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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8431)

ANNUAL REPORT

2017/18

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Wang Rui (Appointed on 17 January 2018)

Independent non-executive Directors

Mr. Wu Kam On Keith
Mr. Lau Wai Hung (Appointed on 17 January 2018)
Mr. Chen Lei (Appointed on 16 May 2018)

COMPANY SECRETARY

Mr. Chong Ching Hoi

COMPLIANCE OFFICER

Ms. Wong Wing Hung

COMPLIANCE ADVISER

CLC International Limited

AUTHORISED REPRESENTATIVES

Mr. Nam Ho Kwan
Mr. Chong Ching Hoi

AUDIT COMMITTEE

Mr. Wu Kam On Keith
(Chairman of Audit Committee)
Mr. Lau Wai Hung (Appointed on 17 January 2018)
Mr. Chen Lei (Appointed on 16 May 2018)

REMUNERATION COMMITTEE

Mr. Lau Wai Hung (Appointed on 17 January 2018)
(Chairman of Remuneration Committee)
Mr. Wu Kam On Keith
Mr. Chen Lei (Appointed on 16 May 2018)

NOMINATION COMMITTEE

Mr. Nam Ho Kwan
(Chairman of Nomination Committee)
Mr. Wu Kam On Keith
Mr. Lau Wai Hung (Appointed on 17 January 2018)
Mr. Chen Lei (Appointed on 16 May 2018)

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 95-12, 12/F,
No. 93–95 Lai Chi Kok Road
Prince Edward, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited
Hang Seng Bank Limited

WEBSITE ADDRESS

www.harmonyasia.com

STOCK CODE

8431

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Hao Bai International (Cayman) Limited (the "Company"), it is my pleasure to present the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018.

REVIEW

The shares of the Company (the "Shares") were successfully listed (the "Listing") on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 May 2017 and it was a significant milestone of the Group. The Listing provided the Company with access to one of the world's premier capital markets and boosted the confidence of our stakeholders, enhanced the Group's profile and strengthened the Group's financial position and competitiveness.

RESULTS

The total revenue of the Group increased by approximately HK$21.4 million or 19.6% from approximately HK$109.5 million for the year ended 31 March 2017 to approximately HK$130.9 million for the year ended 31 March 2018. The Group's profits attributable to shareholders increased by approximately HK$2.2 million or 266.5% from approximately HK$0.8 million for the year ended 31 March 2017 to approximately HK$3.0 million for the year ended 31 March 2018. The increase was primarily due to less non-recurring listing expenses charged to the profit or loss for the year ended 31 March 2018.

BUSINESS REVIEW AND PROSPECT

During the year ended 31 March 2018, the overall market of the water-related facilities service in Hong Kong and Macau recorded a steady growth and expected to keep growing in the coming years. Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong and the recovery of gaming market in Macau as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties and five-star hotels to be built in Hong Kong and Macau remains to be the key driver for the growth of the water-related facility service market.

Looking forward, the Group will continue to adhere to its strategy of growing its market share in the water-related facility service market in Hong Kong and Macau with its major customers and targeting major projects. We believe that our proven track record, experienced management team and reputation in the market will contribute to our success and distinguish us from our competitors. We are confident in our main business and we will seek for the suitable business opportunities in order to create the long-term benefits to our shareholders.

A NOTE OF APPRECIATION

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

Nam Ho Kwan
Chairman
Hong Kong, 19 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a Hong Kong-based contractor specialised in design, procurement and installation services of water circulation systems, including swimming pools, water fountains and water curtains, etc. For the year ended 31 March 2018, the Group had 26 management contracting projects and 1 consulting project (2017: 19 management contracting projects and 4 consulting projects) with revenue contribution. In view of the increased demands for the Group's management contracting services, the Group recorded a significant growth in the revenue for year ended 31 March 2018.

Looking forward, the Directors consider that the future opportunities and challenges facing by the Group will continue to be affected by the development of the property market in Hong Kong and the recovery of gaming market in Macau as well as the increasing labour costs and material costs. The Directors are of the view that the number of properties and five-star hotels to be built in Hong Kong and Macau remains to be the key driver for the growth of the water-related facility service market.

With the Group's proven track record, experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors, and the Group will continue to pursue the business strategies as set out in the prospectus of the Company dated 16 May 2017 (the "Prospectus").

FINANCIAL REVIEW

Revenue

Our total revenue increased by approximately HK$21.4 million or 19.6% from approximately HK$109.5 million for the year ended 31 March 2017 to approximately HK$130.9 million for the year ended 31 March 2018. The increase in our revenue was primarily driven by the increased contribution from projects in Hong Kong which accounted for over 90% of our total revenue for the year ended 31 March 2018. During the year ended 31 March 2018, we have been awarded with two significant projects located at Tseung Kwan O and Tai Po respectively, and the revenue derived from these two projects were approximately HK$89.9 million in aggregate.

The increased revenue from projects in Hong Kong was partially offset by the decrease in revenue from projects in Macau which was mainly due to (i) the completion of a hotel project in Macau; and (ii) the suspension of another hotel project in Macau which was led by the industrial accident by other contractors in June 2017 as mentioned in the interim results announcement dated 7 November 2017 and we only resumed our works in November 2017.

Cost of services

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

Our cost of services increased by approximately HK$23.8 million or 28.9% from approximately HK$82.0 million for the year ended 31 March 2017 to approximately HK$105.7 million for the year ended 31 March 2018. Such increase was primarily driven by the increase in sub-contracting fees of approximately HK$18.9 million and cost of consumables of approximately HK$3.5 million, and which is due to the increase in number of projects undertaken in Hong Kong by the Group during the year ended 31 March 2018, which generally incur a higher cost than projects in Macau.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$2.3 million or 8.3% from approximately HK$27.5 million for the year ended 31 March 2017 to approximately HK$25.2 million for the year ended 31 March 2018. Such decrease was primarily attributable to the lower gross profit margin from our management contracting services during the year ended 31 March 2018.

Our gross profit margin decreased from approximately 25.1% for the year ended 31 March 2017 to approximately 19.2% for the year ended 31 March 2018. The drop of the gross profit margin was mainly due to the substantial contribution of revenue from projects in Hong Kong, which typically has a lower gross profit margin than projects in Macau. For the year ended 31 March 2018, revenue generated from projects in Hong Kong accounted for approximately 92.2% (for the year ended 31 March 2017: 48.5%) of our total revenue. The decrease in revenue generated from projects in Macau for the year ended 31 March 2018 was mainly due to (i) the suspension of a hotel project in Macau which was led by the industrial accident by other contractors in June 2017 as mentioned in the interim results announcement dated 7 November 2017 and we only resumed our works in November 2017; and (ii) the completion of a hotel project in Macau.

Other income

Our other income increased from approximately HK$11,000 for the year ended 31 March 2017 to approximately HK$74,000 for the year ended 31 March 2018, primarily due to the increase in interest income on the time deposit.

