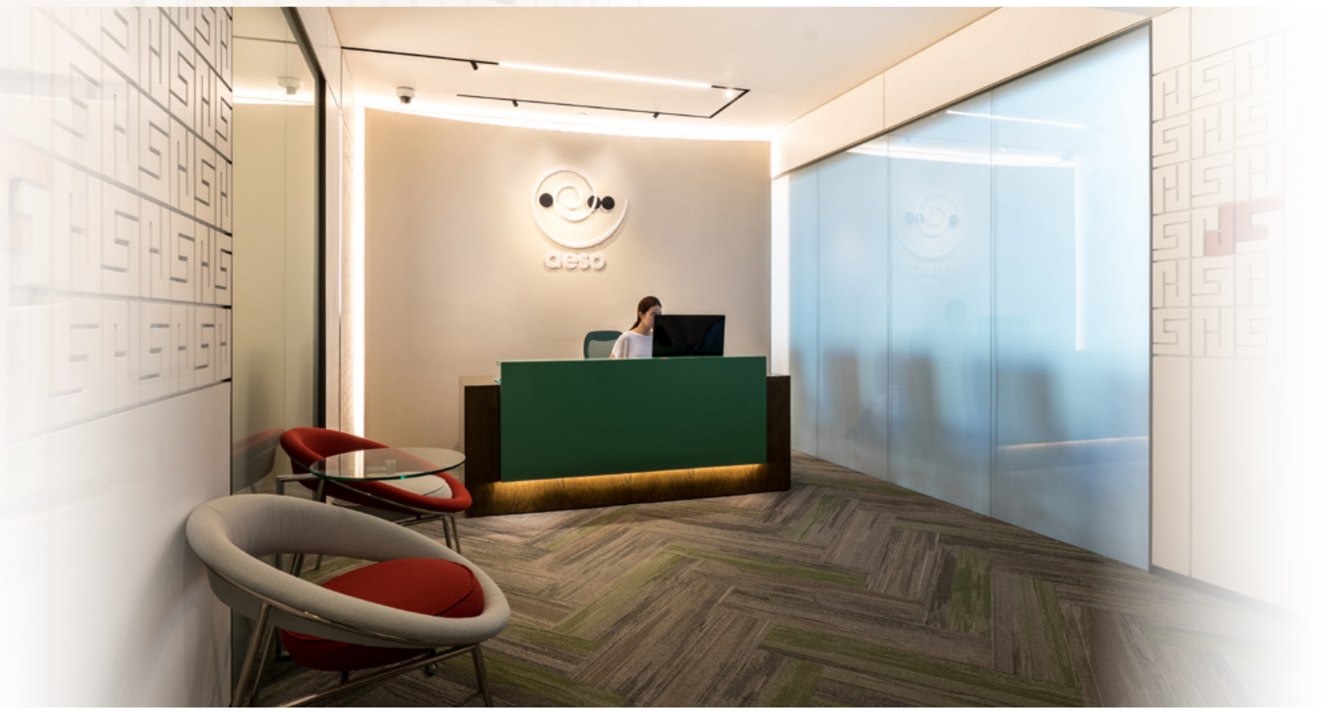
aeso

# AESO HOLDING LIMITED
# 艾碩控股有限公司

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

**(Stock Code: 8341)**



ANNUAL REPORT 2018

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("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 that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This annual report, for which the directors ("Directors") of Aeso Holding Limited ("Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM ("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 annual 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 in this annual report misleading.*

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# CORPORATION INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Mr. Chan Siu Chung *(Chairman)*
Mr. Au Siu Kwong
Mr. Zhang Hai Wei

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Chun Yue, David
Ms. Lai Wing Sze
Ms. Yu Wan Ki

## COMPANY SECRETARY

Ms. Choi Mei Bik

## COMPLIANCE OFFICER

Mr. Chan Siu Chung

## AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Yeung Chun Yue, David *(Chairman)*
Ms. Lai Wing Sze
Ms. Yu Wan Ki

## REMUNERATION COMMITTEE

Ms. Lai Wing Sze *(Chairman)*
Mr. Chan Siu Chung
Mr. Yeung Chun Yue, David

## NOMINATION COMMITTEE

Mr. Chan Siu Chung *(Chairman)*
Mr. Yeung Chun Yue, David
Ms. Lai Wing Sze

## AUDITORS

HLB HODGSON IMPEY CHENG LIMITED
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. Chan Siu Chung
Ms. Choi Mei Bik

## REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

18/F., The Pemberton,
22-26 Bonham Strand
Sheung Wan
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

## COMPANY WEBSITE

www.aeso.hk

## STOCK CODE

8341

# CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

To Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Aeso Holding Limited (the "Company"), I hereby present the audited annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018 ("Reporting Period").

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Period (2017:Nil).

## BUSINESS REVIEW

The Company is an investment holding company and the shares of the Company (the "Shares") were listed on GEM of the Stock Exchange on 13 January 2017 by way of placing (the "Placing"). The Company's subsidiaries are principally engaged in the provision of fitting-out work for construction of newly built commercial premises and residential developments and renovation (including alteration and addition) work for existing commercial premises in Hong Kong.

During the Reporting Period, the Company submitted tenders amounting to approximately HK$1,888.8 million and 8 projects were awarded amounting to approximately HK$69.2 million, which include (i) a Fitting-out Project of proposed residential development at Shatin with contract sum of approximately HK$58 million; (ii) a Renovation Project of a retail shop with contract sum of approximately HK$5.5 million. The tenders are invited by the stable and long-term clients, including listed property developers, based on their trust to our Company and some are from new clients including those sizable developers from PRC.

## FINANCIAL REVIEW

### Revenue

The Group's overall revenue decreased from approximately HK$114.7 million for the year ended 31 March 2017 to approximately HK$96.3 million for the Reporting Period, representing a decrease of approximately 16.0%. Such decrease was mainly due to the consequential effects caused by the shareholders' disputes.

The revenue for the Fitting-out Projects for the Reporting Period was approximately HK$82.7 million, represented an increase of approximately 108.3% from approximately HK$39.7 million for the same period in 2017, the awarded tender was submitted in April 2017 that is before the breakout of shareholders' disputes.

The revenue for the Renovation Projects for the Reporting Period was approximately HK$13.6 million, represented a decrease of approximately 81.9% from approximately HK$75.0 million for the same period in 2017. The decrease was due to consequential effects caused by the shareholders' disputes.

### Cost of Services

The Group's direct cost decreased from approximately HK$106.5 million for the year ended 31 March 2017 to approximately HK$105.5 million for the Reporting Period, representing a decrease of approximately 1.0%. The decrease was not in line with the decrease in revenue due to the temporary freezing of company's bank accounts caused by the shareholders' disputes leading to our failure to fulfil our obligation to complete the outstanding works and our customer had to pay extra costs to rectify it. The relevant costs incurred were borne by the Company.

### Gross Loss/Profit

The Group's gross loss amounted to approximately HK$9.2 million for the Reporting Period and the Group's gross profit amounted to approximately HK$8.2 million for the year ended 31 March 2017. Such turnaround was due to the consequential effect of shareholders disputes.

### Administrative Expenses

The Group's administrative expenses amounted to approximately HK$21.3 million and HK$23.1 million for the years ended 31 March 2017 and 2018 respectively, representing an increase of approximately 8.5%. Such increase was due to the professional fee of approximately HK$2 million incurred in relation to the shareholders' disputes during the Reporting Period.

### Loss attributable to the owners of the Company

As a result of the aforesaid, the loss attributable to the owners of the Company was approximately HK$35.2 million and approximately HK$26.7 million for the years ended 31 March 2018 and 2017 respectively.

## PROSPECT AND OUTLOOK

The competitive strengths of the Company, such as (i) an established track record in the market with stable and long-term client relationships with the major clients that include listed property developers; (ii) strong and stable relationships with the major suppliers and subcontractors; (iii) integrated project execution for contracting services; and (iv) a strong and experienced management team with proven track record, continuously contribute to the success of the Group.

The Group will continue focusing on the opportunities in renovation works and fitting-out works in Hong Kong, especially fitting-out projects of mainland-based property developers.

In view of the expected growth of the construction industry in Hong Kong driven by the Hong Kong Government's initiatives to increase the land supply for private housing as well as commercial buildings, the Company is still confident about the prospect of the fitting-out and renovation contracting services in Hong Kong.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments were financed principally by cash generated from its business operations, bank borrowings and equity contribution from shareholders. As at 31 March 2018, the Group had net current assets of approximately HK$14.3 million (31 March 2017: HK$49.1 million), bank balances and cash of approximately HK$0.5 million (31 March 2017: HK$10.6 million) and pledged bank deposit of approximately HK$33.9 million (31 March 2017: HK$18.3 million).

The gearing ratio of the Group as at 31 March 2018 was approximately 2.21 times (31 March 2017: approximately 0.08 times), which was high as the Group suffered from the loss for the year and decrease in total equity during the Reporting Period. The gearing ratio is calculated as total borrowings divided by total equity as at the respective periods.

## TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## PLEDGE OF ASSETS

Certain cash deposits of the Group of approximately HK$33.9 million as at 31 March 2018 (31 March 2017: HK$18.3 million) are charged to the bank to secure general banking facilities.

## COMMITMENTS

As at 31 March 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises which fall due as follow:

| | HK$'000 |
|---|---|
| Minimum lease payments under operating leases | |
| Within one year | 2,116 |
| In the second to fifth year inclusive | 1,031 |
| | 3,147 |

## CAPITAL STRUCTURE

There has been no change in capital structure of the Company since 31 March 2017.

## SIGNIFICANT INVESTMENTS

As at 31 March 2018, there was no significant investment held by the Group (31 March 2017: Nil).

## ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Period. Save as disclosed in the paragraphs "Comparison of Business Objectives and Actual Business Progress" of this report, the Group did not have other plans for acquisitions or capital assets.

## FOREIGN EXCHANGE EXPOSURE

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars. As at 31 March 2018, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had 34 employees (31 March 2017: 37 employees). The remuneration policy of the employees of the Group was set up by the Board on the basis of their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds, and housing allowance to its employees in Hong Kong.

A remuneration committee was set up for, inter alia, reviewing the Group's remuneration policy and structure for all directors and senior management of the Group.

## COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives set out in the prospectus of the Company dated 30 December 2016 (the "Prospectus") with the Group's actual business progress for the period from 13 January 2017 (the "Listing Date") to 31 March 2018 is set out below:

| Business objectives up to 31 March 2018 | Actual Business Progress up to 31 March 2018 |
|---|---|
| Further developing the Group's contracting business | The company has utilised the proceeds in security of surety bond to new business. In addition, the Company has successfully developed a team of designers to develop design and build projects and will keep going to enlarge the proportion of design and build projects to our overall business scale. |
| Acquisition of premises in Hong Kong | The company originally intends to acquire a new premises located in Wong Chuk Hang in Hong Kong but such plans was delayed as a consequence of the shareholders' disputes and the deposit paid amounting to approximately HK$0.8 million was forfeited. The Company is still exploring suitable premises with favourable offer for the use as showroom/warehouse with the view of maximizing the shareholders interest. |
| Expansion of the Hong Kong office | Maintaining the office located at 18/F., The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong to support expansion of business |
| Decoration of the Hong Kong office | Fitted out the office located at 18/F., The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong and purchased new office equipment |
| Purchase of motor vehicles | Three motor vehicles were purchased for materials and transportation of staff |
| Further strengthening the Group's in-house team | A Marketing Manager was newly recruited from 20 January 2017 |

## USE OF PROCEEDS OBTAINED FROM THE PLACING

The net proceeds from the Placing, after deducting listing related expenses, were approximately HK$40.6 million which was different from the estimated net proceeds of approximately HK$41.6 million. The Group intends to adjust the of net proceeds in the same manner and in the same proportion as shown in the Prospectus. An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2018 is set out below:

| | Adjusted use of net proceeds in the same manner and in the same proportion as stated in the Prospectus<br>HK$ million | Adjusted use of net proceeds in the same manner and in the same proportion from the Listing Date up to 31 March 2018<br>HK$ million | Actual use of net proceeds from the Listing Date up to 31 March 2018<br>HK$ million |
|---|---|---|---|
| Further developing the Group's contracting business | 22.8 | 22.8 | 22.8 |
| Acquisition of premises in Hong Kong | 5.7 | 5.7 | 0.8 |
| Expansion of the Hong Kong office | 1.7 | 1.3 | 1.3 |
| Decoration of the Hong Kong office | 1.9 | 1.9 | 1.9 |
| Purchase of motor vehicles | 1.2 | 1.2 | 1.2 |
| Further strengthening the Group's in-house team | 3.2 | 3.2 | 3.2 |
| General working capital | 4.1 | 4.1 | 4.1 |
| | 40.6 | 40.2 | 35.3 |

## SHAREHOLDERS' DISPUTES

On 12 July 2017, a controlling shareholder of the Company, Acropolis Limited, which wholly-owned by Mr. Chan Siu Chung ("Mr. Chan"), filed a Petition (the "Petition") in the action HCCW 218/2017 against, amongst other respondents, the Company, another controlling shareholders, W&Q Investment Limited and Mr. Liu Chang Kien (the "Action"). Pursuant to an order (the "Order") of the Court of First Instance of the High Court of the Hong Kong Special Administrative Region dated 31 May 2018 under the Action, the joint and several provisional liquidators of the Company have been appointed with effect from the date of the Order.

On 27 March 2019, Acropolis Limited, Mr. Chan, W&Q Investment Limited and Mr. Liu Chang Kien (collectively referred to herein as "the Parties") reached a settlement agreement to the best interest of the Company. Finally, these shareholders' disputes was settled on 27 March 2019. As at 29 April 2019, the Court ordered that the Petition be dismissed by the consent of the parties as well as the joint and several provisional liquidators of the Company appointed pursuant to the Order be released.

## CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the shares of the Company on the Stock Exchange has been suspended at the direction of the Stock Exchange since 12 June 2017. On 22 September 2017, the Company received a letter from the Stock Exchange, in which the Stock Exchange stated the following conditions for the resumption of trading in the shares of the Company (the "Resumption Conditions"):

(1) Demonstrate to have a valid board of directors in accordance with the Company's articles of association;

(2) Address the allegation about the lack of an open market in the Company's shares required under Rule 11.23(7) of the GEM Listing Rules;

(3) Publish all outstanding financial results as required under the GEM Listing Rules and address any audit qualifications;

(4) Inform the market of all material information relating to the Company; and

(5) Have the winding-up petitions against the Company withdrawn or dismissed and provisional liquidators discharged.

To the best knowledge of the Board, (i) the Company has a valid board of directors in accordance with the Company's articles of association; and (ii) the winding-up petitions against the Company was withdrawn and the provisional liquidators was discharged. Therefore, Resumption Conditions (1) and (5) have been satisfied. The Company shall take appropriate steps to fulfill the outstanding Resumption Conditions as soon as practicable and will keep its shareholders of the Company and potential investors informed of the progress as and when appropriate.

## APPRECIATION

On behalf of the Board, I wish to take this opportunity to thank our management and staff for their continuous loyalty, dedication and contributions throughout the year. I would also like to express my sincere gratitude to our shareholders, Clients, business partners, banker, suppliers and subcontractors for their continuous support to the Group.

**Aeso Holding Limited**
**Chan Siu Chung**
*Chairman*

Hong Kong, 27 June 2019

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Chan Siu Chung（陳少忠先生）**, aged 44, is the founder, the chairman of the Group. He was appointed as the executive Director, and the chairman of the Company on 14 December 2015 and 6 May 2016 respectively. Mr. Chan has nearly 22 years of experience in the building and construction industry, especially in the field of fitting-out and renovation (including alteration and addition) works. Mr. Chan obtained a bachelor of science degree in construction economics and management from The Hong Kong Polytechnic University in Hong Kong in 1997 and a master of science degree in construction project management from The University of Hong Kong in Hong Kong in 2006. He is primarily responsible for the overall strategic development, management of the Group, managing client relationship and business marketing. He is one of the founders of Aeso Limited, the operating subsidiary of the Company, and is currently its executive director and project director. He is also a director of Aeschylus Limited.

Mr. Chan has been a member of The Hong Kong Institute of Surveyors and a professional member of The Royal Institution of Chartered Surveyors since March 2001. He has been a registered professional surveyor since January 2011.

**Mr. Au Siu Kwong（區紹江先生）**, aged 56, joined the Group in May 2013 and currently serves as the chief project manager of the Group and is primarily responsible for the overall operation of the Group's construction management business and management of relevant site work. Mr. Au has over 20 years of senior managerial experience in the building and construction industry of which 7 years working as chief project manager in the Group, 5 years working as project manager and 8 years working as a site supervisor of several sizeable companies which mainly carries on construction and engineering business. Mr. Au is member of Hong Kong Professional Building Inspection and has obtained several construction related qualifications including but not limited to, ISO 9000 quality systems internal auditing course for in-service construction personnel, qualified site supervisors as technically competent persons, site safety supervisors, environment protection for construction supervisors.

