**(95)**	**95**	**–**

The Group has unused estimated tax losses of approximately HK$2,528,000 (2018: approximately HK$2,533,000) available to offset against future profits. Deferred taxation assets have been recognised in respect of approximately HK$576,000 (2018: approximately HK$861,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining approximately HK$1,952,000 (2018: approximately HK$1,672,000) due to the unpredictability of future profit streams.

22. SHARE CAPITAL

	Note	*Number of shares*	*HK$*
Ordinary share of HK$0.01 each			
Authorised:			
At 1 April 2017, 31 March 2018 and **31 March 2019**		**2,000,000,000**	**20,000,000**
Issued and fully paid:			
At 1 April 2017		10,000	100
Capitalisation Issue	*(i)*	974,990,000	9,749,900
Issuance of new shares by way of public offer	*(ii)*	325,000,000	3,250,000
At 31 March 2018 and **31 March 2019**		**1,300,000,000**	**13,000,000**

Notes:

(i) Pursuant to the written resolution passed by the shareholders of the Company dated 12 May 2017, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the listing of the Company, the directors of the Company were authorised to allot and issue 974,990,000 ordinary shares of HK$0.01 each of the Company, by way of capitalisation of the sum of approximately HK$9,750,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to the existing shareholders (the "Capitalisation Issue"). The Capitalisation Issue was completed on 26 May 2017.

(ii) On 26 May 2017, 325,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.20 by way of public offering. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK$3,250,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$61,750,000, before issuing expenses, were credited to share premium account.

23. OTHER CASH FLOW INFORMATION

23(a) Cash used in operations

	2019 *HK$'000*	2018 *HK$'000*
Profit before income tax	**3,727**	4,085
Depreciation	**664**	687
Interest expenses	**2,568**	1,393
Amortisation of payment for a life insurance policy	**11**	11
Loss on disposal of property, plant and equipment	**24**	–
Written-off of property, plant and equipment	**17**	–
Interest income	**(263)**	(74)
Changes in working capital:		
Contract assets/liabilities	**(11,962)**	–
Amounts due from/to customers for contract works	**–**	(38,016)
Trade and other debtors, deposits and prepayments	**(17,934)**	(7,291)
Trade and other creditors and accrued expenses	**19,233**	(203)
Cash used in operations	**(3,915)**	(39,408)

23(b) Changes in liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

2019

	Accrued listing expenses *HK$'000*	Bank borrowings *HK$'000*	Obligations under finance leases *HK$'000*	Total *HK$'000*
At 1 April 2018	–	26,943	277	27,220
Net cash flows	–	19,659	(281)	19,378
Interest expenses	–	2,564	4	2,568
At 31 March 2019	–	49,166	–	49,166

23. OTHER CASH FLOW INFORMATION (continued)

23(b) Changes in liabilities arising from financing activities (continued)

2018

	Accrued listing expenses *HK$'000*	Bank borrowings *HK$'000*	Obligations under finance leases *HK$'000*	Total *HK$'000*
At 1 April 2017	–	13,593	826	14,419
Net cash flows	(8,248)	11,984	(576)	3,160
Share issuance expenses	8,248	–	–	8,248
Interest expenses	–	1,366	27	1,393
At 31 March 2018	–	26,943	277	27,220

24. RELATED PARTIES TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Key management personnel remuneration

	2019 ***HK$'000***	2018 *HK$'000*
Salaries, allowances and other benefits	**3,198**	2,986
Directors' fees	**741**	787
Discretionary bonus	**–**	–
Contributions to defined contribution plans	**54**	54
	3,993	3,827

Further details of the directors' remuneration and advances to the executive directors are set out in Notes 8 and 16 to the consolidated financial statements, respectively.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise payment for a life insurance policy, pledged and restricted bank deposits, bank balances and cash, bank borrowings and bank overdrafts. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other debtors/creditors which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

At 31 March 2019

	Financial assets at amortised cost *HK$'000*	Financial assets at FVPL *HK$'000*	Total *HK$'000*
Assets as per consolidated statement of financial position			
Payment for a life insurance policy	–	2,647	2,647
Trade and other debtors	40,166	–	40,166
Pledged and restricted bank deposits	17,366	–	17,366
Bank balances and cash	23,446	–	23,446
Total	80,978	2,647	83,625