Administrative expenses

Our administrative expenses increased by approximately HK$4.1 million or 36.3% from approximately HK$11.3 million for the year ended 31 March 2017 to approximately HK$15.4 million for the year ended 31 March 2018. Such increase was primarily due to the post listing expenses such as the Directors' fee and the legal and professional fee for compliance purpose following the listing of shares of the Company (the "Shares") on GEM (the "Listing") in May 2017.

Finance costs

Our finance costs increased by approximately HK$0.5 million or 48.7% from approximately HK$0.9 million for the year ended 31 March 2017 to approximately HK$1.4 million for the year ended 31 March 2018, primarily due to the increase in the level of bank borrowings.

Listing expenses

During the year ended 31 March 2018, our Group recognised non-recurring listing expenses of approximately HK$4.4 million (2017: approximately HK$12.5 million) as expenses in connection with the Listing.

Income tax expense

Our income tax expenses amounted to approximately HK$1.9 million for the year ended 31 March 2017 and approximately HK$1.1 million for the year ended 31 March 2018.

The net tax provision provided for Macau profits tax was approximately HK$137,000 for the year ended 31 March 2018.

The net tax provision provided for Hong Kong Profits Tax was approximately HK$965,000 for the year ended 31 March 2018. Such provision was made after off-setting the unutilised tax losses in prior years.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit

As a result of the foregoing, our net profit for the year increased by approximately HK$2.2 million or 266.5% from approximately HK$0.8 million for the year ended 31 March 2017 to approximately HK$3.0 million for the year ended 31 March 2018.

If the non-recurring listing expense charged to the profit or loss was excluded, our adjusted net profit decreased by approximately HK$5.9 million or 44.8% from approximately HK$13.3 million for the year ended 31 March 2017 to approximately HK$7.4 million for the year ended 31 March 2018.

Dividend

No dividend was declared or proposed by the Board for both years ended 31 March 2018 and 2017.

Liquidity, financial resources and funding

As at 31 March 2018, the Group had total assets of approximately HK$146.3 million (2017: approximately HK$70.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$51.0 million (2017: approximately HK$34.7 million) and approximately HK$95.4 million (2017: approximately HK$35.6 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2018 were approximately HK$34.6 million (2017: approximately HK$16.6 million), and current ratio as at 31 March 2018 was approximately 2.9 times (2017: approximately 2.2 times).

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

The Group's gearing ratio, which is calculated by total borrowings, bank overdrafts and obligation under finance leases divided by total equity, decreased from approximately 48.8% as at 31 March 2017 to approximately 36.6% as at 31 March 2018, primarily due to the increase in the total equity outweighed the increase in the level of bank borrowings. The increase in the total equity was primarily due to the Listing in May 2017, whereas the increase in the level of bank borrowings was primarily due to the additional term loan raised during the year.

Capital structure

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

As at 31 March 2018, the Company's issued share capital was HK$13,000,000 (2017: HK$100) divided into 1,300,000,000 ordinary Shares of par value of HK$0.01 each (2017: 10,000 of HK$0.01 each).

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

The operating lease commitments of the Group were primarily related to the leases of its office premises and the staff quarters. The Group's operating lease commitments amounted to approximately HK$2.6 million as at 31 March 2018 (2017: approximately HK$2.0 million).

Segmental information

Segmental information is presented for the Group as disclosed on note 6 of the notes to the consolidated financial statements.

Future plans for material investments and capital assets

As at 31 March 2018, the Group did not have any plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 March 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent liabilities

Save as disclosed in note 28 of the notes to the consolidated financial statements, as at 31 March 2017 and 2018, the Group did not have other material contingent liabilities.

Foreign currency exposure

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

Pledge of assets

Save as disclosed in note 27 of notes to the consolidated financial statements, as at 31 March 2017 and 2018, the Group did not have other pledge of assets.

Employees and remuneration policies

As at 31 March 2018, the Group employed a total of 36 employees (2017: 24 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$14.0 million for the year ended 31 March 2018 (2017: approximately HK$11.2 million).

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM on the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). Throughout the year ended 31 March 2018, the Company has adopted and complied with, where applicable, the CG Code except for Code Provision A.2.1 of the CG Code, to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

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

BOARD OF DIRECTORS

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

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

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

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

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

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

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

COMPOSITION OF THE BOARD

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

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

Non-executive Director
Ms. Wang Rui (appointed on 17 January 2018)

Independent Non-executive Directors
Mr. Wu Kam On Keith
Mr. Lau Wai Hung (appointed on 17 January 2018)
Mr. Chen Lei (appointed on 16 May 2018)

Mr. Tan Kean Ee, Ms. Chan So Fong, Mr. Chong Kam Fung and Mr. Kwong Tsz Ching Jack resigned as Directors with effect from 25 October 2017, 17 January 2018, 16 May 2018 and 16 May 2018, respectively. Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 31 to 33 of this annual report.

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

The Board has adopted a Board Diversity Policy which set out the approach to achieve diversity on the Board and the factors (including but not limited to race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status) to be considered in determining the composition of the Board so as to ensure the Board has the appropriate skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximize the Board's effectiveness. The current Board composition is well balanced with each Director having skills, experience and expertise relevant to the business operations, development and strategy of the Group and from a variety of backgrounds.

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

BOARD MEETINGS

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

Four Board meetings were held during the year ended 31 March 2018 for approving the financial results, receiving the management updates and reviewing the overall strategies and development of the Group. The individual attendance record at the Board and Board Committees meetings as well as the Company's annual general meeting during the year ended 31 March 2018 is set out as below.

Name of Directors	Number of Board meetings attended/eligible to attend	Number of Audit Committee meetings attended/ eligible to attend	Number of Remuneration Committee meetings attended/eligible to attend	Number of Nomination Committee meetings attended/eligible to attend	Annual General Meeting held on 31 August 2017
Executive Directors					
Mr. Nam Ho Kwan	4/4	–	–	1/1	1/1
Mr. Ng Wan Lok	4/4	–	–	–	1/1
Ms. Wong Wing Hung	4/4	–	–	–	1/1
Non-executive Directors					
Mr. Tan Kean Ee *(Note 1)*	2/2	–	1/1	–	1/1
Mr. Chong Kam Fung *(Note 6)*	4/4	4/4	–	–	1/1
Ms. Wang Rui *(Note 2)*	1/1	–	–	–	–
Independent Non-executive Directors					
Mr. Wu Kam On Keith	4/4	4/4	1/1	1/1	1/1
Ms. Chan So Fong *(Note 4)*	3/3	3/3	1/1	1/1	1/1
Mr. Kwong Tsz Ching Jack *(Note 7)*	4/4	4/4	1/1	1/1	1/1
Mr. Lau Wai Hung *(Note 3)*	1/1	1/1	–	–	–
Mr. Chen Lei *(Note 5)*	–	–	–	–	–

Notes:

(1) Mr. Tan resigned as Director and ceased to be member of Remuneration Committee with effect from 25 October 2017.

(2) Ms. Wang was appointed as Director with effect from 17 January 2018.

(3) Mr. Lau was appointed as Director, Chairperson of Remuneration Committee and members of Audit Committee and Nomination Committee with effect from 17 January 2018.

(4) Ms. Chan resigned as Director and ceased to be Chairperson of Remuneration and members of Audit Committee and Nomination Committee with effect from 17 January 2018.