**Mr. Zhang Haiwei（張海威先生）**, aged 35, joined the Group in May 2019. He obtained a Bachelor Degree of Engineering in automation from Guangdong University of Technology. Mr. Yang has over 10 years of experience in business development and management and had held senior management positions in several enterprises. Prior to joining the Group, Mr. Zhang was a chief operating officer of a sizeable company in the PRC and he was mainly responsible for the company's building management and interior design projects involving application of automation technologies.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yeung Chun Yue, David（楊振宇先生）**, aged 37, joined the Group in April 2019. He obtained a bachelor degree of business administration (Honors) in Accountancy from the City University of Hong Kong. Mr. Yeung is a practicing member of the Hong Kong Institute of Certified Public Accountants. He has over 14 years' experience in the accounting, auditing and taxation field and he is currently the director of a sizeable CPA firm. He is currently the committee member of the Panyu Committee of Chinese People's Political Consultative Conference.

Mr. Yeung was also an independent non-executive director of Mega Expo Holdings Limited (stock code: 1360), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited from December 2014 to March 2017.

**Ms. Lai Wing Sze（黎穎絲女士）**, aged 30, joined the Group in May 2019. She obtained a bachelor degree of arts from the University of Derby. Ms. Lai has extensive working experience in Hong Kong and overseas. Prior to joining the Company, Ms. Lai had held various managerial and supervisory positions in certain multinational corporations.

**Ms. Yu Wan Ki（余韻琪女士）**, aged 31, joined the Group in May 2019. She obtained a Bachelor Degree of Mass Communication in Journalism and Public Relations from Curtin University of Technology, Western Australia. Ms. Yu has more than 10 years of working experience in different industries including IT Consulting and international export. She is currently a managing director of a company engaging in IT consulting.

## SENIOR MANAGEMENT

**Mr. Chiu Fu Keung（趙富強先生）**, aged 51, is the financial controller of the Group and primarily responsible for the Group's finance matters. Mr. Chiu joined the Group in December 2015. Mr. Chiu has more than 30 years of experience in finance and accounting.

Mr. Chiu obtained a master of accounting degree from Curtin University of Technology in September 2003. Mr. Chiu has been a fellow member of The Association of International Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Cheng Nga Lai**（鄭雅麗女士）, aged 45, is the Senior Operating Manager of the Group. Ms. Cheng joined our Company in May 2008. She is primarily responsible for formulating and implementing internal and regulatory manuals and assisting our executive Directors and project managers in operation and contract management. Ms. Cheng has over 20 years of experience in the building and construction industry.

Ms. Cheng obtained a bachelor of science degree in construction economics and management from The Hong Kong Polytechnic University in Hong Kong in 1997.

**Mr. Cheung Hiu Tung**（張曉東先生）, aged 42, is the quantity surveying manager of the Group. Mr. Cheung joined the Group in October 2008. He is primarily responsible for overseeing our operations in quantity surveying. Mr. Cheung has more than 20 years of experience in the building and construction industry.

Mr. Cheung completed a 75-day Measurement Technician Training Course delivered by Construction Industry Training Authority in Hong Kong in November 1996. He obtained a certificate in quantity surveying and a higher certificate in quantity surveying from Hong Kong Institute of Vocational Education in Hong Kong in July 2000 and July 2002, respectively.

## COMPANY SECRETARY

**Ms. Choi Mei Bik**（蔡美碧女士）, aged 37, has been appointed as the company secretary of the Company from 14 May 2019. Ms. Choi graduated from the City University of Hong Kong with a Bachelor of Business Administration (Honours) in Accountancy and is a member of the Hong Kong Institute of Certified Public Accountants.

## INTRODUCTION

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Company's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

## CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Company believes that its accountability and transparency will be improved thereby instilling confidence to the shareholders of the Company and the public. Throughout the Reporting Period, the Company has complied with the code provisions in the Corporate Governance Code ("CG Code") set out in Appendix 15 to the GEM Listing Rules except for the following deviations:

### Provisions A.2.1, A.2.2 and A.2.3 of the CG Code

Under Provision A.2.1 of the CG Code, the role of the Chairman and the Chief Executive Officer should be performed by separate individuals. Mr. Chan Siu Chung is the Chairman who provides leadership for the Board. According to Provisions A.2.2 and A.2.3 of the CG Code, Mr. Chan Siu Chung as the Chairman ensures that all directors are properly briefed on issued arising at board meetings, and receive adequate information, both complete and reliable, in a timely manner. The executive directors of the Company collectively oversees the overall management of the Group in each of their specialized executive fields, which fulfils the function of Chief Executive Officer in substance. Therefore, the Company currently has not appointed its Chief Executive Officer to avoid the duplication of duties.

### Provision A.2.7 of the CG Code

Provision A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the independent non-executive Directors without the executive Directors present. During the Reporting Period, the Chairman did not hold meeting with the independent non-executive Directors without the executive Directors present. The Chairman confirms that he will hold meeting with the independent non-executive Directors in the absence of the executive Director.

### Provisions A.1.3 and A.7.1 of the CG Code

Provisions A.1.3 and A.7.1 of the CG Code stipulate that 14-day notice should be given for each regular board meeting and that in respect of regular meetings, and so far as practicable in all other cases, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 7 days before the intended date of a board or board committee meeting (or such other period as agreed). The Company agrees that sufficient time should be given to the directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.

### Provisions E.1.2 and E.1.3 of the CG Code

Provisions E.1.2 and E.1.3 of the CG Code set out the requirements on a company in relation to effective communication with shareholders by annual general meeting. During the Reporting Period, the Company did not hold annual general meeting. An annual general meeting of the Company for the year 2019 will be arranged in due course in accordance with relevant requirements under Provisions E.1.2 and E.1.3 of the CG Code.

The Board has continued to monitor and review the Company's progress in respect of corporate governance practices to ensure compliance with the CG Code. Meetings were held throughout the Year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Company to ensure awareness to issues regarding corporate governance practices.

## THE BOARD OF DIRECTORS

### Composition

The Board, which comprised six Directors as at the date of this corporate governance report, is collectively responsible for supervising the management of the business and affairs of the Company and the Group. Biographical details of the current chairman and the current Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. All Directors gave sufficient time and attention to the affairs of the Company and the Group during the year ended 31 March 2018 ("Year").

As at 31 March 2018, the Board had two executive Directors, namely Mr. Chan Siu Chung and Ms. Zhang Qi, one non-executive Director, namely Law Wing Kit and three independent non-executive Directors, namely Mr. Ko Kwok Fai, Dennis, Mr. To Man Choy, Jacky and Ms. Tsang Kwok Shan, Sandy.

The presence of three independent non-executive Directors is considered by the Board to be a reasonable balance between executive and non-executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances for safeguarding the interests of the shareholders and the Company. The independent non-executive Directors provide to the Company a wide range of expertise and experience so that independent judgement can be effectively exercised and the interests of all shareholders will be taken into account. They are also responsible for participating in Board meetings, dealing with potential conflicts of interest, serving on the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee, scrutinizing the Company and the Group's performance and reporting. They provide their valuable skills, expertise and experience to the Board and the committees on which they serve so that the management process can be critically reviewed and controlled.

As at the date of this corporate governance report, at least one of the independent non-executive Directors has the appropriate professional qualifications or accounting or related financial management expertise.

### Board Diversity

With the view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element. The Board has adopted a board diversity policy with effect from 10 January 2017 in compliance with Provision A.5.6 of the CG Code. All Board appointments have been and will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Nomination and selection of candidates for Board membership by the Nomination Committee have been and will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Nomination Committee is of the opinion that a balanced diversity of the Board has been achieved as at the date of this corporate governance report.

## Board Meetings

Board meetings are held at least four times every year. At least 1 day's notices of regular Board meetings are given to all Directors and all Directors will be all given an opportunity to include matters in the agenda for discussion. The company secretary of the Company ("Company Secretary") assists the Chairman in preparing the agenda for the meetings and ensures that all applicable rules and regulations in connection with the meetings are observed and complied with. The finalised agenda and accompanying board papers are then sent to all Directors at least 1 days' prior to the meetings.

During the Reporting Period, to the best knowledge of the Company, 15 Board meetings were held and the following is an attendance record of the meetings by each Director:

| Attendants | Number of meetings attended | Attendance percentage |
|---|---|---|
| **Executive Directors** | | |
| Chan Siu Chung | 12/15 | 80% |
| Cheung Hiu Tung (removed on 12 June 2017) | 3/15 | 20% |
| Zhang Qi (appointed on 13 July 2017 and resigned on 3 April 2019) | 4/15 | 27% |
| **Non-executive Directors** | | |
| Zhang Qi (removed on 9 June 2017, re-appointed on 12 June 2017) | 9/15 | 60% |
| Law Wing Kit (removed on 9 June 2017, re-appointed on 12 June 2017 and resigned on 3 April 2019) | 12/15 | 80% |
| **Independent non-executive Directors** | | |
| Lee Chi Chung (removed on 12 June 2017) | 1/15 | 7% |
| Or Chun Man (resigned on 8 June 2017) | 1/15 | 7% |
| Lee Ka Kui (resigned on 8 June 2017) | 1/15 | 7% |
| Ye Wenxin (appointed on 8 June 2017 and removed on 12 June 2017) | 1/15 | 7% |
| Wang Aicheng (appointed on 8 June 2017 and removed on 12 June 2017) | 1/15 | 7% |
| To Man Choy, Jacky (appointed on 12 June 2017 and resigned on 4 April 2019) | 12/15 | 80% |
| Ko Kwok Fai, Dennis (appointed on 12 June 2017 and resigned on 4 April 2019) | 12/15 | 80% |
| Tsang Kwok Shan, Sandy (appointed on 12 June 2017 and resigned on 4 April 2019) | 11/15 | 73% |

During the regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Company and the Group, monitor financial performances, and discuss and decide on other significant matters. The execution of daily operational matters is delegated to the management of the Group.

The Company records the proceedings of each Board meeting in details by keeping minutes, including the record of all decisions of the Board together with concerns raised and dissenting views expressed (if any) during the meeting. Drafts of Board minutes are circulated to all Directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any Director. All Directors have access to relevant and timely information at all times as the Chairman ensures that the management will supply the Board and its committees with all relevant information in a timely manner. They may make further enquiries if it is in their opinion necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary, who is held responsible for providing Directors with board papers and related materials and ensuring that all proper Board procedures and all applicable laws and regulations are followed and complied with. If considered necessary and appropriate by the Directors, they may retain independent professional advisers at the company's expense.

In case where a conflict of interest may arise involving a substantial shareholder of the Company or a Director, such matter will be discussed in a physical meeting and will not be dealt with by way of written resolutions. Independent non-executive Directors with no conflict of interest will be present at such meetings dealing with the conflict issue.

The Board committees, including the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee, have all adopted the applicable practices and procedures used in Board meetings for all committee meetings.

## Shareholders' Meetings

The annual general meeting and other general meetings of the Company are the primary forum for communication between the Company and its shareholders and an opportunity for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxy(ies) to attend and vote at such meetings on their behalf if they are unable to attend the meetings.

## The Chairman

The Chairman, Mr. Chan Siu Chung, is responsible for the Company's and the Group's overall strategy and business development. The Chairman determines the broad strategic direction of the Group in consultation with other Directors and is responsible for the macro top-level decisions with regard to the overall business directions of the Company and the Group.

## The Company Secretary

On 9 June 2017, Mr. Ng Yu Ho had resigned and Mr. Chiu Fu Keung, the Financial Controller of the Company, was appointed as Company Secretary. On 12 June 2017, Mr. Chiu Fu Keung was removed and Mr. Yeung Chi Fai was appointed as Company Secretary.

Since there is no available record, the current Board cannot confirm that Mr. Ng Yu Ho and Mr. Yeung Chi Fai had complied with Rule 5.15 of the GEM Listing Rules, taking no less than 15 hours of relevant professional training during the Reporting Period.

## Training and Support for Directors

All Directors, including the independent non-executive Directors, must keep abreast of their collective responsibilities as directors and on the business of the Group. As such, the Group provides a comprehensive and formal induction to each newly appointed Director upon his/her appointment. Briefings and orientations are provided and organised to ensure that new Directors are familiar with the role of the Board, their legal and other duties as directors as well as the business and governance practices of the Company and the Group. Such programme are tailored to each Director taking into account his/her background and expertise. The Company Secretary and the compliance officer of the Company will continuously update all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors.

All Directors shall also participate in continuous professional development programme provided or procured by the Group, such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. Records of the trainings received by the Directors are kept and updated by the Company Secretary and the compliance officer of the Company.

Each Director will, upon his/her first appointment and thereafter on a regular basis, disclose to the Company the number and nature of offices held by such Director in public companies and organisations and other significant commitments.

During the Reporting Period, the Directors participated in continuous professional developments in relation to regulatory update, the duties and responsibilities of the Directors and the business of the Group as follows:

| Name of Directors | Attendance seminars or briefing/read materials |
|---|---|
| **Executive Directors** | |
| Chan Siu Chung *(Chairman)* | ✓ |
| Cheung Hiu Tung (appointed on 29 April 2016 and removed on 12 June 2017) | N/A |
| Zhang Qi (appointed on 13 July 2017 and resigned on 3 April 2019) | N/A |
| **Non-executive Directors** | |
| Zhang Qi (appointed on 8 April 2016 and removed on 9 June 2017, re-appointed on 12 June 2017) | N/A |
| Law Wing Kit (appointed on 8 April 2016 and removed on 9 June 2017 and re-appointed on 12 June 2017) | N/A |
| **Independent non-executive Directors** | |
| Lee Chi Chung (appointed on 22 December 2016 and removed on 12 June 2017) | N/A |
| Or Chun Man (appointed on 22 December 2016 and resigned on 8 June 2017) | N/A |
| Lee Ka Kui (appointed on 22 December 2016 and resigned on 8 June 2017) | N/A |
| Ye Wenxin (appointed on 8 June 2017 and removed on 12 June 2017) | N/A |
| Wang Aicheng (appointed on 8 June 2017 and removed On 12 June 2017) | N/A |
| To Man Choy, Jacky (appointed on 12 June 2017 and resigned on 4 April 2019) | N/A |
| Ko Kwok Fai, Dennis (appointed on 12 June 2017 and resigned on 4 April 2019) | N/A |
| Tsang Kwok Shan, Sandy (appointed on 12 June 2017 and resigned on 4 April 2019) | N/A |

The Company had received from Mr. Chan Siu Chung the confirmation on taking continuous professional development. Since there is no available record, the current Board cannot confirm that other Directors had complied with the requirement of the CG Code on Directors' continuous professional development.

## Directors' Securities Transactions

The Company has adopted procedures governing Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

The Directors during the Reporting Period were Mr. Chan Siu Chung, Mr. Cheung Hiu Tung, Ms. Zhang Qi, Mr. Law Wing Kit, Mr. Lee Chi Chung, Mr. Or Chun Man, Mr. Leung Ka Kui, Johnny, Mr. Ye Wenxin, Mr. Wang Aisheng, Mr. To Man Choy, Jacky, Mr. Ko Kwok Fai, Dennis, and Ms. Tsang Kwok Shan, Sandy. The Company has made specific enquiries of which Mr. Chan Siu Chung has confirmed that he has complied with the required standards of dealings set out in the GEM Listing Rules during the year ended 31 March 2018. Since the former Directors (Mr. Cheung Hiu Tung, Ms. Zhang Qi, Mr. Law Wing Kit, Mr. Lee Chi Chung, Mr. Or Chun Man, Mr. Leung Ka Kui, Johnny, Mr. Ye Wenxin, Mr. Wang Aisheng, Mr. To Man Choy, Jacky, Mr. Ko Kwok Fai, Dennis and Ms. Tsang Kwok Shan, Sandy) were resigned or removed before the date of this report, the current Board cannot confirm whether they had complied with the required standards of dealings set out in the GEM Listing Rules during the Reporting Period.

## Remuneration Committee

The Remuneration Committee was established during the year ended 31 March 2017. The chairman of the committee is Ms. Tsang Kwok Shan, Sandy (appointed on 22 June 2017), an independent non-executive Director. Other members of this committee include Mr. Ko Kwok Fai, Dennis, being an independent non-executive Director (appointed on 12 June 2017) and Mr. To Man Choy, Jacky (appointed on 12 June 2017), being an independent non-executive Director.

The Remuneration Committee is responsible for formulating and recommending to the Board the remuneration policy, making recommendation to the Board on remuneration packages of the Directors and senior management of the Group, as well as reviewing and making recommendation on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. This committee consults with the Chairman on its proposals and recommendations and has access to independent professional advice if necessary. The Remuneration Committee is also provided with other resources enabling it to discharge its duties.

The specific terms of reference of the Remuneration Committee are posted on websites of the Company and of the Stock Exchange. The Remuneration Committee meets at least once a year.

During the Reporting Period, no Remuneration Committee meeting was held.

## Nomination Committee

The Nomination Committee was established during the year ended 31 March 2017. The chairman of the committee is Mr. To Man Choy, Jacky, (appointed on 12 June 2017), an independent non-executive Director. Other members of this committee include Mr. Ko Kwok Fai, Dennis (appointed on 12 June 2017), an independent non-executive Director and Ms. Tsang Kwok Shan, Sandy (appointed on 12 June 2017), an independent non-executive Director.