	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Liabilities as per consolidated statement of financial position		
Trade and other creditors	33,544	33,544
Bank borrowings	49,166	49,166
Bank overdrafts	4,669	4,669
Total	87,379	87,379

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

At 31 March 2018

	Loans and receivables *HK$'000*	Total *HK$'000*
Assets as per consolidated statement of financial position		
Payment for a life insurance policy	2,650	2,650
Trade and other debtors	31,934	31,934
Pledged and restricted bank deposits	2,733	2,733
Bank balances and cash	28,094	28,094
Total	65,411	65,411

	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Liabilities as per consolidated statement of financial position		
Trade and other creditors	14,311	14,311
Obligations under finance leases	277	277
Bank borrowings	26,943	26,943
Bank overdrafts	7,705	7,705
Total	49,236	49,236

The main risks arising from the Group's financial instruments are credit risk, currency risk, interest rate risk and liquidity risk. The Group generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum level as follows:

Credit risk

Credit risk refers to the risk that debtor will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to trade and other debtors and contract assets. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade debtors and contract assets

The Group trades only with recognised and creditworthy third parties. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. The receivable balances are monitored on an ongoing basis by the management and the Group's exposure to bad debts is not significant.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 March 2019, the Group had a concentration of credit risk as approximately 73% (2018: approximately 65%) of the total trade debtors and contract assets was due from the Group's largest trade debtor and contract assets and approximately 89% (2018: approximately 84%) of the total trade debtors and contract assets was due from the Group's five largest trade debtors and contract assets.

At 31 March 2018, the Group had a concentration of credit risk as approximately 81% of the total trade debtors was due from the Group's largest trade debtor and approximately 99% of the total trade debtors was due from the Group's five largest trade debtors.

The Group's customer base consists of a wide range of customers and trade debtors and contract assets are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade debtors and contract assets and recognises a loss allowance based on lifetime ECL at each reporting date and specifically estimated the ECL for each debtor by reference to its historical credit loss experience (including outstanding arbitrations/disputes), adjusted for forward-looking factors specific to the debtors and the economic environment. No loss allowance was recognised at 31 March 2019. There was no change in the estimation techniques or significant assumptions made during the year.

Included in the Group's trade debtors at 31 March 2018 were trade debtors and retention receivable with a carrying amount at approximately HK$1,599,000 respective which were past due at 31 March 2018 but which the Group had not impaired as there has not been any significant changes in credit quality of customers and the management believed that the amounts would be fully recoverable as there has no resent history of default.

Receivables that were neither past due nor impaired at 31 March 2018 related to a wide range of customers for whom there was no history of default. No provision on impairment was made for the year ended 31 March 2018.

The Group does not hold any collateral over the trade debtors at 31 March 2019 (2018: Nil).

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Other debtors

The Group considers that other debtors have low credit risk based on the borrower's strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. No impairment on the other debtors is recognised based on the measurement on 12-month ECL.

In estimating the ECL, the Group has taken into account the financial position of the counterparties by reference to, among others, its management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of the financial asset, as well as the loss upon default. The management of the Group considers the ECL of other debtors to be insignificant after taking into account the financial position and credit quality of the counterparties.

Pledged and restricted bank deposits/Bank balances and cash

The management considers the credit risk in respect of liquid funds is minimal because the counter-parties are authorised financial institutions with high credit ratings.

Foreign currency risk

Several subsidiaries of the Company have bank balances and cash, bank overdrafts and bank borrowing denominated in foreign currencies, which expose the Group to foreign currency risk. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities as at the reporting dates are as follows:

	2019	2018
	HK$'000	*HK$'000*
Assets		
MOP	**47**	150
US$	**2,479**	2,525
Liabilities		
GBP	**888**	–
US$	**1,993**	1,993