(5) Mr. Chen was appointed as Director and members of Audit Committee, Remuneration Committee and Nomination Committee with effect from 16 May 2018.

(6) Mr. Chong resigned as Director and ceased to be member of Audit Committee with effect from 16 May 2018.

(7) Mr. Kwong resigned as Director and ceased to be members of Audit Committee, Remuneration Committee and Nomination Committee with effect from 16 May 2018.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

As such, Ms. Wang Rui, Mr. Lau Wai Hung, Mr. Chen Lei, Mr. Ng Wan Lok and Ms. Wong Wing Hung will retire from office as Directors and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 28 August 2018 in accordance with the Articles.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors on the terms no less exacting than the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the Model Code by the Directors during the year ended 31 March 2018.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

The Directors are fully aware of the requirement under the Code Provision A.6.5 of the CG Code regarding the professional development and provided their record of trainings attended during the year ended 31 March 2018 to the Company, particulars of which are as follows:

	Types of trainings *(Note 1)*
Executive Directors	
Mr. Nam Ho Kwan	✓
Mr. Ng Wan Lok	✓
Ms. Wong Wing Hung	✓
Non-executive Directors	
Mr. Tan Kean Ee *(Note 2)*	–
Mr. Chong Kam Fung *(Note 2)*	–
Ms. Wang Rui	✓
Independent Non-executive Directors	
Mr. Wu Kam On Keith	✓
Ms. Chan So Fong *(Note 2)*	–
Mr. Kwong Tsz Ching Jack *(Note 2)*	–
Mr. Lau Wai Hung	✓
Mr. Chen Lei *(Note 3)*	–

Notes:

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

(2) Mr. Tan, Ms. Chan, Mr. Chong and Mr. Kwong resigned as Directors with effect from 25 October 2017, 17 January 2018, 16 May 2018 and 16 May 2018, respectively.

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

Audit Committee

The Audit Committee was established on 19 January 2017. The Audit Committee currently consists of three members. This includes the INEDs, Mr. Wu Kam On Keith, Mr. Lau Wai Hung and Mr. Chen Lei. Mr. Wu is the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack and Mr. Chong Kam Fung ceased to be members of Audit Committee during the year ended 31 March 2018.

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

Four Audit Committee meetings were held during the year ended 31 March 2018 to review and discuss with the management and the external auditor the accounting principles and practices adopted by the Group, review the quarterly, interim and annual financial results, review the compliance status of the CG Code, assess the independence and review the engagement of the external auditor. The Committee also reviewed and recommended on the engagement of the consultant for internal audit function. Members' attendance records are set out in section headed "Board Meeting" of this report.

Remuneration Committee

The Remuneration Committee was established on 19 January 2017. The Remuneration Committee currently consists of three members which is chaired by an INED, Mr. Lau Wai Hung, and the INEDs, namely Mr. Wu Kam On Keith and Mr. Chen Lei in accordance with the requirements under Rule 5.34 of the GEM Listing Rules. Ms. Chan So Fong, Mr. Kwong Tsz Ching Jack and Mr. Tan Kean Ee ceased to be members of the Remuneration Committee during the year ended 31 March 2018.

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

One Remuneration Committee meeting was held during the year ended 31 March 2018 to review the remuneration structure of the Directors. Members' attendance records are set out in section headed "Board Meeting" of this report. The Committee also reviewed the remuneration to the newly appointed Directors and recommended to Board for approval during the year ended 31 March 2018.

Nomination Committee

The Nomination Committee was established on 19 January 2017. The Nomination Committee currently consists of four members which is chaired by Mr. Nam Ho Kwan, the chairman of the Board, and the INEDs, namely Mr. Wu Kam On Keith, Mr. Lau Wai Hung and Mr. Chen Lei, in accordance with the requirements under Code Provision A.5.1 of the CG Code. Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack ceased to be members of the Nomination Committee during the year ended 31 March 2018.

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

One Nomination Committee meeting was held during the year ended 31 March 2018 to assess the independence of the INEDs and make recommendation on the re-election of the Directors at the Company's annual general meeting held in 2017. Members' attendance records are set out in section headed "Board Meeting" of this report. The Committee also assessed the independence and recommended to the Board for approval on the appointment of the new Directors during the year ended 31 March 2018.

COMPANY SECRETARY

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

During the year ended 31 March 2018, Mr. Chong completed the professional trainings which complied with Rule 5.15 of the GEM Listing Rules.

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

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

The statement of external auditor about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 45 to 51 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group and the Board continuously recognises the importance of good internal control procedures and its effectiveness in safeguarding the Shareholders' interests. As delegated by the Board, the Audit Committee is accountable for and will review the Company's financial controls, risk management and internal control system on a regular basis.

During the year ended 31 March 2018, the Group has engaged an independent internal control consultant to review and assess the internal control systems (including financial, operational and management systems) and report to the Audit Committee on factual findings and recommendations for improvements on the internal control systems. The Group have addressed and implemented the internal control measures as recommended by the consultant during the year ended 31 March 2018. The consultant confirmed such modified and new internal control procedures are satisfactorily implemented upon the conduct of follow-up review. The Audit Committee believes that the Group's internal control systems and current procedures including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function are sufficient in terms of the comprehensiveness, practicability and effectiveness.

EXTERNAL AUDITOR

Deloitte Touche Tohmatsu is the external auditor of the Company. The Audit Committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by its shareholders.

For the year ended 31 March 2018, the fee paid or payable in respect of the statutory audit services and non-audit services of the Group are as follows:

	Fee paid or payable for the services rendered	
	FY2018	FY2017
	HK$'000	*HK$'000*
Statutory audit services	**700**	700
Non-audit services for acting as reporting accountant for the Listing	**–**	3,000
Non-audit services for tax advisory	**32**	75

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS

The Board values the importance of communications with the Shareholders. As one of the measures to safeguard the shareholders' interests and rights, separate resolutions will be proposed at shareholders' meeting on each substantial issue including the re-election of individual directors. All resolutions put forward at the shareholders' meeting will be conducted by poll pursuant to the GEM Listing Rules and the poll voting results will be published on the GEM's website (www.hkgem.com) and the Company's website (www.harmonyasia.com). An annual general meeting of the Company was held on 31 August 2017 to seek the shareholders' approval on, among other things, the granting of the general mandates to issue and repurchase the Company's shares and the re-election of the Directors. The Board members' attendance record is set out in section headed "Board Meeting" of this report. The next annual general meeting of the Company will be held on Tuesday, 28 August 2018 and notice of the meeting will be sent to the Shareholders at least 20 clear business days before the meeting.

Procedures and Right for the Shareholders to Convene Extraordinary General Meeting

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

1. If any one or more shareholders of the Company (the "Shareholder") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company submit a written requisition to the Board or the Secretary of the Company to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

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

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

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

If a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person for election as a Director at that meeting, he/she may lodge a written notice at the Company's principal place of business in Hong Kong at Room 95-12, 12/F, No. 93–95 Lai Chi Kok Road, Prince Edward, Kowloon, Hong Kong for the attention of the company secretary of the Company. Detailed procedures for Shareholders to propose a person for election as a Director of the Company can be found on the Company's website (www.harmonyasia.com).