The duties of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company and the Group's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals to be nominated for directorship, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman.

Shareholders may also propose a person for election as Director at the general meetings of the Company pursuant to the articles of association of the Company ("Articles"). The procedures for shareholders to nominate directors are posted on the website of the Company.

The specific terms of reference of the Nomination Committee are posted on the websites of the Company and of the Stock Exchange.

During the Reporting Period, no Nomination Committee meeting was held.

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

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, thereafter continuous until terminated by either party giving to the other not less than three months' notice in writing, or by payment of three months' salary in lieu of such notice.

Each of the independent non-executive Directors has been appointed for a term of three years unless terminated by one month's notice in writing.

All Directors, including the executive and independent non-executive Directors, would retire from office by rotation and are subject to re-election at the annual general meeting once every three years pursuant to the Articles. In accordance with Article 113 of the Articles, Directors appointed by the Board as an addition to the existing Board shall hold office only until the forthcoming general meeting of the Company and be subject to re-election.

### Audit and Risk Management Committee and Accountability

The Board is responsible for presenting a balanced, clear and comprehensive assessment of the performance and prospects of the Company and the Group. The Board is also responsible for preparing the accounts of the Company, which shall give a true and fair view of the financial position of the Group on a going-concern basis, and other inside information announcements and other financial disclosures. The management of the Group provides all relevant information and records to the Board enabling it to conduct the above assessment and to prepare the accounts and other financial disclosures.

During the Year, the Audit and Risk Management Committee reviewed the Group's accounting principles, practices and compliance.

The Audit and Risk Management Committee, established during the year ended 31 March 2017, was chaired by Mr. Ko Kwok Fai, Dennis (appointed on 12 June 2017), an independent non-executive Director and the other members include Mr. To Man Choy, Jacky and Ms. Tsang Kwok Shan, Sandy (both appointed on 12 June 2017), all being independent non-executive Directors of the Company.

No existing member of the Audit and Risk Management Committee is a former partner of the existing auditing firm of the Company.

The Audit and Risk Management Committee's primary duties include ensuring that the Company's financial statements, annual, interim and quarterly reports and the auditor's report present a true and balanced assessment of the Company's and the Group's financial position; reviewing the Company's and the Group's financial control, internal control and risk management systems; and reviewing the Company's financial and accounting policies and practices. Other duties of the Audit and Risk Management Committee are set out in its specific terms of reference which are posted on the websites of the Company and of the Stock Exchange. The Audit and Risk Management Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit and Risk Management Committee reviewed the Group's accounting principles, practices and compliance and financial report matters including the review of the audited financial statements for the Reporting Period.

During the Reporting Period,  no Audit and Risk Management Committee meeting was held.

### Directors' responsibility in preparing consolidated financial statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable standards.

The statement of the auditors of the Company in relation to their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on pages 50 to 54 of this annual report.

### Going Concern

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for the foreseeable future and for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

### Corporate Governance Function

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as determining, developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

## Auditors' Remuneration

HLB HODGSON IMPEY CHENG LIMITED is the current external auditors of the Company. The aggregate remuneration in respect of audit services during the year 2018 was approximately HK$500,000 (2017: HK$500,000), while non-audit service was HK$12,000 (2017: Nil).

## Delegation by the Board

The Board is responsible for making decisions in relation to the overall strategic development of the Group's business. All Directors have formal service contracts or letters of appointment setting out key terms and conditions regarding their appointments. Due to the diversity and volume of the Group's business, responsibility in relation to the daily operations and execution of the strategic business plans are delegated to management of the Group.

All Board committees, namely the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee, have specific terms of reference clearly defining the authorities and responsibilities of the respective committees. All Board committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board review, on a yearly basis, all delegations by the Board to different Board committees to ensure that such delegations are appropriate and continue to be beneficial to the Company and its shareholders as a whole.

## Shareholder Relations

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. The commitment to fair disclosure and comprehensive and transparent reporting of the Group's activities can be reflected in many aspects.

The annual general meeting of the Company provides a useful forum for shareholders of the Company to exchange views with the Board. All the Directors make an effort to attend the Company's general meetings so that they may answer any questions from the shareholders.

The proceedings of the annual general meeting are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. The relevant circular, which is circulated to all shareholders at least 21 days prior to the holding of the annual general meeting, sets out the details in relation to each resolution proposed, voting procedures and other relevant information.

The Company also communicates with its shareholders through its annual, interim and quarterly reports and by means of announcement and circular if and when necessary. The Directors, the Company Secretary or other appropriate members of the senior management also respond promptly to inquiries from shareholders and potential investors of the Company.

## SHAREHOLDERS' RIGHTS

### Procedures for shareholders to convene general meetings

Subject to the Articles of the Company, the GEM Listing Rules and the applicable laws and regulations, shareholders of the Company may convene general meetings of the Company in accordance with the following procedures:

1. Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company as at the date of deposit of the requisition ("Requisitionists") may require the Board to convene a general meeting of the Company by depositing written requisitions at the principal office of the Company in Hong Kong at 18TH Floor, The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong specifying the business to be transacted in such meeting and signed by the Requisitionists. Such meeting shall be held within two months after the deposit of such requisition.

2. If within 21 days of such deposit, the Board fails to proceed to convene the meeting, the Requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the Requisitionst(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

### Procedures for sending enquiries to the Board

The Company established a shareholders' communication policy which had been uploaded to the Company's website (http://www.aeso.hk) and details could be found in the policy.

Shareholders may also send their enquiries and concerns to the Board by addressing them to the Company Secretary by post to the principal office of the Company in Hong Kong at 18TH Floor, The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong.

### Investor relations

The Company is committed to a policy of open and timely disclosure of corporate information to shareholders and potential investors. The Company updates shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars. The Company's website (www.aeso.hk) provides a communication platform to the public and the shareholders.

To strengthen its relationship with investors, the Company regularly meets with analysts and holds interviews with reporters and columnists of the press and other economic journals.

### Constitutional documents

During the Reporting Period, there was no significant change in the Memorandum and Articles of the Company.

## Dividend Policy

The Company has adopted a dividend policy as at the date of this annual report (the "Dividend Policy"). According to the Dividend Policy, it is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(f) other factors that the Board may considered relevant.

The payment of dividend by the Company is also subject to any restrictions under the Cayman Island laws and the Company's articles of association.

The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earning, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group appointed World Link Corporate Finance Limited ("World Link") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews for the Reporting Period; and

- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems for the Reporting Period.

The results of the independent review and assessment were reported to the Audit and Risk Management Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by World Link to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of World Link as well as the comments of the Audit and Risk Management Committee, the Board considered that the internal control and risk management systems of the Group are effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 17 of the GEM Listing Rules as well as Part XIVA of the SFO. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures and staff training arrangements, etc.

### Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 2017. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritised and allocated treatments. The risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit and Risk Management Committee which oversees risk management and internal audit functions.

## Principal Risks

During the Reporting Period, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

| Risk Areas | Principal Risks |
|---|---|
| Strategic Risks | Entry barriers are low to new competitors – Competition has intensified in the fitting-out and renovation industry in Hong Kong. New participants could enter the industry if they have the appropriate skills, local experience, necessary machinery and capital and/or are granted the requisite licenses by the relevant regulatory bodies. |
| | The Group faces competition from other contractors or new comers in the submission of tender for construction contracts who are able to offer services of higher quality at lower prices. Increased competition may lead to lower profit margins and loss of market share, and adversely impact the Group's profitability and operating results. |
| Operational Risks | The Group's turnover is derived substantially from projects which are non-recurring in nature. Accordingly, it is difficult to accurately predict the volume of future business. If the Group is unable to secure business from the existing clients or develop business relationships with any new clients, the Group's business, financial condition and results of operations could be materially and adversely affected. |
| | Cost is difficult to estimate and control accurately – Most of the Group's turnover is derived from fixed-price contracts, with prices being determined by reference to the Group's tender submissions or quotations and substantially agreed to at the time a contract is awarded. The Group needs to estimate the time and costs involved in a project in order to determine the tender price or quotation price. Particularly, subcontractor cost is one of the major components of the project costs. Also, a defect liability period for both the Group's fitting-out and renovation (including alteration and addition) contracting services is generally 12 months from the date of the certificate of practical completion. During the defect liability period, the Group is responsible, at its own expenses, for rectifying any defects of works carried out by the Group. The Group may achieve lower-than-expected profits or losses on the projects if it fails to accurately estimate and control the project costs or rectifications for material defective works are required during the defect liability period of the projects. |

| Risk Areas | Principal Risks |
|---|---|
| Financial Risks | A failure to receive progress payment on time and in full, or that retention money is not fully released to us after expiry of the defect liability period – the Group may encounter difficulties in collecting payments from clients who are having financial difficulties or delayed projects. The collection process is often time-consuming and administratively cumbersome. Further, payments may be delayed if there is a substantial delay in the examination process or dispute as to the works performed by us. Any difficulty in collecting a substantial portion of the account receivables or retention receivables could materially and adversely affect the Group's cash flows and financial positions. |
| Compliance Risks | As a contracting service provider, in order to perform business operation, the Group have to procure the subcontractors to, comply with a number of construction, safety, building and environmental protection laws, regulations and requirements in Hong Kong. In the event that the subcontractors fail to meet the applicable construction, safety, environmental protection laws, regulations and requirements, the Group or the subcontractors may be subject to fines or required to make remedial measures which may in turn have an adverse effect on the operations and financial condition of the Group. |

### Our Risk Control Mechanism

The risk management activities of the Group are performed by management on an ongoing process. The effectiveness of the risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's systems of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

## ABOUT THE GROUP

Aeso Holding Limited ("Aeso", or the "Group") mainly focuses on providing fitting-out and renovation services for construction of newly built or existing commercial building and residential developments in Hong Kong. In the projects, the Group is responsible for the whole construction process, including planning, coordination, monitoring and supervision.

The Group has built an in-house team with project management experience and technical knowledge to conduct high quality project under the clients' requirements. The Group also offers interior design as a value-added service on a case by-case basis. In its operation, Aeso commissioned the subcontractors to perform the site work, therefore choosing qualified subcontractors can help us manage the quality, cost and time of the project.

## ABOUT THIS REPORT

This report is the second Environmental, Social and Governance report (the "ESG report") published by Aeso Holding Limited. By reporting the policies, measures and performances in environmental, social and governance ("ESG") aspects, the Group allows all stakeholders to understand the progress and development direction of the Group. The report is available in both Chinese and English, and has been published on the website of the Group at aeso.hk and the Stock Exchange's website at www.hkexnews.hk.

### Reporting Scope and Boundary

The ESG report focuses on the Group's business in renovation project and fitting-out project between 1 April 2017 and 31 March 2018 (the "reporting year"), and covers the operation of one office located in Hong Kong. While this ESG report does not cover some of Aeso's business, it is on the Group's agenda to extend the scope of the report in the future.

### Reporting Standard

This ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The four reporting principles, namely the principles of materiality, quantitative, balance and consistency, form the backbone of this ESG report.

To provide stakeholders with an overview of the Group's performance in ESG aspects, the report not only discloses environmental key performance indicators ("KPIs") given the "comply or explain" provisions but also reports additional social KPIs under the "recommended disclosures" as set out in the ESG Reporting Guide. A complete index is inserted in the last section of this ESG report for reference.

### Data Preparation

The Group has established internal controls and a formal review process to ensure that any information presented in this ESG report is as accurate and reliable as possible. The Board of Directors (the "Board") of the Group has overall responsibility for the establishment and disclosure of relevant measures and KPIs. This ESG report was reviewed and approved by the Board.

### Feedback Channel

Comments and suggestions can help define and strengthen Aeso's future ESG strategy and reporting. You are welcomed to contact the Group via the following channels:

Address: 17/F and 18/F, The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong
Email: info@aeso.hk
T. +852 3971 0848
F. +852 3622 1131

## CHAIRMAN'S STATEMENT

I am delighted to present the second Environmental, Social and Governance report of Aeso. The Group is aware of the significance of sustainability in today's society and strives to push itself towards best practices in the industry.

As a business focusing on fitting-out projects and renovation projects, the Group pays attention to the environmental impact its business activities create. In particular, protection of employees and the need to reduce municipal solid waste are always on top of our mind. We challenge ourselves to strike a balance between creating better living and working space for the community and controlling our emissions.

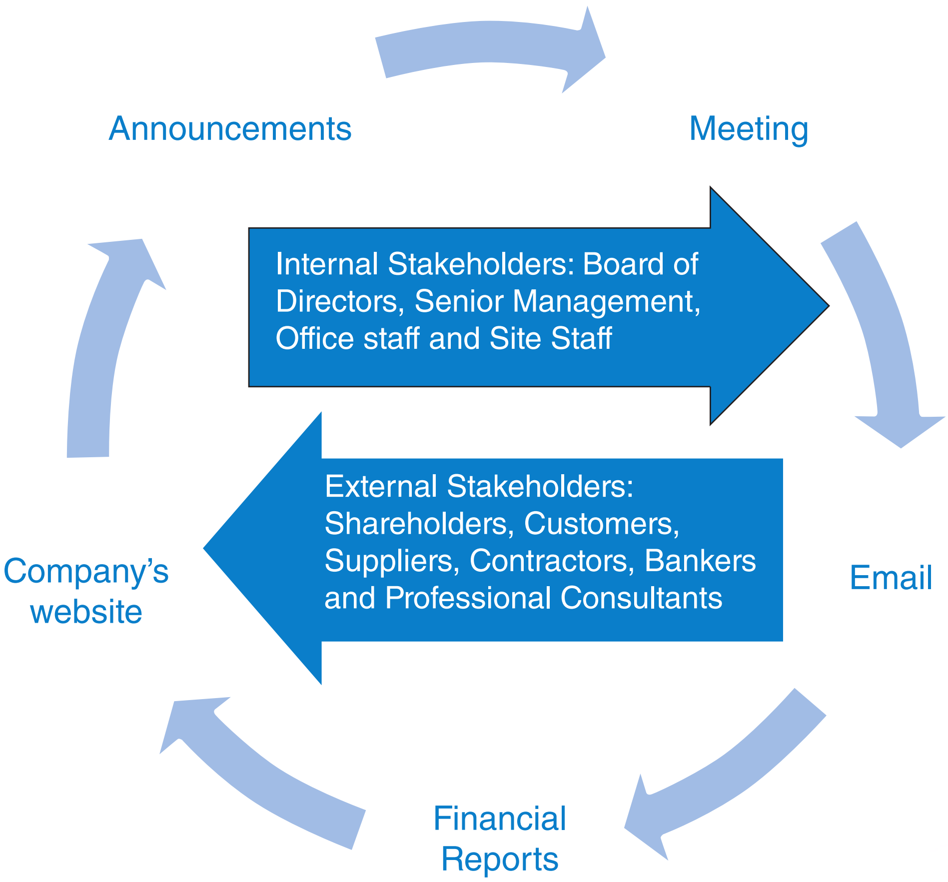
Issues related to sustainability brought emerging challenges and opportunities to our business. To future-proof our operations in the constantly changing environment, we have in place a set of procedures and framework to assess these risks and propose relevant mitigation measures. Stakeholder engagement is a key step in developing our corporate sustainability. We believe that by regularly engaging internal and external stakeholders and collecting their views, it can help us optimise our sustainability measures and directions amidst uncertainties.

To coordinate our sustainability effort in a more systematic and efficient manner, we have included the establishment of a sustainability governance structure in our agenda. This structure will serve to lead the Group in the formulation and implementation of policies and initiatives related to the environmental, social and governance aspects. We are confident that this will help us make positive contribution to the sustainable development of society in the years to come.

By order of the Board
**Aeso Holding Limited**
**Chan Siu Chung**
*Executive Director and Chairman*

## STAKEHOLDER ENGAGEMENT

Understanding and meeting the needs of stakeholders[1] is vital in Aeso's path towards sustainability. Stakeholders' feedback leads the Group to identify material ESG issues and manage the relevant risks and opportunities. In the reporting year, the Group has engaged its key stakeholders via multiple channels to gather their feedback and strives for continuous improvement. Meetings, announcements and other communicative events were held across sites of operations for internal and external stakeholder groups.




### Identifying Material Issues

Key to the business management of the Group, stakeholder participation helps the Group review potential risks and business opportunities, and also facilitates the mitigation of these risks as well as the identification of opportunities. Understanding stakeholders' views allows the Group to better fulfil their needs and expectations with its business practice and manage different stakeholders' opinions. Combining the insights of the management interview and expert advice, the Group has identified the 3 material aspects from the 11 environmental and social aspects of the ESG Reporting Guide to be the focuses of this ESG report, which include: employment, development and training and product responsibility.

1 Stakeholders are those who have considerable influence on the Group's business, and whom the Group's business has a significant impact on.

## PROTECTING THE ENVIRONMENT

As a business mainly engaged in the provision of fitting-out and renovation, Aeso strives to reduce environmental impact of its operation. Therefore, Aeso has established the Environmental Policy that shows the Group's commitment in preventing environmental pollution, reducing waste, enhancing waste recycling, etc.