As most of the Group's foreign currency denominated monetary assets are denominated in US$ and MOP and HK$ is pegged to US$ while MOP is pegged to HK$, the Group's foreign currency risk exposure is not considered to be significant. Besides, one of the bank borrowings is denominated in GBP. The management consider that a reasonably possible annual charge of 5% in the exchange rate between HK$ and GBP would not have material impact on the Group's results and therefore hedging through the use of derivative instruments is considered unnecessary. Accordingly, no sensitivity analysis has been presented on the currency risk.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to restricted bank deposits, bank balances, bank overdrafts and bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed rate pledged bank deposits and time deposits.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is attributable to fluctuation of prime rate, LIBOR and HIBOR.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 0.5% increase or decrease in interest rates for bank borrowings is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on bank borrowings had been 0.5% (2018: 0.5%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2019 would decrease/increase by approximately HK$158,000 (2018: approximately HK$112,000).

The Group is also exposed to cash flow interest rate risk due to the fluctuation of prevailing market interest rate on bank balances. The Group considered interest rate fluctuation on these bank deposits and balances is insignificant. Accordingly, no sensitivity analysis has been prepared.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 its operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or within 90 days	91 days–1 year	Over 5 years	Total undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2019						
Trade and other creditors and accrued expenses	**–**	**33,544**	**–**	**–**	**33,544**	**33,544**
Bank overdrafts	**6.72**	**4,669**	**–**	**–**	**4,669**	**4,669**
Bank borrowings	**5.83**	**48,875**	**–**	**2,033**	**50,908**	**49,166**
		87,088	**–**	**2,033**	**89,121**	**87,379**
At 31 March 2018						
Trade and other creditors and accrued expenses	–	14,311	–	–	14,311	14,311
Bank overdrafts	6.72	7,705	–	–	7,705	7,705
Bank borrowings	5.57	23,928	1,061	2,033	27,022	26,943
		45,944	1,061	2,033	49,038	48,959
Obligations under finance leases	6.54	121	160	–	281	277
		46,065	1,221	2,033	49,319	49,236

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The amounts repayable under certain bank loan agreements that include a clause that gives the banks unconditional rights to call the loans at any time are classified under the category of "On demand or within 90 days". However, the management does not expect that the banks would exercise such rights to demand repayment and thus these borrowings, which include the related interest, would be repaid according to the above schedule as set out in the loan agreements.

	2019	2018
	HK$'000	*HK$'000*
On demand or within 90 days	**29,751**	23,928
91 days to 1 year	**6,940**	1,061
1 to 5 years	**12,184**	–
Over 5 years	**2,033**	2,033
	50,908	27,022

26. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

26. FAIR VALUE MEASUREMENTS (continued)

(a) Assets and liabilities measured at fair value

	Level 3	
	2019	2018
	HK$'000	*HK$'000*
Assets measured at fair value		
Financial assets at FVPL		
– Payment for a life insurance policy *(Note 14)*	**2,647**	–

During the year ended 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements. No unrealised gain or loss recognised in profit or loss.

The fair value of the payment for life insurance policy is determined by reference to the surrender cash value, reported by the financial institution on a regular basis.

(b) Assets and liabilities with fair value disclosure, but not measured at fair value

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 March 2019 and 2018.

27. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividends to equity owners, issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2019 and 2018.

28. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking facilities and performance bonds issued by an insurance company granted to the Group at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Pledged and restricted bank deposits	**17,366**	2,733
Pledged deposits to an insurance company	**647**	757
Payment for a life insurance policy	**2,647**	2,650
	20,660	6,140

29. PERFORMANCE BONDS

	2019	2018
	HK$'000	*HK$'000*
Indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services	**2,148**	1,928

Certain customers require the Group to procure performance bonds to be provided by a bank or an insurance company in favour of them as security for due performance and observance of the obligations under the contracts. In procuring such performance bonds, the Group is usually required to place a required amount of deposit to such bank or insurance company. If the Group fails to provide satisfactory services to the customers, the customers are entitled to seek compensation from the bank or insurance company for the amount of financial losses incurred not exceeding the amount of the performance bond. The Group will then become liable to compensate the bank or insurance company accordingly. During the years ended 31 March 2019 and 2018, no customers called any performance bond. Typically, the estimated consideration is not constrained for revenue recognition.