Investors Relations

The Board recognises the importance of maintaining an ongoing dialogue with the Shareholders through various channels including general meetings, announcements and corporate communications such as the quarterly, interim and annual report which are available at the Company's website.

The Company has adopted its Shareholders' Communications Policy. The Board welcomed enquiries and proposals from shareholders, investors and all stakeholders. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong at Room 95-12, 12/F, No. 93–95 Lai Chi Kok Road, Prince Edward, Kowloon, Hong Kong. Such written enquires or proposals with full name, contact details and identification must be deposited and sent to said address.

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

CONSTITUTIONAL DOCUMENTS

The Company first adopted its Memorandum and Articles of Association on 23 November 2015. The amended and restated memorandum and articles of association of the Company adopted for the purpose of the Listing is available on the Company's website. There had been no change in the constitutional documents of the Company during the year ended 31 March 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL

This is the second Environmental, Social and Governance ("ESG") report by Hao Bai International (Cayman) Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), reviewing and disclosing its environmental and social performance for the period from 1 April 2017 to 31 March 2018 (the "Reporting Period") pursuant to Appendix 20 – the ESG Reporting Guide of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

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

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

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

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

THE GROUP'S VISION, COMMITMENTS AND ACTIONS

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

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

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

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

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

(A) Environmental

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

During the course of installation works, the resources such as electricity, fuel, diesel, plywood, water and certain materials (such as pipes, filters, valves) will be consumed. In our trade practice, the majority of the installation works are sub-contracted or co-operated with other sub-contractors normally on lump-sum underwriting contract basis. The Group will generally estimate budget on the value and quantities of raw materials and utilities to be spent and closely monitor the actual consumption among different sub-contractors. Also, given the different conditions, sizes and nature of the project works which will have different needs and types of contract, it is channelling for the Group to collect and ensure the accuracy of the resources usage data, and even if it is done, the data will be difficult to assess. For practical purpose, it is better to take a physical hard line approach to manage and to control unreasonable usage and unnecessary wastage of the resources on sites.

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

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

A1 Emissions

(i) Air Pollutant and Noxious Odour Emissions

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

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

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

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

(ii) Noise Emissions

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

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

(iii) Hazardous and Non-Hazardous Wastes

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

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

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

(iv) Waste Water

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

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

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

(v) Mitigation Measures on Emission and Results

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

A2 Use of Resources

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

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

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

(i) Electricity Consumption

For the Reporting Period, 6,180 KWh of electricity was consumed for our office operation, which was 20 KWh or 4.6% lower than the last reporting period. The decrease evidenced an achievement of our energy saving measures taken, which the Group will continue to implement.

(ii) Water Consumption

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

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

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

We encouraged minimal packaging materials involved in the construction and installation sites, whereby finished products are building or construction items.

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

A3 The Environment and Natural Resources

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

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

(B) Social

Employment and Labour Practices

B1 Employment

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

Our recruitment process follows normal practices in our industry. We specify the requirements of the vacancies, and will advertise as well as head-hunt through employment agencies. Following the selection process, positions will be decided after background checks, tests and interviews by our human resources manager as well as the related departmental head. Senior managers will be decided by the Chief Executive Officer.

As at 31 March 2018, the employment characteristics can be summarized below:

(i) The Group employed a total of 36 employees, 12 or 50% more than 2016/17, working on full time basis in Hong Kong office, mainly in project management, engineering and plumbing roles, which was mainly the direct result of increased business activities.

(ii) The male/female ratio was increased from 1 female to 2 males in 2016/17 to 1 female to 3 males in 2017/18, due to the increase mainly in project management, engineers and plumbers, which are generally male dominated and demand much higher laborious and physical strength.

(iii) The number of office employees including Executive Director and senior management and finance, accounting and administration roles remained unchanged in 2016/17 at 6 and 3 respectively.

(iv) The age distribution in 2017/18 at 52.8% (19–40) and 47.2% (41–60) remained closely to 2016/17 at 54.2% (19–40) and 45.8% (41–60).

From the above comparisons, the Group has a stable management structure and its business was in a growing stage, which should be the direct result of the recent Listing in May 2017 where new capital has supported expansion of its activities.

Employee Compensation and Benefits

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

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

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

B2 Health and Safety

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

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

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

B3 Development and Training

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

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

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

B4 Labour Standards

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

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

Operating Practices

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

B5 Supply Chain Management

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

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

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

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

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

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

During the Reporting Period, the Group had a total 75 key suppliers/subcontractors which can be categorized by region as follow: Hong Kong 59, Macau 8, PRC 3 and others 5 and does not foresee its source of supplies to be a potential threat to its project operations.

B6 Product Responsibility

(i) Quality Assurance

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

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

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

(ii) Intellectual Property Rights

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

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

(iii) Privacy

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

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

B7 Anti-corruption

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

B8 Community Investment

The Group understands that community participation is important for its long-term development. The Group supports its employees to take part in volunteer services such as regularly visiting the people who need help and arranging outdoor activities for disadvantaged groups. The Group believes in investing on youth education and provides internship program for undergraduate students through practical working experience to support talent and career development. The Group has also actively participated in charitable donations, as well as supporting educational and environmental protection activities.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Nam Ho Kwan (藍浩鈞), aged 46, our founder, Chairman, Chief Executive Officer and Executive Director and one of the controlling shareholders of the Company. He was appointed as a Director on 23 November 2015 and re-designated as Executive Director and elected as Chairman on 8 June 2016. He is also a Chairman of the Nomination Committee. He is mainly responsible for formulating the overall business development strategy and planning; overseeing the Group's performance and management; and leading and representing the Group in negotiation with potential business partner.

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

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

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

Mr. Ng Wan Lok (吳蘊樂), aged 50, was appointed as an executive Director on 8 June 2016. He joined the Group as a marketing manager in March 2014 and is mainly responsible for managing and supervising the operations of projects of the Group.

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

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

Ms. Wong Wing Hung (王詠紅), aged 44, was appointed as an executive Director on 8 June 2016. She is also the compliance officer of the Company. She joined the Group as a project administrator in November 2006 and is responsible for project tendering and administration as well as project accounting of the Group.

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

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

Non-executive Director

Ms. Wang Rui (王蕊), aged 30, was appointed as a non-executive Director on 17 January 2018. She has numerous years of experience in property project management and she is currently a vice general manager of 廊坊翔達房地產開發有限公司 (Langfang Xiangda Real Estate Development Co., Ltd.*), a subsidiary of 天津隆昌投資集團有限公司 (Tianjin Long Chang Investment Group Co., Ltd.*) and responsible for the management of 中國紅木城 (the China Rosewood City*) project which is one of the largest real estate projects in northern People's Republic of China (the "PRC"). Prior to that, Ms. Wang also gained the working experience in the financial service industry in the PRC. Ms. Wang obtained a Bachelor's degree in Business Administration (Accounting) in Hong Kong Baptist University in November 2010 and attained a Master's degree in Master of Science (Technopreneurship & Innovation) in July 2014 from Nanyang Technological University in Singapore.