### Emissions

#### Air Emission

The major source of air pollutant emissions was vehicles. In the future, the Group will consider adopting measures to reduce vehicle use.

| Type | Quantity | Unit |
|---|---|---|
| **Air emissions** | | |
| Nitrogen Oxides (NOx) | 14.6 | kg |
| Sulphur Oxides (SOx) | 0.1 | kg |
| Respirable suspended particulates (RSP) | 1.3 | kg |

#### Noise Control

Aeso has established several guidelines for site workers to reduce the impact of noise on the community.

- The work that make loud noise should be conducted in the day time only;
- Use quiet mechanical tools and equipment if possible;
- Conduct training to ensure that all staff understand the requirements of noise control.

#### Waste treatment

Generally, labelled bins are provided in the sites to segregate recyclable materials from other waste and employees follow the waste disposal guideline stated in the Environmental Policy to treat waste properly and ensure that the wastes are delivered to the landfills.

#### Greenhouse gas emissions

The Group commissioned CCA to conduct a carbon assessment to quantify the greenhouse gas ("GHG") emissions (or "carbon emissions") in its operation. The process of quantification was conducted according to the Guidelines[2] compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong.

[2] Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong

In the reporting year, purchased electricity was the largest contributor to the Group's GHG emissions which accounted for more than half of total GHG emissions. It is followed by other indirect emissions by paper waste disposal (i.e. the major emission source in Scope 3), accounting for approximately 23.9%. Direct emissions which includes combustion of fuels in stationary sources and mobile sources made up around 17.7% of the Group's total carbon emissions.

## Use of resources

The Group's major use of resources includes petrol, diesel and electricity in its operations. Details of energy use are listed below:

| Type | Energy | Consumption | Unit |
|---|---|---|---|
| **Direct Energy** | Petrol | 23.5 | MWh |
| | Diesel | 12.9 | MWh |
| **Indirect Energy** | Electricity | 57.0 | MWh |
| | **Total energy consumption** | 93.4 | MWh |
| | **Energy intensity (by area)** | 0.02 | MWh/square feet |

The Group's Environmental Policy prescribes actions to conserve the energy usage, including electricity, water and paper.

| Resource | Highlights of measures |
|---|---|
| **Electricity** | • Environmental-friendly equipment is promoted in the office, such as LED lights, energy efficient refrigerator and electric car;<br>• Staff are requested to turn off electrical switches when leaving the office. |
| **Water** | • Improve employees' awareness of saving water. |
| **Paper** | • Use of electronic document and recycled paper are encouraged. |

## The Environment and Natural Resources

While the Group does not impose any significant impact on the environment and natural resources, Aeso recognises that the operation would pose impacts on the surrounding environment and therefore continues to promote environmental protection in the communities.

The Group acts in accordance with relevant laws and regulations on emissions, including but not limited to the Air Pollution Control Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance of Hong Kong. In the reporting year, there were no non-compliance cases in relation to the environment reported.

## EMPLOYMENT AND LABOUR PRACTICES

### Caring for the Employees

Aeso is devoted to building a working environment where every employee can be treated with respect. The Group has formulated the Human Resources and Payroll Policy, which covers guidelines on recruitment, promotion, compensation, anti-discrimination, benefits and welfare.

The Group strictly prohibits any form of discrimination in the workplace. Aeso is committed not to discriminate any employee on the decision of their hiring, promotion, termination, compensation, benefits, etc., due to their race, colour, religion, disability, national origin, genetic information, citizenship status or any other factors protected by relevant laws.

To maintain a sustainable workforce, various employee incentives have been regulated. The Group values work-life balance. All employees who have finished their three-month service are allowed to have three days of family leave within a year. In addition to family leave, the Group also provides marital leave, study leave, exam leave and so on.

Aeso welcomes its employees to express their views on any problems in their daily work through meeting, email or letter to the department head or director. The Executive Director will review all advice and concerns from employees and may take actions if necessary. All information is kept confidential.

The Group abides by the employment laws and regulations, including but not limited to the Employment Ordinance, the Employee Compensation Ordinance and the Sex Discrimination Ordinance. During the reporting year, the Group was not involved in any non-compliance cases relating to employment.

### Protecting Health and Safety

As a business principally engaged in fitting-out and renovation projects, Aeso is committed to creating a healthy and safe working environment for their employees. The Health and Safety Plan provides employees with guidelines on protecting themselves from occupational hazards and work-related injury.

#### Health and safety training

To ensure that all employees have already had the knowledge on protecting themselves in the workplace, the Group provides training program for different levels of employees.

| Training Type | Training Content/Remarks |
|---|---|
| **Safety Introduction Training** | Safety Policy, Safety Duties, In House Safety Rules & Procedures and Foreseeable Hazards of the Contract Works. |
| **Specific Training** | Special safety training shall be provided in accordance with the nature of the trade. |
| **Safety Management Training** | Employees who act as safety representatives or safety supervisor should attend the safety management training organised by the Labour Department, the Occupational Safety and Health Council or other recognised training bodies. |

**Risk Assessment**

In order to reduce the risk in the workplace, Aeso has conducted risk assessment for some potential hazardous activities, such as working at height, electrical installation and power electrical tools/equipment.

| Hazardous Activities | Risk Control Measures |
|---|---|
| **Working At Height** | Provide scaffolding or ladder if employee needs to work off the ground;<br>Provide safety netting to prevent falling objects;<br>Check and test electrical supply installation regularly. |
| **Electrical Installation and Power Electrical Tools/Equipment** | Provide weatherproof type power plugs and sockets;<br>Proper earthing for generators. |
| **Welding & Cutting Operations** | Ensure that gas cylinders are fitted with flashback arrestors;<br>Check gas hoses/pressure gauge and welding cables regularly;<br>Provide appropriate PPE to welders. |
| **Exposure to Noise and Dust** | Use spraying water to suppress dust;<br>Conduct noise assessment and specify noise zone. |

**Accidents Investigation**

All employees must report to person in charge within 24 hours if any accident happens at work. Upon request by the client, the Project Manager/Site Agent and Safety Officer/Safety Supervisor need to formulate a brief Accident Report to clients' representative within seven days including:

- Date, time and location of the accident;
- Number of injured employees with their detail information, such as name, ages and gender;
- Cause of the accident; and
- Precaution measures

**Emergency Preparedness**

According to the site conditions, Aeso has established an emergency team to ensure proper response to any emergency situation, including heavy rainstorm, chemical spillage, gas leakage and so on.

| Measures | Content |
|---|---|
| **First Aid and Rescue Equipment** | • All rescue equipment should be monthly examined by Safety Officer/Safety Supervisor<br>• A qualified first-aider is assigned to carry out the rescue operation |
| **Emergency Drill** | • Drills, such as fire, typhoon/rainstorm, serious accident, etc., shall be carried out every three months and all site workers are welcomed to join |

The Group abides by laws and regulations related to health and safety, including but not limited to the Occupational Safety and Health Ordinance and Building Ordinance. During the reporting year, the Group was not involved in any non-compliance cases relating to health and safety.

### Development and Training

The Group believes that providing career development platform for every employee is a key driver for building a talented and engaged workforce. Employees are encouraged to take training courses that can achieve their career goals and improve work skills. Such allowance can be provided by Aeso case by case.

Besides, according to the Employee Manual, employee appraisal should be conducted on an annual basis. Performance evaluation is conducted between department head and individual employee, focusing on objectives and achievements of the employee. All documents should be recorded in the employee's personal file and kept confidential.

### Labour Standards

The Group devotes to maintaining ethical labour standards and adopts a zero-tolerance policy against child labour and forced labour. To prevent hiring individuals below 18 years of age, Aeso verifies candidates age by checking their identity documents at recruitment and recorded in the Employee Record Form.

Aeso also respects employees' right to leave. For employees who have completed their probation, they need to notify the Group one month in advance and submit the Resignation Letter if they need to resign.

The Group abides by the relevant laws and regulations, including but not limited to the Employment Ordinance. During the reporting year, the Group was not involved in any non-compliance cases relating to child labour and forced labour.

## OPERATION PRACTICES

### Product Responsibility

The Group has established the Quality Management Plan and the Intellectual Property Rights – Trade Marks Policy and Procedures on product responsibility, providing guidance regarding quality management, protection of intellectual property and customer's privacy.

#### Quality management

To ensure the quality and safety of Aeso's service, the Group is committed to employing trained and experienced staff to carry out related work. As detailed in the Quality Management Plan, the Group provides adequate trainings to the members of the project team, like approach of project monitoring, handling of Non-conformance, handling of complaints and so on.

After the completion of the work, the site agent and foreman need to be responsible for workmanship performance based on drawings, code of practice and contract specification. If any non-conformity identified in process or final-inspection, the Group should investigate the causes of the incident and implement appropriate measures to deal with it.

#### Protection of intellectual property

The Group acknowledges the importance of protecting intellectual property, including words, designs, letters, figurative elements, colours, shape of the goods, etc., of Aeso's partners.

#### Customer's privacy

Aeso is committed to protecting the customer data and privacy. As stated in the Code of Conduct, all staff should not disclose any confidential information, such as computer system, staff's and customer's personal data, to other third parties.

Aeso's operations in the reporting scope do not involve advertising, labelling and product recall. The Group abides by laws and regulations in relation to product responsibility, including but not limited to the Building Management Ordinance, the Personal Data (Privacy) Ordinance and the Competition Ordinance of Hong Kong. During the reporting year, the Group was not involved in any cases of non-compliance in relation to product responsibility.

### Supply Chain Management

The Group has established the Purchase & Payment Policy for assessing and managing the suppliers. As stipulated in the Purchase & Payment Policy, the Group is committed to creating good working relations in its supply chain.

With the aim of providing high-quality services, supplier selection process has been formulated to choose qualified suppliers and sub-contractors based on their experience, reputation, safety performance and cost. Following evaluation, the qualified suppliers and sub-contractors will be placed into the approved list. The Group will conduct annual appraisal of approved list of suppliers and sub-contractors, while those who had poor performance will be disqualified from the approved list subject to approval by the Executive Director.

### Anti-corruption

The Group is aware of its impact of its behaviour on other members and communities. Aeso upholds its values in integrity and has zero tolerance for bribery, extortion, fraud and money laundering. The Group has established Code of Conduct, which stipulates that all employees are prohibited from offering or accepting any advantages from other bodies, including but not limited to government and public organization. Those who fail to do so will face disciplinary action, including termination of appointment.

The Group abides by laws and regulations related to anti-corruption, including but not limited to the Prevention of Bribery Ordinance. During the reporting year, the Group was not involved in any cases of non-compliance or legal cases in relation to corruption.

## COMMUNITY INVESTMENT

The Group acknowledges its potential impacts on the surrounding communities and recognises that pursuing short-term financial returns should not be the only goal of business operations. Therefore, the Group seeks to understand and fulfil the needs of various stakeholders and the community where Aeso operates. Community Investment, Sponsorship and Donation Policy has been formulated to provide guidance on creating positive impact on the society.

This policy requires Aeso to support programmes that are managed with clear objectives and target outcome, and can reflect the needs of local communities. The Group also focuses the community investment in areas aligned with its business.

**Focus Areas of Contribution**

| Community Wellness | Education and Development |
|---|---|
| • to improve quality of living for communities<br>• to serve the needs of the disadvantaged social groups<br>• to support programmes with growth opportunities, healthcare, food and resources etc. | • To invest in youth development for cultivating future-ready community leaders<br>• To support sector-based training and skills development |

## SUMMARY OF KEY PERFORMANCE INDICATORS

### Environmental Performance

| Environmental KPIs | Quantity | Unit |
|---|---|---|
| **The types of emissions and respective emissions data** | | |
| Nitrogen oxides (NOx) | 14.6 | kg |
| Sulphur oxides (SOx) | 0.1 | kg |
| Respirable suspended particulates (RSP) | 1.3 | kg |
| **Greenhouse gas emissions in total** | | |
| Scope 1 | 13.6 | tonnes of $CO_2$-e |
| Scope 2 | 45.0 | tonnes of $CO_2$-e |
| Scope 3 | 18.4 | tonnes of $CO_2$-e |
| Greenhouse gas emissions in total | 77.0 | tonnes of $CO_2$-e |
| Greenhouse gas intensity (by area) | 0.014 | tonnes of $CO_2$-e/square feet |
| **Total hazardous waste produced** | | |
| Total hazardous waste | 0.002 | tonnes |
| Hazardous waste intensity (by area) | 0.0003 | tonnes/1000'square feet |
| **Total non-hazardous waste produced** | | |
| Total non-hazardous waste | Not available | |
| Non-hazardous waste intensity (by area) | Not available | |
| **Direct and/or indirect energy consumption by type** | | |
| Petrol | 23.5 | MWh |
| Diesel | 12.9 | MWh |
| Purchased Electricity | 57.0 | MWh |
| Total energy consumption | 93.4 | MWh |
| Energy intensity (by area) | 0.017 | MWh/square feet |
| **Water consumption in total and intensity** | | |
| Total water consumption | 30.0 | cubic meter |
| Water intensity (by area) | 0.005 | cubic meter/square feet |
| **Total packaging material used for finished products** | | |
| Total packaging material used<br>Packaging material used per unit produced | Not applicable (operations in the reporting scope did not involve manufacturing of products and therefore no packaging materials of finished products were involved.) | |

## Social Performance

| Workforce | Number of Employees |
|---|---|
| Full-time | 34 |
| Part-time | 0 |
| Total | 34 |

| | Number of employees | Male | Female | Total | Male to female ratio |
|---|---|---|---|---|---|
| Age | Below 30 | 2 | 0 | 34 | 2.1:1 |
| | 30-40 | 11 | 4 | | |
| | 41-50 | 8 | 6 | | |
| | Above 50 | 2 | 1 | | |
| Rank | Top management | 3 | 2 | | |
| | Senior management | 2 | 1 | | |
| | Management | 2 | 0 | | |
| | Other employees | 16 | 8 | | |

| | Total employee turnover | | | | |
|---|---|---|---|---|---|
| | Below 30 | 30-40 | 41-50 | Above 50 | Turnover Rate |
| Male | 1 | 6 | 2 | 3 | 52.2% |
| Female | 1 | 0 | 0 | 0 | 9.1% |
| Turnover Rate | 2 | 6 | 2 | 3 | 38.2% |

| | New employee | | | | |
|---|---|---|---|---|---|
| | Below 30 | 30-40 | 41-50 | Above 50 | Entry rate |
| Male | 2 | 2 | 1 | 0 | 21.7% |
| Female | 0 | 1 | 0 | 0 | 9.1% |
| Entry rate | 2 | 3 | 1 | 0 | 17.6% |

| | |
|---|---|
| **Number of work-related fatalities** | 0 |
| **Rate of work-related fatalities** | 0 |

| Gender | Lose days of absence |
|---|---|
| Male | 114 |
| Female | 70.5 |
| Total | 184.5 |

| Percentage and average training hours of employees (%, hours) | | Male | Female | Total |
|---|---|---|---|---|
| Rank | Top management | 67%, 4 | 50%, 4 | 26%, 5 |
| | Senior management | 100%, 45 | 0%, 0 | |
| | Management | 0%, 0 | N/A | |
| | Other employees | 25%, 4 | 0%, 0 | |

| Suppliers | | Number of supplier(s) | Location of supplier |
|---|---|---|---|
| Type of product or service supplied | Office admin | 28 | Hong Kong |
| | Project suppliers | 168 | Hong Kong |
| | Project sub-contractors | 129 | Hong Kong |

| Community Investment | |
|---|---|
| Amount of contribution (HKD) | 52,200 |

## ESG REPORTING GUIDE CONTENT INDEX

| Material Aspect | Content | Page Index/ Remarks |
|---|---|---|
| **A1. General Disclosure** | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 30-31 |
| A1.1 | The types of emissions and respective emissions data<br>Nitrogen oxides (NOx) (kilogram)<br>Sulphur oxides (SOx) (kilogram)<br>Particulate matter (PM) (kilogram) | 30, 37 |
| A1.2 | Greenhouse gas emissions in total (tonnes)<br>Intensity of greenhouse gas emissions (tonnes CO2-e/no. of employee) | 37 |
| A1.3 | Total hazardous waste produced (tonnes)<br>Intensity of total hazardous waste produced (tonnes/square feet) | 37 |
| A1.4 | Total non-hazardous waste produced (tonnes)<br>Intensity of non-hazardous waste produced (tonnes/no. of employee) | 37 |
| A1.5 | Description of measures to mitigate emissions and results achieved | 30 |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved | 30 |
| **A2. General Disclosure** | Policies on the efficient use of resources, including energy, water and other raw materials. | 30 |
| A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh).<br>Direct energy (GJ)<br>Indirect energy (MWh)<br>Direct and/or indirect energy intensity by type (e.g. electricity, gas or oil) (MWh/no. of employee) | 31, 37 |
| A2.2 | Water consumption in total ($m^3$)<br>Water intensity (tonnes/no. of employee) | 37 |
| A2.3 | Description of energy use efficiency initiatives and results achieved | 31 |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved | 31, There is no issue in sourcing water |
| A2.5 | Total packaging material used for finished products (tonnes)<br>Packaging material intensity (tonnes/unit of product) | 37 |

| Material Aspect | Content | Page Index/ Remarks |
|---|---|---|
| **A3. General Disclosure** | Policies on minimising the issuer's significant impact on the environment and natural resources. | 30 |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | 31 |
| **B1. General Disclosure** | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 32 |
| B1.1 | Total workforce by gender, employment type, age group and geographical region | 38 |
| B1.2 | Employee turnover rate by gender, age group and geographical region | 38 |
| **B2. General Disclosure** | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | 32-33 |
| B2.1 | Number and rate of work-related fatalities | 38 |
| B2.2 | Lost days due to work injury | 39 |
| B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored | 32-33 |
| **B3. General Disclosure** | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 34 |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management) | 39 |
| B3.2 | The average training hours completed per employee by gender and employee category | 39 |
| **B4. General Disclosure** | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | 34 |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour | 34 |
| B4.2 | Description of steps taken to eliminate such practices when discovered | 34 |

| Material Aspect | Content | Page Index/ Remarks |
|---|---|---|
| **B5. General Disclosure** | Policies on managing environmental and social risks of the supply chain. | 35 |
| B5.1 | Number of suppliers by geographical region | 39 |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored | 35 |
| **B6. General Disclosure** | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 34-35 |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights | 35 |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored | 35 |
| **B7. General Disclosure** | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 35 |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases | 35 |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored | 35 |
| **B8. General Disclosure** | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 36 |
| B8.1 | Focus areas of contribution. | 36 |
| B8.2 | Resources contributed (e.g. money or time) to the focus area | 39 |

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2018 ("Reporting Period"). All cross-references mentioned in this directors' report form part of this directors' report.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are engaging in the premise enhancement solution service in Hong Kong by providing contracting service for (i) the internal fitting-out of newly built commercial premises and residential developments, and (ii) the renovation work as well as alteration and addition work for existing commercial premises.