30. OPERATING LEASE COMMITMENTS

The Group leases a number of properties under operating leases, which typically run for an initial period of 1 to 2 years. None of the leases includes contingent rentals.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**2,215**	1,357
In the second year	**543**	1,276
	2,758	2,633

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves is set out below:

	Note	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Investment in subsidiaries		**37,344**	37,344
Current assets			
Deposit paid		**113**	2,363
Amounts due from subsidiaries		**11,489**	7,919
Bank balances and cash		**23,026**	26,615
		34,628	36,897
NET ASSETS		**71,972**	74,241
Capital and reserves			
Share capital	*22*	**13,000**	13,000
Reserves	*31(a)*	**58,972**	61,241
TOTAL EQUITY		**71,972**	74,241

This statement of financial position was approved and authorised for issue by the Board of Directors on 17 June 2019 and signed on its behalf by

Mr. Nam Ho Kwan
Director

Mr. Ng Wan Lok
Director

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Movements of the reserves

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2017	37,344	(15,403)	21,941
Loss for the year and total comprehensive expenses for the year	–	(4,452)	(4,452)
Transactions with owners:			
Contributions and distributions			
Capitalisation Issue *(Note 22(i))*	(9,750)	–	(9,750)
Issue of new shares by way of public offer *(Note 22(ii))*	61,750	–	61,750
Transaction cost attributable to issue of new shares	(8,248)	–	(8,248)
Total transactions with owners	43,752	–	43,752
At 31 March 2018	81,096	(19,855)	61,241
At 1 April 2018	**81,096**	**(19,855)**	**61,241**
Loss for the year and total comprehensive expenses for the year	**–**	**(2,269)**	**(2,269)**
At 31 March 2019	**81,096**	**(22,124)**	**58,972**

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital/ quota capital	Attributable equity interest held by the Company 2019	2018	Principal activities and place of operation
Directly held by the Company					
Best Innovation (Hong Kong) Holdings Company Limited	Samoa, 1 January 2016	US$1,000,000	**100%**	100%	Investment holding, Hong Kong
Best Innovation Holdings Company Limited	Samoa, 16 December 2015	US$1,000,000	**100%**	100%	Investment holding, Hong Kong
Future Pop Limited	British Virgin Islands ("BVI"), 16 October 2017	US$1	**100%**	100%	Investment holding, Hong Kong
Harmony Asia Holdings Company Limited	Hong Kong, 16 December 2015	US$1,000,000	**100%**	100%	Investment holding, Hong Kong
Indirectly held by the Company					
Best Innovation Limited	Hong Kong, 15 September 2009	HK$100,000	**100%**	100%	Provision of consultancy service, Hong Kong
Best Innovation Limited	Macau, 17 September 2014	MOP25,000	**100%**	100%	Installation service of water circulation system, Macau
Harmony Asia	Hong Kong, 3 November 2006	HK$200,000	**100%**	100%	Provision of design, procurement and installation service of water circulation system, Hong Kong
Hong Kong Yepsince Group Limited	Hong Kong, 6 April 2017	HK$10,000	**100%**	100%	Inactive, Hong Kong
Zhenxingyuan Trade Company Limited	Hong Kong, 3 April 2017	HK$10,000	**100%**	100%	Inactive, Hong Kong

All of the above subsidiaries are limited liability companies. None of the subsidiaries had issued any debt securities during the year or at the end of the year.

FINANCIAL SUMMARY

For the five years ended 31 March 2015, 2016, 2017, 2018 and 2019

RESULTS

	For the year ended 31 March				
	2019	2018	2017	2016	2015
Consolidated results	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**135,469**	130,886	109,450	90,905	57,153
Gross profit	**26,106**	25,172	27,454	23,641	14,427
Profit before tax	**3,727**	4,085	2,729	11,808	8,945
Profit and total comprehensive income for the year	**2,982**	2,983	814	9,609	6,726

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
Consolidated assets and liabilities	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**188,010**	146,314	70,335	50,879	39,999
Total liabilities	**(89,670)**	(50,956)	(34,712)	(24,070)	(29,853)
Net assets	**98,340**	95,358	35,623	26,809	10,146