Independent Non-executive Directors

Mr. Wu Kam On Keith (鄔錦安), aged 43, was appointed as an independent non-executive Director on 19 January 2017. He is also a Chairman of the Audit Committee and members of the Remuneration Committee and Nomination Committee. He is currently an independent non-executive director of Fulum Group Holdings Limited (富臨集團控股有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 1443), since October 2014 and an independent non-executive director of Sunbase Corporation Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8501) since January 2018. In July 2005, Mr. Wu joined Tsit Wing International Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 2119)) and is currently its executive director, group chief operation officer and company secretary. Prior to that, he was an accountant of Hong Kong International Terminals Limited from April 2001 to June 2004 and practised as a certified public accountant at Deloitte Touche Tohmatsu from June 1997 to July 2000. These past and present positions have given Mr. Wu over 19 years of financial and accounting experience.

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

Mr. Lau Wai Hung (劉偉雄), aged 42, was appointed as an independent non-executive director on 17 January 2018. He is also Chairman of Remuneration Committee and members of the Audit Committee and Nomination Committee. He has over 20 years of experience in finance, accounting and auditing and corporate development advisory. Mr. Lau served as the financial controller and company secretary of Chanco International Group Limited (with its name changed to Ascent International Holdings Limited effective from 14 June 2016) (Stock code: 264) from July 2002 to April 2015. Mr. Lau obtained a Bachelor's degree of Business Administration from The Chinese University of Hong Kong in December 1997. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities and Investment Institute.

Mr. Chen Lei (陳磊), aged 31, was appointed as an independent non-executive director on 16 May 2018. He is also members of the Audit Committee, Remuneration Committee and Nomination Committee. He is currently the deputy general manager of 啟迪誠曉投資管理有限公司 (Qidi Chengxiao Investment Management Co., Ltd.*) and the general manager of the investment sector of 北京啟迪厚德投資管理有限公司 (Beijing Qidi Houde Investment Management Co., Ltd.*), each of them a company which engages in private fund management in the PRC. Prior to that, he has about 7 years of experience in private fund management from his past position in a private fund management company in the PRC where he was responsible for formation of fund, investment project and post-investment management. Mr. Chen obtained a Master of Science degree in Financial Economics in January 2010 from the University of Leicester in the United Kingdom.

SENIOR MANAGEMENT

The following are the senior management team of the Group:

Mr. Chong Ching Hoi (莊清凱), aged 35, joined the Group in March 2016 as the chief financial officer of the Group and he was appointed as our company secretary of the Company on 8 June 2016. He is mainly responsible for handling and overseeing the financial reporting, financial planning and reviewing internal control of our Group. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

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

Ms. Tong Sau Wai (湯秀慧), aged 35, is the operation and human resources manager of the Group. She joined the Group in August 2015 and has been mainly responsible for project management, supervising overall site and office activities, recruitment and human resources matters and staff administration of the Group. She obtained a Professional Diploma in Marketing Management from The Hong Kong Management Association in July 2009 and completed a course of instruction in Project Management Professional (PMP)® Preparation Course at Informatics Education (HK) Limited in March 2015. She has more than 10 years of experience in office administration and has involved in project management of various fixture installation and fit out work of shopping malls in, including but not limited to, Hong Kong, Macau and the PRC.

Mr. Yeung Yuen Wang (楊元宏), aged 32, is the project manager of the Group. He joined the Group in October 2013 as a project engineer. He is responsible for project management and supervising and overseeing site activities of the Group. Mr. Yeung obtained a Higher Diploma in Environmental Engineering and Energy Management from the Hong Kong Institute of Vocational Education in July 2008. He has more than 10 years of experience in the engineering and construction field. Before joining the Group, he worked at Perricom Pool Equipments & Engineering Company Limited from July 2008 to September 2013 with his last position being Assistant Project Manager.

* *For identification purpose only*

REPORT OF DIRECTORS

The directors of the Company (the "Directors") hereby presented their report and audited consolidated financial statements for the year ended 31 March 2018.

CORPORATE REORGANISATION

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

The companies now comprising the Company and its subsidiaries (the "Group") underwent a reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the prospectus issued by the Company dated 16 May 2017 (the "Prospectus"). The shares of the Company ("Shares") were listed on GEM of the Stock Exchange (the "Listing") on 26 May 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

For discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of business, discussion of the principal risks and uncertainties facing by the Group, its key relationship with employees, customers and suppliers and an indication of likely future developments in the Group's business, can be found in section "Management Discussion and Analysis" set out on pages 5 to 8 of this annual report and the discussion of its environmental policies and performance, can be found in section "Environmental, Social and Governance Report" of this annual report.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 March 2018 by operating segment is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

PAYMENT OF FINAL DIVIDEND

The Board do not recommend the payment of final dividend of the Company for the year ended 31 March 2018 (2017: Nil) to the shareholders of the Company.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 108 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 March 2018 in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements during the year ended 31 March 2018 in the share capital of the Company are set out in note 23 to the consolidated financial statements.

RESERVES

As at 31 March 2018, the Company's reserve available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK$61,241,000. Movement in reserves of Group during the year ended 31 March 2018 are set out on page 107 of this annual report.

EQUITY LINKED AGREEMENT

No equity-linked agreement was entered into by the Group; or existed during the year ended 31 March 2018.

SHARE OPTION SCHEME

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

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

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

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

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

No share option has been granted during the period from the date of adoption of the Share Option Scheme to 31 March 2018. The Company will consider to grant share options as incentive to any eligible personnel of the Group thereafter.

DISCLOSURE OF INTERESTS

(I) Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

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

Save as disclosed above, as at 31 March 2018, none of the Directors nor chief executive of the Company has registered an interest and short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 March 2018, the following persons/entities (other than the Directors and chief executive of the Company) had or deemed to taken to have an interest or short position in the Shares or underlying Shares or debentures of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

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

Notes:

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

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

Save as disclosed above, as at 31 March 2018, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MAJOR CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

During the year ended 31 March 2018, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 95.8% (2017: 91.7%) and 87.8% (2017: 65.0%), respectively, of the Group's total revenue for the year ended 31 March 2018. Purchases from the Group's five largest suppliers accounted for approximately 42.4% (2017: 44.2%) of the Group's total costs of services for the year ended 31 March 2018 and the purchase from the largest supplier included therein amounted to approximately 38.9% (2017: 37.1%). Sub-contracting fees paid to the Group's five largest sub-contractors accounted for approximately 33.1% (2017: 16.9%) of the Group's total costs of services for the year ended 31 March 2018 and the sub-contracting fee paid to the largest sub-contractor included therein amounted to approximately 24.3% (2017: 4.0%).