## RESULTS AND DIVIDEND

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 55 of this annual report.

The Board does not recommend the payment of a dividend for the Reporting Period (2017: Nil).

## BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the sections headed "Chairman's Statement & Management Discussion and Analysis" of this annual report. Description of the principal risks and uncertainties facing the Group and the likely future development of the Group can be found in the "Chairman's Statement & Management Discussion and Analysis" section and the "Corporate Governance Report" of this annual report.

### Relationships with Employees, Suppliers and subcontractors and Customers

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

The Group's have established good and long-term relationships with major suppliers and subcontractors. Those suppliers from which we source our raw materials are mostly renowned in the industry. Our subcontractors are reliable industrial players which possess extensive experience in their respective fields. During the year, there was no material and significant dispute between the Group and its suppliers/subcontractors.

# DIRECTORS' REPORT

The Group has been providing contracting services for newly built and existing commercial premises and residential developments in Hong Kong since our incorporation in 2008. For Fitting-out Projects, our clients mainly include property developers and main-contractors which were instructed by property developers to appoint us as the nominated subcontractor. For Renovation Projects, our clients mainly include property developers, landlords, government authority and renowned international and local retail brands. The Group is of the view that through our quality services and close contact with our clients, we would be able to maintain close relationship with our clients with a better understanding of their needs and preferences which allow the Group to provide tailor-made and value-added contracting services to them, and to continuously gain from the stable source of revenue.

### Environmental Policy and Performance

The Group has taken measures on air pollution control, noise pollution control and waste disposal control in its daily operation. The environmental policies and performance of the Group are disclosed in the Environmental, Social and Governance Report set out on pages 27 to 42 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 17 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at the end of reporting year were as follows:

| | **31 March 2018 HK$'000** | 31 March 2017 HK$'000 |
|---|---|---|
| Share premium | **40,201** | 40,201 |
| Other reserve | **1,000** | 1,000 |
| Accumulated (losses)/profits | **(39,605)** | (4,360) |
| | **1,596** | 23,379 |

## DIRECTORS

The Board comprises the following Directors during the Reporting Period and up to the date of this directors' report:

### Executive Directors

Mr. Chan Siu Chung
Mr. Cheung Hiu Tung (appointed on 29 April 2016 and removed on 12 June 2017)
Ms. Zhang Qi (appointed on 13 July 2017 and resigned on 3 April 2019)
Mr. Au Siu Kwong (appointed on 12 April 2019)
Mr. Zhang Hai Wei (appointed on 24 May 2019)

### Non-executive Director

Ms. Zhang Qi (removed on 9 June 2017 and re-appointed on 12 June 2017)
Mr. Law Wing Kit (removed on 9 June 2017, re-appointed on 12 June 2017 and resigned on 3 April 2019)

### Independent non-executive Directors

Mr. Lee Chi Chung (appointed on 22 December 2016 and removed on 12 June 2017)
Mr. Or Chun Man (appointed on 22 December 2016 and resigned on 8 June 2017)
Mr. Leung Ka Kui (appointed on 22 December 2016 and resigned on 8 June 2017)
Mr. Ye Wenxin (appointed on 8 June 2017 and removed on 12 June 2017)
Mr. Wang Aisheng (appointed on 8 June 2017 and removed on 12 June 2017)
Mr. To Man Choy, Jacky (appointed on 12 June 2017 and resigned on 4 April 2019)
Mr. Ko Kwok Fai, Dennis (appointed on 12 June 2017 and resigned on 4 April 2019)
Ms. Tsang Kwok Shan, Sandy (appointed on 12 June 2017 and resigned on 4 April 2019)
Mr. Yeung Chun Yue, David (appointed on 12 April 2019)
Ms. Lai Wing Sze (appointed on 24 May 2019)
Ms. Yu Wan Ki (appointed on 24 May 2019)

The Company has received from Mr. Yeung Chun Yue David, Ms. Lai Wing Sze and Ms. Yu Wan Ki an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that they as independent. Since there is no available record, the current Board cannot confirm that Mr. Lee Chi Chung, Mr. Or Chun Man, Mr. Leung Ka Kui, Johnny, Mr. Ye Wenxin, Mr. Wang Aisheng, Mr. To Man Choy, Mr. Ko Kwok Fai, Dennis and Ms. Tsang Kwok Shan, Sandy had complied with the independence requirements set out in Rule 5.09 of the GEM Listing Rules.

Notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years. All the such service contracts are continuous until terminated by either party giving to the other not less than three months' notice in writing, or by payment of three months' salary in lieu of such notice.

Each of the independent non-executive Directors is appointed for a term of three years unless terminated by one month's notice in writing. All Directors are subject to the provisions of retirement and rotation of directors under the Articles.

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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the interests of the Directors of the Company in shares, underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

### Long positions in shares and underlying shares of the Company

| Name | Capacity | Number of ordinary Shares held | Approximate percentage of the issued share capital of the Company as at 31 March 2018 |
|---|---|---|---|
| Chan Siu Chung | Beneficial owner | 76,500,000 | 38% |

Mr. Chan held through Acropolis Limited in which Mr. Chan is the sole Director and shareholder.

Save as disclosed above, none of the Directors of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporation as at 31 March 2018.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, none of the Directors (including their spouses and children under the age of 18) had any interest in or was granted any right to subscribe for the shares in, or debentures of, the Company or its associated corporations, or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS AND OTHERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 March 2018, so far as are known to any Directors of the Company, the following parties (other than the Directors or chief executive of the Company) had interests in the shares or underlying shares of the Company (each a "Share") as recorded in the register required to be kept pursuant to section 336 of the SFO:

| Name | Capacity | Number of ordinary Shares held | Approximate percentage of the issued share capital of the Company as at 31 March 2018 |
|---|---|---|---|
| W & Q Investment Limited | Beneficial owner | 73,500,000 | 37% |
| Liu Chang Kien | Interest in the controlled corporation | 73,500,000 | 37% |

Mr. Liu held through W & Q Investment Limited in which Mr. Liu is the shareholder.

Save as disclosed above, as at 31 March 2018, the Directors were not aware of any other person (other than a Director) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

## TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

No connected transaction (including continuing connected transaction) which would be subject to reporting and annual review requirements under Chapter 20 of the GEM Listing Rules was entered into by the Group during the Reporting Period or subsisted as at the end of the Reporting Period.

## MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 96% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 38% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 48% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 20% of the Group's total purchases.

## SHARE OPTION SCHEME

There was no share option scheme adopted by the Company as at the date of this report.

## PRE-EMPTIVE RIGHTS

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

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is determined by the remuneration committee of the Board ("Remuneration Committee") on the basis of merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are recommended by the Remuneration Committee and approved by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

## REMUNERATION OF SENIOR MANAGEMENT

Pursuant to Provision B.1.5 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules, the remuneration of the senior management of the Company for the Reporting Period by band is as follows:

| | Number of individuals |
|---|---|
| Nil to HK$1,000,000 | 0 |
| HK$1,000,000 to HK$1,500,000 | 3 |

Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments are set out in note 13 to the consolidated financial statements.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float throughout the year.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## PERMITTED INDEMNITY PROVISION

During the Reporting Period and up to the date of this annual report, permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was and is being in force for the benefit of the Directors.

## INDEPENDENT AUDITORS

For the year ended 31 March 2018, HLB HODGSON IMPEY CHENG LIMITED was appointed as the auditors of the Company.

## EVENTS AFTER THE REPORTING PERIOD

Please refer to the paragraphs headed "Shareholders' Disputes" in this report in relation to the events after the Reporting Period.

On behalf of the Board
**Chan Siu Chung**
*Chairman*

Hong Kong, 27 June 2019

# INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
**Hodgson Impey Cheng Limited**

31/F, Gloucestor Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
AESO HOLDING LIMITED
*(Incorporated in Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Aeso Holding Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 55 to 109, which comprise the consolidated statement of financial position as at 31 March 2018, and 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 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 Auditors' 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.

## EMPHASIS OF MATTER

We draw attention to note 33 of the consolidated financial statements, which describes the winding-up proceedings against the Company which arose due to disputes amongst the controlling shareholders of the Company. On 29 April 2019, the Court ordered that the winding-up proceedings be dismissed by the consent of the parties. Our opinion is not modified in respect of this matter.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Emphasis of Matter" section, we have determined the matters descried below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recognition of contract revenue and costs arising from fitting out and renovation projects** | |
| Refer to note 9 to the consolidated financial statements.<br><br>Revenue from construction contracts recognised for the year ended 31 March 2018 amounted to HK$96,306,000.<br><br>Contract revenue is recognised over the period of the contract by reference to the stage of completion, which is established by reference to the construction works certified by independent surveyors. The corresponding contract costs are recognised as expenses by reference to such stage of completion and the forecasted total costs for completing the construction project under the relevant contract.<br><br>This involves significant judgement and estimates when assessing the percentage of work performed, possible variation orders, claims and liquidated damages, and the reasonableness and accuracy of forecasted costs to complete. | Our procedures in relation to the recognition of contract revenue and costs arising from fitting out and renovation project included:<br><br>The following audit procedures have been performed by us on the sample of contracts selected:<br><br>• Evaluating the design and implementation of controls over revenue recognition and cost budgeting on construction contracts.<br><br>• Examined the terms and conditions of the contracts such as contract sum, construction period, performance obligations of the Group, payment schedule, retention and warranty clauses, etc.<br><br>• Validated the stage of completion adopted by management to the position set out in the certificates issued by independent surveyors, including the certified contract work and variation orders, if any.<br><br>• Tested the mathematical accuracy of the calculation of construction contract revenue, costs, related receivables and liabilities.<br><br>We found that the recognition of construction contract revenue and costs was properly supported by the available evidence. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of account and retention receivables** | |
| Refer to note 19 to the consolidated financial statements.<br><br>The Group's account and retention receivables were significant to the Group as they represented approximately 50% of the Group's total assets.<br><br>As at 31 March 2018, the Group recorded account and retention receivables amounted to approximately HK$20,975,000 after impairment provision of account and retention receivables of HK$2,450,000 and HK$941,000 respectively.<br><br>This area is a key audit matter due to the inherent subjectivity that is involved in the Group making judgements in relation to credit risk exposures to determine the recoverability of account and retention receivables. Management performs an impairment assessment on a regular basis, with the impairment provision estimated through the application of judgements and use of subjective assumptions. | Our procedures in relation to the management's impairment assessment of account and retention receivables included:<br><br>• Reviewed and tested ageing of account and retention receivables and sought direct confirmations for material receivables to confirm their existence and acknowledgment of the debt.<br><br>• Assessed the recoverability of a sample of large outstanding account and retention receivables by comparing management's view of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with reviewing cash received subsequent to year end for its effect in reducing amounts outstanding at year end.<br><br>• Inquired management's view of credit risk and noted the historical patterns for long outstanding account and retention receivables. We reviewed customer's correspondence and payment certificates and discussed with management personnel to challenge knowledge of future conditions that may impact expected customer receipts.<br><br>We found the management's impairment assessment to be consistent with the available information. |

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

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 THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with Audit Committee, 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in the independent auditors' report is Hon Koon Fai, Alex.

**HLB Hodgson Impey Cheng Limited**
Certified Public Accountants

**Hon Koon Fai, Alex**
Practising Certificate number: P05029

Hong Kong, 27 June 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

| | *Notes* | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| Revenue | *9* | **96,306** | 114,685 |
| Cost of services | | **(105,482)** | (106,503) |
| Gross (loss)/profit | | **(9,176)** | 8,182 |
| Other income | *10* | **14** | 127 |
| Listing expenses | | **–** | (12,565) |
| Administrative expenses | | **(23,073)** | (21,265) |
| Finance costs | *11* | **(3,065)** | (273) |
| Loss before taxation | *12* | **(35,300)** | (25,794) |
| Taxation | *15* | **55** | (945) |
| Loss and total comprehensive expense for the year | | **(35,245)** | (26,739) |
| Loss per share attributable to equity holders of the Company | | | |
| Basic and diluted (HK cents) | *16* | **(17.62)** | (24.23) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *17* | **2,675** | 3,727 |
| Rental deposits | *19* | **591** | 589 |
| | | **3,266** | 4,316 |
| **Current assets** | | | |
| Amounts due from customers for contract works | *18* | **6,218** | 1,563 |
| Account and other receivables | *19* | **25,376** | 47,951 |
| Tax recoverable | | **3,432** | 2,574 |
| Pledged bank deposits | *21* | **33,874** | 18,281 |
| Bank balances and cash | *21* | **514** | 10,577 |
| | | **69,414** | 80,946 |
| **Current liabilities** | | | |
| Amounts due to customers for contract works | *18* | **1,467** | 13,520 |
| Account and other payables | *22* | **15,956** | 14,038 |
| Advances drawn on account receivables factored with recourse | *20* | **–** | 3,915 |
| Other borrowings | *23* | **36,982** | – |
| Bank overdrafts | *24* | **564** | – |
| Obligations under finance leases | *25* | **176** | 338 |
| | | **55,145** | 31,811 |
| **Net current assets** | | **14,269** | 49,135 |
| **Total assets less current liabilities** | | **17,535** | 53,451 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Obligations under finance leases | 25 | **282** | 898 |
| Deferred tax liabilities | 27 | **57** | 112 |
| | | **339** | 1,010 |
| **Net assets** | | **17,196** | 52,441 |
| **Capital and reserves** | | | |
| Share capital | 26 | **15,600** | 15,600 |
| Reserves | | **1,596** | 36,841 |
| **Total equity** | | **17,196** | 52,441 |

The consolidated financial statements were approved and authorised for issued by the board of directors on 27 June 2019 and are signed on its behalf by:

**Chan Siu Chung**
*Executive Director*

**Au Siu Kwong**
*Executive Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

| | Share Capital HK$'000 | Share Premium HK$'000 | Other reserve HK$'000 | Retained earnings/ (accumulated losses) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2016 | 40 | – | 1,000 | 22,379 | 23,419 |
| Loss and total comprehensive expense recognised for the year | – | – | – | (26,739) | (26,739) |
| Issue of shares *(note 26(i))* | 38 | 19,875 | – | – | 19,913 |
| Placing and public offer of shares upon the listing *(note i)* | 3,900 | 38,100 | – | – | 42,000 |
| Transaction costs incurred directly attribute to issue of shares *(note i)* | – | (6,152) | – | – | (6,152) |
| Capitalised issue *(note ii)* | 11,622 | (11,622) | – | – | – |
| At 31 March 2017 | 15,600 | 40,201 | 1,000 | (4,360) | 52,441 |
| Loss and total comprehensive expense recognised for the year | – | – | – | (35,245) | (35,245) |
| **At 31 March 2018** | **15,600** | **40,201** | **1,000** | **(39,605)** | **17,196** |

*Note:*

(i) In connection with the listing of the shares of the Company (the "Shares") on the GEM of the Stock Exchange (the "Listing") on 13 January 2017 (the "Listing Date"), the Company allotted and issued a total of 50,000,000 new shares at HK$0.84 per share for the total proceeds of approximately HK$42,000,000, with related issuance costs and listing expenses amounted to approximately HK$6,152,000 being charged to share premium.

(ii) Pursuant to the resolutions passed at the extraordinary general meeting held on 22 December 2016, the directors are authorised to capitalise an amount of HK$11,622,000 standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of 149,000,000 shares for allotment and issue to Acropolis Limited & W & Q Investment immediately prior to the Listing (the "Capitalisation Issue"). The Capitalisation Issue was completed on 13 January 2017.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 March 2018

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss before taxation | **(35,300)** | (25,794) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **1,374** | 572 |
| Finance costs | **3,065** | 273 |
| Interest income | **(5)** | (15) |
| Gain on disposal of property, plant and equipment | **–** | (107) |
| Operating cash flows before movements in working capital | **(30,866)** | (25,071) |
| (Increase)/decrease in amounts due from customers for contract works | **(4,655)** | 17,624 |
| Decrease/(increase) in account and other receivables | **22,573** | (26,042) |
| (Decrease)/increase in amounts due to customers for contract works | **(12,053)** | 12,599 |
| Increase/(decrease) in account and other payables | **1,918** | (6,180) |
| Cash used in operations | **(23,083)** | (27,070) |
| Income tax paid | **(858)** | (6,431) |
| **NET CASH USED IN OPERATING ACTIVITIES** | **(23,941)** | (33,501) |
| **INVESTING ACTIVITIES** | | |
| Placement of pledged bank deposits | **(22,628)** | (16,260) |
| Purchase of property, plant and equipment | **(322)** | (3,938) |
| Proceeds from disposal of property, plant and equipment | **–** | 107 |
| Withdrawal of pledged bank deposits | **7,035** | – |
| Interest income received | **5** | 15 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(15,910)** | (20,076) |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 March 2018

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| Dividend paid | – | (1,924) |
| Repayment of factoring account receivables | **(34,303)** | (32,763) |
| Repayment of bank borrowings | **(6,595)** | (2,361) |
| Repayment of obligations under finance leases | **(810)** | (177) |
| Interest paid | **(2,924)** | (116) |
| Advances drawn on factoring account receivables | **30,374** | 34,880 |
| Other borrowings raised | **36,982** | – |
| Bank borrowings raised | **6,500** | – |
| Finance lease raised | – | 1,402 |
| Repayment to a director | – | (1) |
| (Repayment to)/advances from ultimate holding company | – | (173) |
| Transaction cost attributable to subscription of new shares paid | – | (6,152) |
| Proceeds from placing shares | – | 42,000 |
| Proceeds from issue of shares | – | 19,913 |
| **NET CASH GENERATED FROM FINANCING ACTIVITIES** | **29,224** | 54,528 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(10,627)** | 951 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | **10,577** | 9,626 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | **(50)** | 10,577 |
| Represented by: | | |
| Bank balances and cash | **514** | 10,577 |
| Bank overdrafts | **(564)** | – |
| | **(50)** | 10,577 |

## 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 December 2015. Its ultimate controlling party is Acropolis Limited. The address of the registered office and the principal place of business of the Company are 18/F., The Pemberton, 22-26 Bonham Strand, Sheung Wan, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the premise enhancement solution service in Hong Kong by providing contracting service for (i) the internal fitting-out of newly built commercial premises and residential developments, and (ii) the renovation work as well as alteration and addition work for existing commercial premises.

The consolidated financial statements is presented in Hong Kong Dollar ("HK$"), which is the same as the functional currency of the Company and its subsidiaries and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

## 2. REORGANISATION AND BASIS OF PRESENTATION

Prior to the Group Reorganisation, the provision of fitting-out works, renovation works and alteration and addition works were carried out by Aeso Limited ("AESO").

To rationalise the corporate structure in preparation for the Listing on the GEM of the Stock Exchange, the entities comprising the Group underwent the Group Reorganisation which mainly involved (i) incorporation of the Company as an exempted company with limited liability in the Cayman Islands on 10 December 2015 and (ii) interspersing investment holding entities, including the Company and Aeschylus, between Aeso and the ultimate equity shareholder and the controlling shareholder before 22 December 2016, the completion date of the Capitalisation Issue and the Placing, Mr. Chan Siu Chung ("Mr. Chan").

Major steps of the Group Reorganisation are as follows:

i. On 10 December 2015, the Company was incorporated with an authorised share capital of United States Dollar ("US$") $50,000 divided into 50,000 shares of US$1.00 each, with one fully paid share issued to the initial subscriber. On 14 December 2015, the one share was transferred to Mr. Chan and later transferred to Acropolis Limited ("Acropolis"), a company incorporated in the BVI and wholly-owned by Mr. Chan, at par on 5 February 2016. After the aforesaid allotment and issue of share, the then issued share capital of the Company was wholly-owned by Acropolis.

ii. On 16 December 2015, Aeschylus was incorporated with one ordinary share with no par value allotted and issued to Mr. Chan. On 5 February 2016, the Company acquired the entire issued share capital of Aeschylus from Mr. Chan at a consideration of US$1.00 as fully paid. As a result, Aeschylus has become a wholly-owned subsidiary of the Company.

## 2. REORGANISATION AND BASIS OF PRESENTATION (continued)

iii. On 29 February 2016, Mr. Chan transferred the entire issued share capital in Aeso to Aeschylus for a consideration of HK$1.00. As a result, the Company became the holding company of the Group and Aeschylus became the intermediate holding company of Aeso.

iv. On 21 March 2016, the Company allotted and issued a total of 5,099 shares of the Company to Acropolis, at par. On the same date, the Company, Acropolis and W & Q Investment Limited ("W & Q"), a company incorporated in the BVI and ultimately controlled by Mr. Liu Chang Kien, an independent third party with Mr. Chan, entered into a share subscription and shareholders agreement dated 21 March 2016 and its supplemental agreement dated on 22 April 2016, pursuant to which W & Q agreed to subscribe and the Company agreed to allot and issue a total of 4,900 shares of the Company, being 49% of its then issued share capital, for a consideration of HK$19,913,600. On 8 April 2016, the Company allotted and issued 4,900 shares of the Company to W & Q. Following the completion of the share subscription by W & Q on 8 April 2016, the Company is held as to 51% by Acropolis and 49% by W & Q.

v. On 23 June 2016, the Company underwent a subdivision of shares whereby each of the existing issued and unissued ordinary Shares of par value of US$1.00 was subdivided into 100 ordinary Shares of par value of US$0.01 each, and such subdivided Shares shall carry the same rights with each other, such that after the subdivision, the authorised share capital of the Company became US$50,000 divided into 5,000,000 Shares of par value of US$0.01 each, and the issued share capital of the Company became US$10,000 divided into 1,000,000 Shares of par value of US$0.01 each.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations (the "new and amendments to HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2017:

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle | Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12 |

The application of the above new and amendments to HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Amendments to HKAS 7 "Disclosure Initiative"

The amendments in Disclosure Initiative (Amendments to HKAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities by improving information about (i) changes in an entity's liabilities that relate to financing activities in the statement of cash flows; and (ii) the availability of cash and cash equivalents and restrictions affecting an entity's decisions to use the cash and cash equivalent balances (including foreign exchange controls or tax implications associated with cash repatriation).

The HKAS 7 (Amendments) defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The proposed amendments would require an entity to disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining, or losing, control of subsidiaries or other businesses; and (iii) other non-cash changes (for example, the effect of changes in foreign exchange rates and changes in fair values).

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Also, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

### Amendments to HKAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in way that is consistent with these amendments.

### Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle "Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12"

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRSs 2014 – 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

HKFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

**Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle "Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12"** (continued)

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

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

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[4] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 3 | Definition of a business[6] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to HKFRS 15 | Clarification of HKFRS 15 Revenue from Contracts with Customers[1] |
| Amendments to HKAS 40 | Transfer of Investment Property[1] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[3] |
| Amendments HKAS 19 | Plan Amendment, Curtailment or Settlement[2] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments[2] |
| Amendments to HKFRSs | Annual Improvement to HKFRSs 2015-2017 Cycle[2] |
| Annual Improvements to HKFRSs 2014 – 2016 Cycle | Amendments to HKFRS 1 and HKAS 28[1] |
| Annual Improvements to HKFRSs 2015 – 2017 Cycle | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2] |

1 Effective for annual periods beginning on or after 1 April 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 April 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 April 2020, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 April 2021, with earlier application permitted.
5 Effective for annual periods beginning on or after a date to be determined.
6 Effective for business combinations and asset acquisitions for which the acquisitions date is on or after the beginning of the first annual period beginning on or after 1 April 2020.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Specifically, pursuant to HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments:

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### HKFRS 9 Financial Instruments (continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establ ishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### HKFRS 15 Revenue from Contracts with Customers (continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The criteria in HKFRS 15 for identifying performance obligations differ from the little guidance in HKAS 11, which could result in different conclusions about the separately identifiable components. For example, the Group may currently consider an entire construction contract to be a single component, but under HKFRS 15, it may determine that the contract contains two or more performance obligations that would be accounted for separately. The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported as the timing of revenue recognition may be affected and more disclosures relating to revenue is required in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

### HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments under HKAS 17 as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing cash flows respectively.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

**HKFRS 16 "Leases"** (continued)

In contrast to lessee accounting, HKFRS 16 substantially carried forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As set out in note 28, total operating lease commitment of the Group in respect of its office as at 31 March 2018 amounted to approximately HK$3,147,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results at this stage but it is expected certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements has been prepared in accordance with accounting policies conform with HKFRSs issued by the HKICPA. In addition, the consolidated financial statement includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

### Basis of preparation of financial statements

The consolidated financial statements has been prepared on the historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statement is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group's policy for recognition of revenue from construction contracts is described in the accounting policy for contracts below.

Management fee income are recognised when the relevant services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by the proportion that the value of work carried out during the year/period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Construction contracts (continued)

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 work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements 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 statements of financial position under account and other receivables.

### Leasing

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.

#### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

### Taxation

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income as directly in equity, respectively.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Property, plant and equipment held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease terms, assets are depreciated over the shorter of the lease terms and their estimated useful lives.

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

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments** (continued)
**Financial assets** (continued)
*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including account and other receivables, amount due from ultimate holding company, amounts due from related companies, amount due from a subsidiary, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*
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 a 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 asset, such as account receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables 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 period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments** (continued)
**Financial assets** (continued)
*Impairment of financial assets* (continued)
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of account receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in 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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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

*Financial liabilities*
Financial liabilities, including account and other payables, amount due to customers for contract works, other borrowings, bank overdrafts and obligations under finance leases, are subsequently measured at amortised cost, using the effective interest method.

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

Interest expense is recognised on an effective interest basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Derecognition**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

### Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment on tangible assets (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

### Related parties transactions

A party is considered to be related to the Group if:

**(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 of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

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

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

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

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

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties transactions (continued)

**(b)** (continued)

(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 parent of the entity); or

(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 parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually 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 nature of production processes, the type or class of customers, the methods used to distribute the products or to 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.

## 5. SIGNIFICANT ACCOUNTING ESTIMATION AND JUDGEMENT

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Revenue recognition of construction works

The Group recognises contract revenue and profit of a construction contract according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts. Estimated contract costs, which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. 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 revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

### Key sources of estimation uncertainty

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

## 5. SIGNIFICANT ACCOUNTING ESTIMATION AND JUDGEMENT (continued)

### Key sources of estimation uncertainty (continued)

**Estimated impairment of account and retention receivables**

Management estimates the recoverability of account and retention receivables based on objective evidence. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

No impairment loss of are charged to profit or loss for the year ended 31 March 2018 (2017: HK$3,391,000). As at 31 March 2018, the carrying amount of account and retention receivables are HK$20,975,000 (2017: HK$42,215,000).

**Income taxes and deferred taxation**

The Group is subjected to income taxes in Hong Kong. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure.

The Group's overall strategy remain unchanged from 2016.

The capital structure of the Group consists of net debts, which include bank overdrafts (note 24), other borrowings (note 23), obligations under finance leases (note 25) and advances drawn on account receivables factored with recourse (note 20), net of cash and cash equivalents and equity, comprising paid in capital and reserves.

## 6. CAPITAL RISK MANAGEMENT (continued)

The gearing ratio at the end of the reporting period was as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Total debt *(Note)* | **38,004** | 5,151 |
| Less: Pledged bank deposits | **(33,874)** | (18,281) |
| Bank balances and cash | **(514)** | (10,577) |
| Net debt | **3,616** | (23,707) |
| Total equity | **17,196** | 52,441 |
| Gearing ratio | **0.21** | N/A |

*Note:*

Total debt comprises advances drawn on account receivables factored with recourse, other borrowings, bank overdrafts and obligations under finance leases as detailed in notes 20, 23, 24 and 25 to the consolidated financial statements respectively.

## 7. FINANCIAL INSTRUMENTS

### 7a. Categories of financial instruments

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including bank balances and cash) | **58,980** | 68,942 |
| **Financial liabilities** | | |
| Amortised cost | **46,539** | 14,975 |

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies

The Group's major financial instruments include account and other receivables, pledged bank deposits, bank balances and cash, account and other payables, advances drawn on account receivables factored with recourse, other borrowings, bank overdrafts and obligations under finance leases. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk, liquidity risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

**Market risk**

*Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to bank balances, bank overdrafts, debenture, obligation under finance lease and other borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Hong Kong Interbank Offered Rate arising from bank overdrafts and bank borrowings.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

No sensitivity analysis on interest rate risk on bank deposits is presented as the Directors consider the sensitivity on interest rate risk on bank deposits is insignificant.

For sensitivity analysis on interest rates risk for variable-rate advances drawn on account receivables factored with recourse, bank overdrafts and bank borrowings, the analysis is prepared assuming that the amount of variable-rate financial liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease represent the management's assessment of the reasonable possible change in interest rates of variable-rate financial liabilities as disclosed above. If interest rates on variable-rate financial liabilities as disclosed above had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2018 would decrease/increase by approximately HK$190,000 (2017: HK$26,000).

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

**Credit risk**

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

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Directors have reviewed the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 March 2018 on account and retention receivables from the Group's five major customers amounting to approximately HK$12,609,000 (2017: HK$23,783,000) and accounted for 60% (2017: 56%) of the Group's total account and retention receivables. The major customers of the Group are reputable organisations. The Directors closely monitor the subsequent settlement of the customers. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit-rating agencies.

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

## 7. FINANCIAL INSTRUMENTS (continued)

### 7b. Financial risk management objectives and policies (continued)

**Liquidity risk** (continued)

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

*Liquidity table*

| | Weighted Average Effective Interest rate | Repayable on demand or less than 3 months | 3 months to 1 year | 1 to 2 years | 2 to 5 years | Total undiscounted cash flows | Total |
|---|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 31 March 2018 | | | | | | | |
| Account and other payables | – | **8,535** | – | – | – | **8,535** | **8,535** |
| Bank overdrafts | **4.19** | **564** | – | – | – | **564** | **564** |
| Other borrowings | **10.59** | – | **38,614** | – | – | **38,614** | **36,982** |
| Obligations under finance leases | **3.72** | – | **187** | **187** | **102** | **476** | **458** |
| | | **9,099** | **38,801** | **187** | **102** | **48,189** | **46,539** |
| At 31 March 2017 | | | | | | | |
| Account and other payables | – | 9,824 | – | – | – | 9,824 | 9,824 |
| Advances drawn on account receivables factored with resources | 3.30 | 3,954 | – | – | – | 3,954 | 3,915 |
| Obligations under finance leases | 3.43 | – | 370 | 370 | 564 | 1,304 | 1,236 |
| | | 13,778 | 370 | 370 | 564 | 15,082 | 14,975 |

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.

Advances drawn on account receivables factored with recourse, bank borrowings and obligations under finance leases with a repayment on demand clause are included in the "Repayable on demand or less than 3 months" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these balances as at 31 March 2018 and are set out in the tables below. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

# 7. FINANCIAL INSTRUMENTS (continued)

## 7b. Financial risk management objectives and policies (continued)

**Liquidity risk** (continued)

*Liquidity table* (continued)

The Directors believe that the principal and interest will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

| | Weighted average effective interest rate | Repayable on demand or less than 3 months | 3 months to 1 year | 1 to 2 years | 2 to 5 years | Total undiscounted cash flows | Total |
|---|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **At 31 March 2018** | | | | | | | |
| Bank overdrafts | **4.19** | **564** | **–** | **–** | **–** | **564** | **564** |
| Other borrowings | **10.59** | **–** | **38,614** | **–** | **–** | **38,614** | **36,982** |
| Obligation under finance leases | **3.72** | **–** | **187** | **187** | **102** | **476** | **458** |
| At 31 March 2017 | | | | | | | |
| Advances drawn on account receivables factored with recourse | 3.30 | 3,954 | – | – | – | 3,954 | 3,915 |
| Obligation under finance leases | 3.43 | – | 370 | 370 | 564 | 1,304 | 1,236 |

## 7c. Fair value measurements of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost and recorded in the consolidated financial statements approximate their fair values.