None of the Directors, or any of his close associates (as defined under the GEM Listing Rules) or the Company's shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers, suppliers or sub-contractors during the year ended 31 March 2018.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

DIRECTORS

The Directors up to the date of this report were:

Executive Directors

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

Non-executive Director

Ms. Wang Rui (Appointed on 17 January 2018)

Independent Non-executive Directors

Mr. Wu Kam On Keith
Mr. Lau Wai Hung (Appointed on 17 January 2018)
Mr. Chen Lei (Appointed on 16 May 2018)

During the year ended 31 March 2018 and up to the date of this report, Non-executive Directors, Mr. Tan Kean Ee and Mr. Chong Kam Fung resigned as Directors with effect from 25 October 2017 and 16 May 2018, respectively. And Independent Non-executive Directors, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack resigned as Directors with effect from 17 January 2018 and 16 May 2018, respectively.

Information regarding directors' emoluments is set out in note 11 to the consolidated financial statements. Annual confirmations of independence pursuant to the requirements under Rule 5.09 the GEM Listing Rules have been received from the Independent Non-executive Directors.

REPORT OF DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND CHANGES IN INFORMATION OF DIRECTORS

Updated biographical details of the Directors are set out on pages 31 to 33 of this annual report.

DIRECTORS' SERVICES CONTRACTS

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

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

DIRECTORS' RETIREMENT AND RE-ELECTION

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

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

In accordance with Article 83(3) of the Articles, Ms. Wang Rui, Mr. Lau Wai Hung and Mr. Chen Lei shall retire at the forthcoming annual general meeting of the Company. Mr. Ng Wan Lok and Ms. Wong Wing Hung shall retire by rotation at the forthcoming annual general meeting of the Company in accordance with Article 84 of the Articles. They are, being eligible, offer themselves for re-election at the said annual general meeting.

REPORT OF DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, CONTRACTS OF SIGNIFICANCE

Save as disclosed in Prospectus and elsewhere in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2018.

CONTROLLING SHAREHOLDERS' INTERESTS

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

EMOLUMENTS OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of Directors and the five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

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

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

COMPETING INTERESTS

The Directors are not aware of any business or interest of Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during the year ended 31 March 2018.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Harmony Asia International and Mr. Nam Ho Kwan, details of which were set out in the Prospectus has been fully complied and enforced for the year ended 31 March 2018. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the shareholders of the Company and the potential investors.

INTEREST OF COMPLIANCE ADVISER

As at 31 March 2018, except for (i) the participation of CLC International Limited ("CLC") as the sponsor in relation to the listing of the Company on GEM; (ii) the compliance adviser agreement entered into between the Company and CLC dated 26 January 2017; and (iii) the supplemental agreement to the compliance adviser agreement entered into between the Company and CLC dated 23 May 2017, neither CLC nor any of its directors, employees or close associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company not any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2018 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2018 as stated in the Prospectus	Actual business progress up to 31 March 2018
Strengthening of our industry position and expansion of our business	Undertake more projects and satisfy potential requirements of performance bond.	The Group has been identifying suitable business opportunities with potential customers and the Group has also committed to undertaking new projects. As at 31 March 2018, the Group has paid approximately HK$0.4 million to satisfy requirement of performance bond of new projects.
Repayment of bank borrowings	Repay outstanding amount under the bank borrowings advanced to our Group.	The Group has used approximately HK$7.6 million to repay the outstanding bank borrowings.
Strengthening our technical and project management capabilities	Recruit additional professional staff with relevant experience, including one chartered senior engineer, one quantity surveyor, one assistant project manager and two engineers.	The Group has added 10 headcounts of junior to senior level engineering staff to cope with its business development with additional staff costs of approximately HK$1.9 million. The Group regularly reviews the need for further recruitments to cope with the business development.
	Provide technical seminars and safety courses for our staff.	The Group has paid approximately HK$0.1 million for the reporting period to sponsor its engineering staff to attend technical seminars and safety courses organised by the third parties.
Establishing a Macau office/warehouse	Rent an office/a warehouse in Macau and renovate and purchase fixed assets for the newly leased office/warehouse.	The Group is in the process of identifying appropriate office/warehouse in Macau.
Purchase of tools and equipment	Purchase tools and equipment to enhance our high level working environment and improve our efficiency for the provision of installation services of Water Circulation Systems.	The Group is in the process of selecting tools and equipment.

USE OF PROCEEDS FROM LISTING

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

As at 31 March 2018, the net proceeds had been utilised as follows:

	Actual net proceeds	**Amount utilised as at 31 March 2018**	**Balance**
	HK$ million	*HK$ million*	*HK$ million*
Strengthening of the Group's industry position and expansion of business	19.4	0.4	19.0
Repayment of bank loans	7.6	7.6	–
Strengthening of the Group's technical and project management capabilities	3.6	2.0	1.6
Establishment of a Macau office/warehouse	2.5	–	2.5
Purchase of tools and equipment	1.6	–	1.6
General working capital	3.3	3.3	–
	38.0	13.3	24.7

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

The Group has established a set of risk management policies and measures. The Group's risk management process starts with identifying the major risks associated with its business, industry and market in the ordinary course of business. The Board and senior management are responsible for identifying and analysing the risk associated with their respective function, preparing and measuring risk mitigation plans and reporting the status of risk management.

For the year ended 31 March 2018, the Group had engaged an independent internal control consultant to review the effectiveness of the Group's internal control system regularly and directly report to the Audit Committee of the Company. For details, please refer to the paragraph headed "Internal Control and Risk Management" under the section headed "Corporate Governance Report" in this annual report.

PERMITTED INDEMNITY PROVISIONS

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

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

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2018 are set out in note 30 to the consolidated financial statements in this annual report. None of these related party transactions constituted a connected transaction as defined under the GEM Listing Rules for the year ended 31 March 2018.

SUFFICIENCY OF PUBLIC FLOAT

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

REPORT OF DIRECTORS

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by Deloitte Touche Tohmatsu ("DTT"). DTT shall retire in the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of DDT as auditor of the Company and authorize the Directors to fix their remuneration will be proposed at the said general meeting.

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed "Corporate Governance Report" on pages 9 to 18 of this annual report.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

No contracts concerning management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 March 2018.

CHARITABLE DONATIONS

During the year ended 31 March 2018, the Group has made charitable donations of HK$302,000 (2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2018 and up to the date of this Annual Report.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 28 August 2018, the register of members of the Company will be closed from Thursday, 23 August 2018 to Tuesday, 28 August 2018, both days inclusive, during which period no transfer of Shares will be registered. Shareholders of the Company are reminded to ensure all properly executed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30pm on Wednesday, 22 August 2018.

On behalf of the Board

Hao Bai International (Cayman) Limited
Nam Ho Kwan
Chairman

Hong Kong, 19 June 2018

Deloitte. 德勤

TO THE SHAREHOLDERS OF
HAO BAI INTERNATIONAL (CAYMAN) LIMITED
浩柏國際（開曼）有限公司
(Incorporated in Cayman Islands as an exempted company with limited liability)

OPINION

We have audited the consolidated financial statements of Hao Bai International (Cayman) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 52 to 107, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Revenue and profit recognition of management contracting services and amounts due from (to) customers for contract works	
We identified the revenue and profit recognition of management contracting services and amounts due from (to) customers for contract works as key audit matters due to the extent of significant degree of management's judgment on the estimation of the total outcome of construction contracts as well as the percentage of completion of construction works. The Group's revenue and segment profit from management contracting services amounted to approximately HK$129,668,000 and HK$24,575,000 respectively for the year ended 31 March 2018 as disclosed in note 6 to the consolidated financial statements. As disclosed in note 16 to the consolidated financial statements, the carrying amount of amounts due from customers for contract works amounted to approximately HK$79,655,000 in the consolidated statement of financial position at 31 March 2018.	Our procedures in relation to the revenue and profit recognition of management contracting services and amounts due from (to) customers for contract works included: • Understanding and testing of the Group's internal controls over the recognition of revenue and costs; • Evaluating the estimation of revenue and profit recognised on management contracting services, on a sample basis, by: – agreeing the total contract sum of the contracts and variation orders, if any, and budgeted costs to respective construction contracts or other correspondences and approved budgets; – understanding the process of estimating the total contract costs by discussing with the project managers of the Group who are responsible for the budgeting of projects; – evaluating the reasonableness of their total estimated contract costs, taking into account of factors including the profit margin, contract costs of similar projects from the Company and comparing the latest quotation by the major subcontractors/suppliers/vendors to the budgeted contract costs and actual contract costs comparing the estimated contract costs;

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Revenue and profit recognition of management contracting services and amounts due from (to) customers for contract works *(continued)*	
As set out in note 4 to the consolidated financial statements, the Group recognised contract revenue and profit of management contracting services by reference to the percentage of completion of the contract work based on the contract costs incurred for work performed to date relative to the estimated total contract costs. The Group estimated total contract costs, which mainly comprise costs for interior decorative materials, labour costs and subcontracting fees, based on quotations from time to time provided by the major subcontractors/suppliers/vendors and the experience of the management of the Group (taking into account of factors including the profit margin and contract costs of similar projects, which involve the management's best estimates and judgments). Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total contract costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.	– evaluating the reasonableness of percentage of completion by discussing with the project managers of the Group for on-site progress status of the projects and performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences, on a sample basis; and – checking the calculation of percentage of completion and contract revenue; • Assessing the appropriateness of the basis of deriving the amounts due from (to) customers for contract works by agreeing the amount of contract costs to supporting documents such as supplier invoices, and progress billings to invoices issued to customers, on a sample basis; and • Checking certificate payments subsequent to year end issued by customers, on a sample basis.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of trade debtors and retention receivables	
We identified the recoverability of trade debtors and retention receivables as a key audit matter due to the use of judgment and estimates by the management in assessing the recoverability of trade debtors and retention receivables. The carrying amount of trade debtors amounted to approximately HK$14,048,000 and the carrying amount of retention receivables amounted to approximately HK$9,968,000 were recorded as at 31 March 2018 and disclosed in note 17 to the consolidated financial statements. As set out in note 4 to the consolidated financial statements, in determining the impairment loss, the management carried out an assessment by taking into account of independent advice sought, the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade debtors and retention receivables.	Our procedures in relation to recoverability of trade debtors and retention receivables included: • Understanding the management's basis and assessment in relation to the recoverability of trade debtors and retention receivables; • Assessing the accuracy of the aged analysis of trade debtors and retention receivables by checking to the original invoices issued by the Group to the customers and by checking to the payment certificates/completion certificates for defects liability period, respectively, on a sample basis; • Evaluating the ageing analysis of the trade debtors and retention receivables at the end of the reporting period to challenge management's estimates on the credit quality of trade debtors and retention receivables; and • Evaluating the management assessment on the recoverability of trade debtors and retention receivables with reference to independent advice sought, the credit history including default or delay in payments, settlement records, subsequent settlements, aged analysis and the business relationship with the Group of each individual debtor which has overdue balance, on a sample basis.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Faith Corazon Del Rosario.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 June 2018

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	*5*	**130,886**	109,450
Cost of services		**(105,714)**	(81,996)
Gross profit		**25,172**	27,454
Other income	*7*	**74**	11
Administrative expenses		**(15,395)**	(11,292)
Listing expenses		**(4,373)**	(12,507)
Finance costs	*8*	**(1,393)**	(937)
Profit before tax		**4,085**	2,729
Income tax expense	*9*	**(1,102)**	(1,915)
Profit and total comprehensive income for the year	*10*	**2,983**	814
Earnings per share			
Basic *(HK cents)*	*13*	**0.24**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**910**	1,440
Payment for a life insurance policy	15	**2,650**	2,653
		3,560	4,093
CURRENT ASSETS			
Amounts due from customers for contract works	16	**79,655**	41,980
Trade and other debtors, deposits and prepayments	17	**32,272**	22,731
Pledged and restricted bank deposits	18	**2,733**	473
Bank balances and cash	18	**28,094**	1,058
		142,754	66,242
CURRENT LIABILITIES			
Amounts due to customers for contract works	16	**–**	341
Trade and other creditors and accrued expenses	19	**14,311**	14,514
Bank borrowings – due within one year	20	**24,950**	9,649
Obligations under finance leases	21	**277**	549
Taxation payable		**1,720**	2,481
Bank overdraft – secured	18	**7,705**	2,957
		48,963	30,491
NET CURRENT ASSETS		**93,791**	35,751
TOTAL ASSETS LESS CURRENT LIABILITIES		**97,351**	39,844

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	20	**1,993**	3,944
Obligations under finance leases	21	**–**	277
		1,993	4,221
		95,358	35,623
CAPITAL AND RESERVES			
Share capital	23	**13,000**	–
Reserves		**82,358**	35,623
		95,358	35,623

The consolidated financial statements on pages 52 to 107 were approved and authorised for issue by the Board of Directors on 19 June 2018 and are signed on its behalf by:

Mr. Nam Ho Kwan
DIRECTOR

Mr. Ng Wan Lok
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$'000 (Note i)	Retained profits HK$'000	Total HK$'000
At 1 April 2016	69	29,275	(16,790)	14,255	26,809
Issue of shares *(Note ii)*	9	7,991	–	–	8,000
Cancellation of shares *(Note 23, Note i)*	(78)	–	–	–	(78)
Issue of shares *(Note 23, Note i)*	–	78	–	–	78
Profit and total comprehensive income for the year	–	–	–	814	814
At 31 March 2017	–	37,344	(16,790)	15,069	35,623
Capitalisation issue of shares *(Note iii)*	9,750	(9,750)	–	–	–
Issue of shares by public offering *(Note iv)*	3,250	61,750	–	–	65,000
Share issuance expenses	–	(8,248)	–	–	(8,248)
Profit and total comprehensive income for the year	–	–	–	2,983	2,983
At 31 March 2018	**13,000**	**81,096**	**(16,790)**	**18,052**	**95,358**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

Notes:

(i) On 23 November 2015, Hao Bai International (Cayman) Limited (the "Company") was incorporated in Cayman Islands with an authorised share capital of United States dollar ("US$") 50,000 divided into 50,000 shares with a par value of US$1 each. One share of US$1 was issued and allotted to the initial subscriber, which was subsequently transferred to Harmony Asia International Limited ("Harmony Asia International"), a company wholly owned by Mr. Nam Ho Kwan, the executive director of the Company.