## 8. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Bank borrowing | Bank overdrafts | Other borrowings | Obligations under finance leases | Advances drawn on account receivables factored with recourse | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2017 | – | – | – | 1,236 | 3,915 | 5,151 |
| Accrued interest | 95 | 18 | 2,906 | 32 | 14 | 3,065 |
| Interest paid | (95) | (18) | (2,906) | (32) | (14) | (3,065) |
| Financing cash outflows | (6,500) | – | – | (778) | (34,289) | (41,567) |
| Financing cash inflows | 6,500 | 564 | 36,982 | – | 30,374 | 74,420 |
| **At 31 March 2018** | **–** | **564** | **36,982** | **458** | **–** | **38,004** |

## 9. REVENUE AND SEGMENT INFORMATION

Information are reported to the executive directors of the Company, who are also the chief operating decision maker (the "CODM"), for the purposes of resource allocation and performance assessment.

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

(i) Fitting-out work for new projects ("Fitting-out Projects")

Provision of fitting-out work for construction of newly built commercial premises and residential developments either as a main contractor or subcontractor.

(ii) Renovation work and alteration and addition work for old projects ("Renovation Projects")

Provision of renovation work and alteration and addition work for existing commercial premises as a main contractor.

## 9. REVENUE AND SEGMENT INFORMATION (continued)

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

**For the year ended 31 March 2018**

| | **Fitting-out Projects** HK$'000 | **Renovation Projects** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| **Revenue** | | | |
| Segment revenue | **82,731** | **13,575** | **96,306** |
| Segment loss | **(7,601)** | **(1,575)** | **(9,176)** |
| Unallocated income | | | **14** |
| Unallocated expenses | | | **(26,138)** |
| Loss before taxation | | | **(35,300)** |

For the year ended 31 March 2017

| | Fitting-out Projects HK$'000 | Renovation Projects HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Revenue** | | | |
| Segment revenue | 39,730 | 74,955 | 114,685 |
| Segment (loss)/profit | (617) | 8,799 | 8,182 |
| Unallocated income | | | 127 |
| Unallocated expenses | | | (34,103) |
| Loss before taxation | | | (25,794) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment (loss)/profit represents the (loss)/profit from each segment before taxation without allocation of other income, administration expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

## 9. REVENUE AND SEGMENT INFORMATION (continued)

### Geographical information

The Group's revenue is all derived from operations in Hong Kong and the Group's non-current assets are all located in Hong Kong.

### Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the Group's revenue are as follows:

| | Operating segment | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| Customer 1 | Renovation Projects | **–**[1] | 24,156 |
| Customer 2 | Fitting-out Projects | **36,588** | 16,490 |
| Customer 3 | Renovation Projects | **–**[1] | 18,263 |
| Customer 4 | Renovation Projects | **–**[1] | 24,931 |
| Customer 5 | Fitting-out Projects | **30,547** | –[1] |
| Customer 6 | Fitting-out Projects | **11,298** | N/A |

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 10. OTHER INCOME

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Bank interest income | **5** | 15 |
| Sundry income | **9** | 5 |
| Gain on disposal of property, plant and equipment | **–** | 107 |
| | **14** | 127 |

## 11. FINANCE COSTS

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Interest on: | | |
| Bank borrowings | **95** | 26 |
| Bank overdrafts | **18** | 116 |
| Other borrowings | **2,906** | – |
| Finance leases | **32** | 11 |
| Advances drawn on account receivables factored with recourse | **14** | 120 |
| | **3,065** | 273 |

## 12. LOSS BEFORE TAXATION

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Loss before taxation has been arrived at after charging: | | |
| Directors' emolument *(note 13)* | **4,488** | 4,390 |
| Other staff costs: | | |
| Salaries and other allowances | **15,637** | 10,648 |
| Retirement benefits scheme contributions | **482** | 420 |
| Total staff costs | **20,607** | 15,458 |
| Less: amounts included in cost of services | **(10,360)** | (5,938) |
| | **10,247** | 9,520 |
| Auditors' remuneration | **500** | 500 |
| Impairment loss on recognised on account and retention receivables | **–** | 3,391 |
| Depreciation of property, plant and equipment *(note 17)* | **1,374** | 572 |
| Minimum operating lease rentals in respect of rental premises | **2,236** | 1,981 |

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable (including emoluments for the services as employees of the group entities prior to becoming directors of the Company) to the directors of the Company during the year for their services rendered to the entities comprising the Group are as follows:

### (a) Executive directors

| | Fee | Salaries and other allowances | Discretionary bonus | Retirement benefit scheme contributions | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 March 2018** | | | | | |
| Executive directors | | | | | |
| Mr. Chan *(note i)* | **–** | **2,178** | **479** | **18** | **2,675** |
| Mr. Cheung *(note ii)* | **–** | **1,274** | **101** | **30** | **1,405** |
| Mr. Au Siu Kwong | | | | | |
| ("Mr. Au") *(note iii)* | **–** | **–** | **–** | **–** | **–** |
| Mr. Zhang Hai Wei | | | | | |
| ("Mr. Zhang") *(note iv)* | **–** | **–** | **–** | **–** | **–** |
| Total | **–** | **3,452** | **580** | **48** | **4,080** |
| Year ended 31 March 2017 | | | | | |
| Executive directors | | | | | |
| Mr. Chan *(note i)* | – | 2,360 | 816 | 18 | 3,194 |
| Mr. Cheung *(note ii)* | 52 | 624 | 372 | 18 | 1,066 |
| Mr. Au Siu Kwong | | | | | |
| ("Mr. Au") *(note iii)* | – | – | – | – | – |
| Mr. Zhang Hai Wei | | | | | |
| ("Mr. Zhang") *(note iv)* | – | – | – | – | – |
| Total | 52 | 2,984 | 1,188 | 36 | 4,260 |

*Notes:*

(i) Mr. Chan was appointed as chief executive officer of the Company on 23 June 2016.

(ii) Mr. Cheung was appointed as an executive director of the Company on 29 April 2016 and removed on 12 April 2018.

(iii) Mr. Au was appointed as an executive director of the Company on 12 April 2019.

(iv) Mr. Zhang was appointed as an executive director of the Company on 25 April 2019.

(v) Discretionary bonus was determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

(vi) The balances shown above were for their services in connection with the management of the affairs of the Group.

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

### (b) Non-executive directors

| | Fee<br>HK$'000 | Salaries and other allowances<br>HK$'000 | Discretionary bonus<br>HK$'000 | Retirement benefit scheme contributions<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2018** | | | | | |
| Non-executive directors | | | | | |
| Ms. Zhang Qi ("Ms. Zhang") *(note i)* | **23** | **–** | **–** | **–** | **23** |
| Mr. Law Wing Kit ("Mr. Law") *(note ii)* | **23** | **–** | **–** | **–** | **23** |
| | **46** | **–** | **–** | **–** | **46** |
| Year ended 31 March 2017 | | | | | |
| Non-executive directors | | | | | |
| Ms. Zhang Qi ("Ms. Zhang") *(note i)* | 26 | – | – | – | 26 |
| Mr. Law Wing Kit ("Mr. Law") *(note ii)* | 26 | – | – | – | 26 |
| | 52 | – | – | – | 52 |

*Notes:*

(i) Ms. Zhang was appointed as a non-executive director of the Company on 22 December 2016 and removed on 9 June 2017.

(ii) Mr. Law was appointed as a non-executive director of the Company on 22 December 2016 and removed on 9 June 2017.

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

### (c) Independent non-executive directors

| | Fee HK$'000 | Salaries and other allowances HK$'000 | Discretionary bonus HK$'000 | Retirement benefit scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2018** | | | | | |
| Independent non-executive directors | | | | | |
| Mr. Lee Chi Chung ("Mr. Lee") *(note i)* | 120 | – | – | – | 120 |
| Mr. Leung Ka Kui Johnny ("Mr. Leung") *(note ii)* | 23 | – | – | – | 23 |
| Mr. Wang Aisheng ("Mr. Wang") *(note vi)* | 98 | – | – | – | 98 |
| Mr. Ye wenxin ("Mr. Ye") *(note vi)* | 98 | – | – | – | 98 |
| Mr. Or Chun Man ("Mr. Or") *(note ii)* | 23 | – | – | – | 23 |
| Mr. Ko Kwok Fai Dennis ("Mr. Ko") *(note iii)* | – | – | – | – | – |
| Mr. To Man Choy Jacky ("Mr. To") *(note iii)* | – | – | – | – | – |
| Ms. Tsang Kwok Shan Sandy ("Ms. Tsang") *(note iii)* | – | – | – | – | – |
| Mr. Yeung Chun Yue David ("Mr. Yeung") *(note iv)* | – | – | – | – | – |
| Ms. Lai Wing Sze ("Ms. Lai") *(note v)* | – | – | – | – | – |
| Ms. Yu Wan Ki ("Ms. Yu") *(note v)* | – | – | – | – | – |
| | 362 | – | – | – | 362 |

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

### (c) Independent non-executive directors (continued)

| | Fee HK$'000 | Salaries and other allowances HK$'000 | Discretionary bonus HK$'000 | Retirement benefit scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Year ended 31 March 2017 | | | | | |
| Independent non-executive directors | | | | | |
| Mr. Lee Chi Chung ("Mr. Lee") *(note i)* | 26 | – | – | – | 26 |
| Mr. Leung Ka Kui Johnny ("Mr. Leung") *(note ii)* | 26 | – | – | – | 26 |
| Mr. Wang Aisheng ("Mr. Wang") *(note vi)* | – | – | – | – | – |
| Mr. Ye Wenxin ("Mr. Ye") *(note vi)* | – | – | – | – | – |
| Mr. Or Chun Man ("Mr. Or") *(note ii)* | 26 | – | – | – | 26 |
| Mr. Ko Kwok Fai Dennis ("Mr. Ko") *(note iii)* | – | – | – | – | – |
| Mr. To Man Choy Jacky ("Mr. To") *(note iii)* | – | – | – | – | – |
| Ms. Tsang Kwok Shan Sandy ("Ms. Tsang") *(note iii)* | – | – | – | – | – |
| Mr. Yeung Chun Yue David ("Mr. Yeung") *(note iv)* | – | – | – | – | – |
| Ms. Lai Wing Sze ("Ms. Lai") *(note v)* | – | – | – | – | – |
| Ms. Yu Wan Ki ("Ms. Yu") *(note v)* | – | – | – | – | – |
| | 78 | – | – | – | 78 |

*Notes:*

(i) Mr. Lee was appointed as a non-executive director of the Company on 22 December 2016 and removed on 12 April 2018.

(ii) Mr. Leung and Mr. Or was appointed as a non-executive director of the Company on 22 December 2016 and resigned on 8 June 2017.

(iii) Mr. Ko, Mr. To and Ms. Tsang were appointed as independent non-executive director of the Company from 12 June 2017 and resigned on 4 April 2019.

(iv) Mr. Yeung was appointed as independent non-executive director of the Company from 12 April 2019.

(v) Ms. Lai and Ms. Yu was appointed as independent non-executive director of the Company from 25 April 2019.

(vi) Mr. Wang and Mr. Ye were appointed as independent non-executive directors of the Company on 8 June 2017 and removed at 12 April 2018.

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS
(continued)

### (d) Employees' emoluments

The five highest paid individuals of the Group include two executive directors of the Company for the years ended 31 March 2018 and 31 March 2017. The emoluments of the remaining individuals for the year are as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Salaries and other allowances | **3,446** | 1,865 |
| Discretionary bonus | **330** | 782 |
| Retirement benefit scheme contributions | **54** | 54 |
| | **3,830** | 2,701 |

The emoluments of the employees were within the following band:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| HK$Nil – HK$1,000,000 | **–** | 3 |
| HK$1,000,001 – HK$1,500,000 | **3** | – |
| | **3** | 3 |

During the year, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. The directors of the Company or the chief executive of the Group did not waive or agree to waive any emoluments during the years ended 31 March 2018 and 2017.

## 14. DIVIDENDS

The Board of directors do not recommend the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

## 15. TAXATION

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Current tax – Hong Kong | | |
| – Under-provision in prior year | – | 877 |
| Deferred tax *(note 27)* | (55) | 68 |
| | (55) | 945 |

No provision for Hong Kong Profit Tax has been made as the Group had no assessable profit for both years.

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Loss before taxation | (35,300) | (25,794) |
| Tax charge at Hong Kong Profits Tax Rate of 16.5% | (5,825) | (4,256) |
| Tax effect of expenses not deductible for tax purpose | 253 | 106 |
| Tax effect of income not taxable for tax purpose | (146) | (187) |
| Unused tax losses carried forward | 5,718 | 4,337 |
| Utilisation of tax losses previously not recognized | (55) | 68 |
| Under provision of tax in respect of prior year | – | 877 |
| Income tax (credit)/expense for the year | (55) | 945 |

Details of deferred tax are set out in note 27.

## 16. LOSS PER SHARE

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Loss: | | |
| Loss for the purpose of calculating basic loss per share | (35,245) | (26,739) |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | 200,000,000 | 110,335,616 |

Diluted loss per share and basic loss per share are the same for the year ended 31 March 2018 and 2017 as there were no potential ordinary shares in issue during both the years.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Computer equipment HK$'000 | Other office equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| As at 1 April 2016 | 68 | 61 | 1,073 | 387 | 116 | 1,705 |
| Additions | 1,813 | 268 | 1,461 | 203 | 193 | 3,938 |
| Disposal | – | – | (367) | – | – | (367) |
| As at 31 March 2017 | 1,881 | 329 | 2,167 | 590 | 309 | 5,276 |
| Additions | 183 | – | – | 114 | 25 | 322 |
| **As at 31 March 2018** | **2,064** | **329** | **2,167** | **704** | **334** | **5,598** |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| As at 1 April 2016 | 68 | 57 | 932 | 203 | 84 | 1,344 |
| Provided for the year | 242 | 35 | 172 | 91 | 32 | 572 |
| Disposal | – | – | (367) | – | – | (367) |
| As at 31 March 2017 | 310 | 92 | 737 | 294 | 116 | 1,549 |
| Provided for the year | 823 | 91 | 292 | 118 | 50 | 1,374 |
| **As at 31 March 2018** | **1,133** | **183** | **1,029** | **412** | **166** | **2,923** |
| **CARRYING VALUE** | | | | | | |
| **As at 31 March 2018** | **931** | **146** | **1,138** | **292** | **168** | **2,675** |
| As at 31 March 2017 | 1,571 | 237 | 1,430 | 296 | 193 | 3,727 |

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold improvements | 20% or over the lease term, whichever is shorter |
| Furniture and fixtures | $33^1/_3$% |
| Motor vehicles | 20% |
| Computer equipment | 20% |
| Other office equipment | 20% |

As at 31 March 2018, the Group has motor vehicles held under finance leases with net book value of approximately HK$551,000 (2017: HK$1,430,000).

## 18. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Contracts in progress at the end of the reporting periods: | | |
| Contract costs incurred plus recognised profits less recognised losses | **539,655** | 421,738 |
| Less: progress billings | **(534,904)** | (433,695) |
| | **4,751** | (11,957) |
| Analysed for reporting purposes as: | | |
| Amounts due from customers for contract works | **6,218** | 1,563 |
| Amounts due to customers for contract works | **(1,467)** | (13,520) |
| | **4,751** | (11,957) |

## 19. ACCOUNT AND OTHER RECEIVABLES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Account receivables *(note a)* | **15,903** | 36,405 |
| Less: allowance for doubtful debts | **(2,450)** | (2,450) |
| | **13,453** | 33,955 |
| Retention receivables *(note b)* | **8,463** | 9,201 |
| Less: allowance for doubtful debts | **(941)** | (941) |
| | **7,522** | 8,260 |
| | **20,975** | 42,215 |

## 19. ACCOUNT AND OTHER RECEIVABLES (continued)

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Other receivables, deposits and prepayments | | |
| – Project deposits paid to sub-contractors | **3,994** | 5,286 |
| – Rental and utility deposits | **623** | 618 |
| – Prepayment | **279** | 285 |
| – Other receivables | **96** | 136 |
| | **4,992** | 6,325 |
| Total accounts and other receivables | **25,967** | 48,540 |
| Less: Receivables within twelve months shown under current assets | **(25,376)** | (47,951) |
| Rental deposits shown under non-current assets | **591** | 589 |

*Notes:*

(a) During the year, the Group factored certain account receivables to a bank for cash proceeds. If the account receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balances. As the Group has not transferred the significant risks and rewards relating to these account receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as advances drawn on account receivables factored with recourse (note 20). No account receivables at 31 March 2018 that have been transferred but have not been derecognised (2017: HK$3,915,000) and no associated liability (2017: HK$3,915,000).

(b) Retention receivables are released by customers in accordance with the respective agreements with customers in which 50% of the retention receivable is released upon the issuance of practical completion certificate and the remaining 50% upon issuance of certificate of making good defects at the end of the defect liability period, which is generally twelve-month period from the date of the certificate of practical completion.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of each reporting period:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| On demand or within one year | **8,463** | 9,201 |

## 19. ACCOUNT AND OTHER RECEIVABLES (continued)

The Group allows an average credit period of 30 days to its customers (2017: 30 days). The aged analysis of the Group's account receivables at the end of each reporting period is as follows:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Account receivables: | | |
| Within 30 days | **8,575** | 31,439 |
| 31 – 60 days | **–** | – |
| 61 – 120 days | **–** | 2,516 |
| 121 – 365 days | **128** | – |
| Over 365 days | **4,750** | – |
| | **13,453** | 33,955 |

### Aging of account receivables past due but not impaired

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Overdue by: | | |
| Within 30 days | **–** | – |
| 31 – 60 days | **–** | – |
| 61 – 120 days | **–** | 2,516 |
| 121 – 365 days | **2,138** | – |
| Over 365 days | **2,740** | – |
| | **4,878** | 2,516 |

### Movement in the allowance of doubtful debts of account receivables

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Balance at beginning of the year | **2,450** | – |
| Impairment loss recognised on account receivables | **–** | 2,450 |
| Balance at the end of the year | **2,450** | 2,450 |

## 19. ACCOUNT AND OTHER RECEIVABLES (continued)

### Movement in the allowance of doubtful debts of retention receivables

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Balance at beginning of the year | **941** | – |
| Impairment loss recognised on retention receivables | **–** | 941 |
| Balance at the end of the year | **941** | 941 |

For the years ended 31 March 2018, no account receivables (2017: HK$2,450,000) or retention receivables (2017: HK$941,000) were determined to be impaired as the debtor was in financial difficulty and management assessed that the amount will not recoverable. The Group did not hold any collateral over these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

In determining the recoverability of account and retention receivables, the Group considers any change in the credit quality of the account receivables from the date credit was initially granted up to the end of the reporting period.

## 20. ADVANCES DRAWN ON ACCOUNT RECEIVABLES FACTORED WITH RECOURSE

The variable-rate advances drawn on account receivables factored with recourse carry interest at certain basis points over Hong Kong Interbank Offered Rate ("HIBOR") quoted by a bank in Hong Kong, which are repayable within one year from the end of the corresponding period end date and contain a repayment on demand clause.

As at 31 March 2017 and 31 March 2018, the Group's account receivables factored with recourse were personally guaranteed and secured by an asset held by Mr. Chan and a close family member of Mr. Chan (note 31(b)) and the pledged bank deposits held by the Group (note 21). All guarantee has been released to Aeso Holding Limited on or before 3 November 2017.

The range of effective interest rates (which were also equal to contracted interest rates) of the Group's account receivables factored with recourse were as follows:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Effective interest rate | **–** | 2.94% to 3.74% |

## 21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 March 2018, the Group had pledged bank deposits of HK$1,000,000 (2017: HK$8,035,000) which carried interest at 0.10% per annum (2017: 0.10% – 0.91%). These bank deposits were pledged to secure the factoring facilities granted to the Group.

As at 31 March 2018, the Group had pledged a bank deposits of HK$32,874,000 (2017: HK$10,246,000) which was interest-free and current in nature. Such bank deposits was pledged to secure the surety bond issued to a customer (see note 32).

Bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carried interest at prevailing market rates based on daily bank deposit rate for the year ended 31 March 2018 and 2017.

## 22. ACCOUNT AND OTHER PAYABLES

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Account payables | **1,871** | 3,390 |
| Retention payables *(note a)* | **6,664** | 6,434 |
| Accruals | **5,492** | 4,214 |
| Advances from customers *(note b)* | **1,929** | – |
| | **15,956** | 14,038 |

*Notes:*

(a) All retention payables as at 31 March 2018 and 31 March 2017 were expected to be paid or settled in less than twelve months from the end of the corresponding reporting period.

(b) Advances from customers were unsecured, interest-free and would be utilised to set off progress billings.

The average credit period on account payables is 30 days (2017: 30 days). The aging analysis of the account payables based on invoice dates at the end of each reporting period is as follows:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| 1 – 30 days | **1,762** | 3,390 |
| 31 – 60 days | **–** | – |
| 61 – 90 days | **109** | – |
| Over 90 days | **–** | – |
| | **1,871** | 3,390 |

## 23. OTHER BORROWINGS

The fixed rate other borrowings are repayable as follow:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Carrying amount of other borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause | **36,982** | – |
| Amounts due within twelve months shown under current liabilities | **36,982** | – |

The range of effective interest rates (which were also equal to contracted interest rates) of the Group's other borrowings were as follows:

| | 2018 | 2017 |
|---|---|---|
| Effective interest rate: | | |
| Other borrowings | **10.00% – 20.00%** | – |

## 24. BANK OVERDRAFTS

The Group's bank overdrafts were personally guaranteed and/or secured by certain assets held by Mr. Chan, spouse of Mr. Chan or a close family member of Mr. Chan as set out in note 31(b). All guarantee has been released to Aeso Holding Limited on or before 3 November 2017.

The range of effective interest rates (which were also equal to contracted interest rates) of the Group's bank overdrafts were as follows:

| | 2018 | 2017 |
|---|---|---|
| Effective interest rate: | | |
| Bank overdrafts | **4.19%** | – |

## 25. OBLIGATIONS UNDER FINANCE LEASES

The Group leased its motor vehicles under finance leases. The average lease term was four years. Interest rates underlying obligations under finance leases were fixed at contract date ranging from 3.25% to 4.27% per annum during the year (2017: 3.13% to 4.27%). The Group had options to purchase the motor vehicles for a nominal amount at the end of the lease terms.

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2018 HK$'000** | 2017 HK$'000 | **2018 HK$'000** | 2017 HK$'000 |
| **Amount payable under finance leases** | | | | |
| Within one year | **187** | 370 | **176** | 338 |
| In more than one year and not more than two years | **187** | 370 | **181** | 325 |
| In more than two years but not more than five years | **102** | 564 | **101** | 573 |
| | **476** | 1,304 | **458** | 1,236 |
| Less: Future finance charge | **(18)** | (68) | **–** | – |
| Present value of lease obligation | **458** | 1,236 | **458** | 1,236 |
| Less: Amount due for settlement within twelve months shown under current liabilities | | | **(176)** | (338) |
| Amount due for settlement after twelve months shown under non-current liabilities | | | **282** | 898 |

The Group's obligations under finance leases were secured by the lessor's title to the leased assets.

## 26. SHARE CAPITAL

The share capital of the Group as at 31 March 2018 represented the share capital of the Company and details are disclosed as follows:

| | Number of shares | Par value US$ | Amount US$ |
|---|---|---|---|
| Authorised: | | | |
| At 31 March 2016 | 50,000 | 1.00 | 50,000 |
| Increase of authorized share capital | 500,000,000 | 0.01 | 5,000,000 |
| Cancellation | (50,000) | 1.00 | (50,000) |
| At 31 March 2017, 1 April 2017 and 31 March 2018 | 500,000,000 | 0.01 | 5,000,000 |
| Issued and fully paid: | | | |
| At 31 March 2016 | 5,100 | 1.00 | 5,100 |
| Issue of shares *(note i)* | 4,900 | 1.00 | 4,900 |
| Share subdivision *(note ii)* | 990,000 | 0.01 | – |
| Capitalisation issue *(note iii)* | 149,000,000 | 0.01 | 1,490,000 |
| Placing of shares *(note iv)* | 50,000,000 | 0.01 | 500,000 |
| At 31 March 2017, 1 April 2017 and 31 March 2018 | 200,000,000 | 0.01 | 2,000,000 |
| Shown in the consolidated financial position as at 31 March 2017 and 31 March 2018 (in HK$'000) | | | 15,600 |

*Notes:*

(i) On 8 April 2016, an additional 4,900 shares at an aggregate cash considerations of HK$19,913,600 representing 49% of the then issued capital of the Company, were subscribed by W & Q as set out in note 2.

(ii) Pursuant to the written resolution of the Company's shareholders dated 23 June 2016, the Company underwent a subdivision of shares whereby the ordinary shares of US$1 each was subdivided into 100 ordinary shares of US$0.01 each, and such subdivided shares shall carry the same rights with each other, such that after the subdivision, the authorised share capital of the Company became US$50,000 divided into 5,000,000 shares of US$0.01 each, and the issued share capital of the Company became US$10,000 divided into 1,000,000 Shares of US$0.01.

## 26. SHARE CAPITAL (continued)

*Notes: (continued)*

(iii) Pursuant to the resolutions passed at the extraordinary general meeting held on 22 December 2016, the directors are authorised to capitalise an amount of HK$11,622,000 standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of 149,000,000 shares for allotment and issue to Acropolis Limited & W & Q Investment immediately prior to the Listing (the "Capitalisation Issue"). The Capitalisation Issue was completed on 13 January 2017.

(iv) In connection with the listing of the shares of the Company (the "Shares") on the GEM of the Stock Exchange (the "Listing") on 13 January 2017 (the "Listing Date"), the Company allotted and issued a total of 50,000,000 new shares at HK$0.84 per share for the total proceeds of approximately HK$42,000,000, with related issuance costs and listing expenses amounted to approximately HK$6,152,000 being charged to share premium.

## 27. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon for the year:

| | **Accelerated Tax Depreciation** HK$'000 |
|---|---|
| At 31 March 2016 | (44) |
| Charge to profit or loss | (68) |
| At 31 March 2017 | (112) |
| Credit to profit or loss | 55 |
| **At 31 March 2018** | **(57)** |

## 28. OPERATING LEASE COMMITMENTS

### The Group as lessee

At the end of each reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises which fall due as follow:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Minimum lease payments under operating leases | | |
| Within one year | **2,116** | 2,116 |
| In the second to fifth year inclusive | **1,031** | 3,147 |
| | **3,147** | 5,263 |

The leases are generally negotiated for lease terms ranging from one year to three years with fixed monthly rentals. None of the leases include any contingent rentals.

## 29. RETIREMENT BENEFIT PLANS

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total cost of HK$530,000 and HK$456,000 charged to profit or loss represents contribution paid or payable to the above scheme by the Group for the years ended 31 March 2018 and 31 March 2017 respectively.

## 30. PLEDGE OF ASSETS

At the end of each reporting period, the carrying amount of the asset pledged by the Group to a bank in order to secure a factoring facility granted by a bank to the Group was as follows:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Fixed charge over the Group's bank deposits | **1,000** | 8,035 |

No account receivables factored with recourse (note 20) as at 31 March 2018 (2017: HK$3,915,000).

## 31. MATERIAL RELATED PARTY TRANSACTIONS

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

**(a) Compensation of key management personnel**

The Directors are identified as the key management personnel of the Company, and their compensations during the year is set out in note 13.

**(b)** During the year, the bank overdrafts (note 24) and advances drawn on account receivables factored with recourse (note 20) were personally guaranteed and secured by certain assets held by Mr. Chan, spouse of Mr. Chan and/or a close family member of Mr. Chan and guaranteed by the Group as at 31 March 2017. All guarantee has been released to Aeso Holdings Limited on or before 3 November 2017.

## 32. SURETY BOND AND CONTINGENT LIABILITY

A customer of construction contract undertaken by the Group requires a group entity to issue guarantee for performance of contract works in the form of surety bond. The Group provided a counter-indemnity to an insurance company that issued such surety bond. For the year ended 31 March 2015, the Group paid a cash collateral of HK$1,100,000 to an insurance company to issue the surety bond. As at 31 March 2018, the deposits placed for surety bond amounted to HK$32,874,000 (2017: HK$10,246,000) (note 21).

As at 31 March 2018 and 31 March 2017, the amounts of surety bond provided by the Group was HK$32,874,000 and HK$10,246,000 respectively.

## 33. LITIGATION

### Winding-up Proceedings

On 12 July 2017, a controlling shareholders of the Company, Acropolis Limited, which wholly-owned by Mr. Chan Siu Chung ("Mr. Chan"), filed a Petition (the "Petition") in the action HCCW 218/2017 against, amongst other respondents, the Company, another controlling shareholders, W&Q Investment Limited and Mr. Liu Chang Kien (the "Action").

Pursuant to an order (the "Order") of the Court of First Instance of the High Court of the Hong Kong Special Administrative Region dated 31 May 2018 under the Action, the representatives of SHINEWING Specialist Advisory Services Limited have been appointed as provisional liquidators of the Company with effect from the date of the Order.

The provisional liquidators have made the application to the High Court of Hong Kong (the "Court") and have obtained approval from the Court on 10 September 2018 on the following:

(i) To carry on the existing business of the Group, including to submit tenders and enter into contracts for new fitting out and renovation projects;

(ii) To carry on correspondence with regulators and take all such steps necessary to comply with the regulatory obligations of the Group, including compliance with the resumption conditions set out by the Hong Kong Exchanges and Clearing Limited.

On 13 March 2019, Acropolis Limited, Mr. Chan, W&Q Investment Limited and Mr. Liu Chang Kien (collectively referred to herein as "the Parties") have agreed on a settlement term sheet for the settlement of all the relevant actions between the Parties. The consent summons to dismiss the Petition was duly signed and filed with the court subsequently.

On 29 April 2019, the Court ordered that the Petition in the winding-up proceedings HCCW 218/2017 be dismissed by the consent of the parties. The joint and several provisional liquidators of the Company appointed pursuant to the Order be released.

For further details of the abovementioned litigation, please refer to the announcements of the Company dated 6 February 2018, 27 August 2018, 1 November 2018, 13 March 2019, 28 March 2019, 12 April 2019 and 29 April 2019.

## 34. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 March 2017, motor vehicles amounting to HK$1,461,000 were acquired under a finance leases.

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

### (a) Statement of financial position of the Company

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| **Current assets** | | |
| Other receivables and prepayments | **305** | 307 |
| Amount due from a subsidiary | **26,392** | 31,036 |
| Bank balances and cash | **222** | 692 |
| | **26,919** | 32,035 |
| **Current liabilities** | | |
| Accruals and other payables | **3,658** | 500 |
| Other borrowing | **34,804** | – |
| | **38,462** | 500 |
| **Net current assets** | **(11,543)** | 31,535 |
| **Net assets** | **(11,543)** | 31,535 |
| **Capital and reserves** | | |
| Share capital | **15,600** | 15,600 |
| Reserves | **(27,143)** | 15,935 |
| **Total equity** | **(11,543)** | 31,535 |

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

**(b)** Amounts due from a subsidiary and ultimate holding company is unsecured, interest-free and repayable on demand.

### (c) Reserves of the Company

Below is a table showing the movements of the reserves of the Company since its incorporation and up to 31 March 2018:

| | Share Premium HK$'000 | Accumulated losses HK$'000 | Other reserves HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 31 March 2016 | – | (2,900) | – | (2,900) |
| Issue of shares *(note (i))* | 19,875 | – | – | 19,875 |
| Placing of share *(note (ii))* | 38,100 | – | – | 38,100 |
| Transaction costs incurred directly attribute to issue of shares | (6,152) | – | – | (6,152) |
| Capitalisation issue *(note (iii))* | (11,622) | – | – | (11,622) |
| Fair adjustment of amount due from a subsidiary *(note (iv))* | – | – | (4,887) | (4,887) |
| Loss for the year | – | (16,479) | – | (16,479) |
| At 31 March 2017 | 40,201 | (19,379) | (4,887) | 15,935 |
| Loss for the year | – | (43,078) | – | (43,078) |
| **At 31 March 2018** | **40,201** | **(62,457)** | **(4,887)** | **(27,143)** |

*Note:*

(i) On 8 April 2016, an additional 4,900 shares at an aggregate cash consideration of HK$19,913,600, representing 49% of the then issued capital of the Company, were subscribed by W & Q, as set out in note 2.

(ii) In connection with the listing of the shares of the Company (the "Shares") on the GEM of the Stock Exchange (the "Listing") on 13 January 2017 (the "Listing Date"), the Company allotted and issued a total of 50,000,000 new shares at HK$0.84 per share for the total proceeds of approximately HK$42,000,000, with related issuance costs and listing expenses amounted to approximately HK$6,152,000 being charged to share premium.

(iii) Pursuant to the resolutions passed at the extraordinary general meeting held on 22 December 2016, the directors are authorised to capitalise an amount of HK$11,622,000 standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of 149,000,000 shares for allotment and issue to Acropolis Limited & W & Q Investment immediately prior to the Listing (the "Capitalisation Issue"). The Capitalisation Issue was completed on 13 January 2017.

(iv) It represent the fair value adjustment of non-current interest-fee amount due from a subsidiary recognised at initial recognition.

## 36. AUTHORISATION OF ISSUE OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement were approved and authorised for issue by the Board of Directors on 27 June 2019.

# FINANCIAL SUMMARY

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| **CONSOLIDATED RESULTS** | | | | |
| Revenue | **96,306** | 114,685 | 180,391 | 81,661 |
| Profit/(Loss) before income tax | **(35,300)** | (25,794) | 17,003 | 5,662 |
| Income tax expense | **55** | (945) | (3,281) | (914) |
| Profit/(Loss) for the year | **(35,245)** | (26,739) | 13,722 | 4,748 |
| Total comprehensive income/(expense) for the year attributable to equity holders of the Company | **(35,245)** | (26,739) | 13,722 | 4,748 |

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| **CONSOLIDATED ASSETS AND LIABILITIES** | | | | |
| Total assets | **72,680** | 85,262 | 53,693 | 57,163 |
| Total liabilities | **(55,484)** | (32,821) | (30,274) | (40,717) |
| Net (liabilities)/assets | **17,196** | 52,441 | 23,419 | 16,446 |