On 5 February 2016, a sale and purchase agreement was entered into between (a) Mr. Nam Ho Kwan; (b) Harmony Asia Holdings Company Limited ("Harmony Asia Holdings"); (c) Best Innovation (Hong Kong) Holdings Company Limited ("Best Innovation Holdings"); and (d) the Company, pursuant to which Mr. Nam Ho Kwan transferred to (i) Harmony Asia Holdings the entire issued shares legally and beneficially owned by Mr. Nam Ho Kwan in Harmony Asia Limited ("Harmony Asia"); and (ii) Best Innovation Holdings the entire issued shares legally and beneficially owned by Mr. Nam Ho Kwan in Best Innovation Limited ("Best Innovation Hong Kong"), a company incorporated in Hong Kong. The consideration for the acquisition of Harmony Asia was satisfied by the Company allotting and issuing 7,499 new shares, credited as fully paid, to Harmony Asia International. The consideration for the acquisition of Best Innovation Hong Kong was HK$1, which was satisfied in cash.

On 5 February 2016, a subscription agreement was entered into between (a) the Company; (b) Global Equity Value Fund SPC FRO Capital Fund I SP; and (c) Mr. Nam Ho Kwan, the executive director of the Company, pursuant to which Global Equity Value Fund SPC FRO Capital Fund I SP subscribed for 1,376 shares of the Company at a cash consideration of HK$10,000,000 in aggregate. The new shares rank *pari passu* with the then existing shares in all respects.

On 17 April 2015, Harmony Project Limited, on which Mr. Nam Ho Kwan has significant influence, was dissolved, resulting in a credit in other reserve for an amount due to Harmony Project Limited of HK$2,230,000.

(ii) On 8 April 2016, a subscription agreement was entered into between (a) the Company; (b) Morgan Star Investment Limited; and (c) Mr. Nam Ho Kwan, the director of the Company, pursuant to which Morgan Star Investment Limited subscribed for 1,124 shares of the Company at a cash consideration of HK$8,000,000 in aggregate. The new shares rank *pari passu* with the then existing shares in all respects.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before tax	**4,085**	2,729
Adjustments for:		
Depreciation of property, plant and equipment	**687**	692
Interest expenses	**1,393**	937
Amortisation of payment for a life insurance policy	**11**	11
Interest income	**(74)**	(9)
Operating cash flows before movements in working capital	**6,102**	4,360
Changes in amounts due from (to) customers for contract works	**(38,016)**	(25,541)
Increase in trade and other debtors, deposits and prepayments	**(7,291)**	(3,584)
(Decrease) increase in trade and other creditors and accrued expenses	**(203)**	9,160
Cash used in operations	**(39,408)**	(15,605)
Profits tax paid	**(1,863)**	(3,629)
NET CASH USED IN OPERATING ACTIVITIES	**(41,271)**	(19,234)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(157)**	(153)
Advances to staff	**(2,250)**	–
Placement of pledged and restricted bank deposits	**(2,733)**	(473)
Release of pledged and restricted bank deposits	**473**	1,833
Interest received	**66**	1
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(4,601)**	1,208

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	NOTE	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES			
New bank borrowings raised		**23,000**	15,000
Proceeds from issue of shares		**65,000**	8,000
Share issuance expenses paid		**(8,248)**	–
Repayment of bank borrowings		**(9,650)**	(12,646)
Repayment of finance leases		**(549)**	(551)
Interest paid		**(1,393)**	(937)
NET CASH FROM FINANCING ACTIVITIES		**68,160**	8,866
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**22,288**	(9,160)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**(1,899)**	7,261
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*18*	**20,389**	(1,899)
Represented by:			
Bank balances and cash		**28,094**	1,058
Bank overdraft		**(7,705)**	(2,957)
		20,389	(1,899)

1. GENERAL

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on the Stock Exchange. The directors of the Company consider the Company's immediate and ultimate holding company is Harmony Asia International Limited, a company incorporated in Samoa. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is located at Room 95-12, 12/F, No. 93–95 Lai Chi Kok Road, Prince Edward, Kowloon, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its major subsidiaries are provision of design, procurement and installation services of water circulation systems.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures relating to changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Amendments to HKAS 7 Disclosure Initiative *(continued)*

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 31. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 31, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

[1] *Effective for annual periods beginning on or after 1 January 2018.*

[2] *Effective for annual periods beginning on or after 1 January 2019.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (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.

Key requirements of HKFRS 9 which are relevant to the Group are:

- 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at 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.

- 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 *Financial Instruments: Recognition and Measurement*. 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.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

Loan and receivables carried at amortised cost as disclosed in note 17 are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

Payment for a life insurance policy as disclosed in note 15 will be classified as financial assets at fair value through profit or loss as contractual right to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal outstanding. Upon initial application of HKFRS 9, the directors of the Company do not anticipate a fair value gain or loss relating to the payment for a life insurance policy would be adjusted to the accumulated profits as at 1 January 2018 as they considered the carrying amount of the payment for a life insurance policy at 31 December 2017 approximate to its fair value upon initial application of HKFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

***HKFRS 9 Financial Instruments** (continued)*

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would have no significant difference as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other debtors. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 April 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes 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 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(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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 directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

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 and 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 operating lease payments as operating cash flows. Upon application of 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 cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$2,633,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have significant impact on the Group's consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. 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 these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are 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*.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, 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.

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

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 statement 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 expenses 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any. When 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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating 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 immediately in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for service provided in the normal course of business, net of discounts.

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

Consultancy and maintenance services income are recognised when services are provided.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

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

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

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

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

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 asset, 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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as expenses or capitalised in contracts in progress where appropriate, when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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 or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. 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 as 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 financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

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 payment for a life insurance policy, trade and other debtors and deposits, pledged and restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

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 default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other creditors, bank borrowings and bank overdraft) 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 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.

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Management contracting services

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

(b) Trade debtors and retention receivables

The management assesses the recoverability of trade debtors and retention receivables based on judgment and estimations. When determine the impairment loss, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of trade and retention receivables.

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 as 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 computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amounts of trade debtors is HK$14,048,000 (2017: HK$11,156,000), and the carrying amounts of retention receivables is HK$9,968,000 (2017: HK$10,104,000).

5. REVENUE

Revenue of the Group represents the fair value of amounts received and receivable from management contracting services and the gross proceeds received and receivable from consultancy services and maintenance services during the year and is analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from management contracting services	**129,668**	106,991
Revenue from consultancy services	**1,146**	2,279
Revenue from maintenance services	**72**	180
	130,886	109,450

6. SEGMENT INFORMATION

Information reported to the executive-directors of the Company, being the chief operating decision maker, is organised into divisions for the purposes of resource allocation and performance assessment focusing on the types of services delivered or provided. Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each reportable and operating segment without allocation of corporate income, administrative and listing expenses and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

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

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

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 March 2018

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE				
External sales	**129,668**	**1,146**	**72**	**130,886**
Segment profit	**24,575**	**576**	**21**	**25,172**
Corporate income				**74**
Administrative and listing expenses				**(19,768)**
Finance costs				**(1,393)**
Profit before tax				**4,085**

For the year ended 31 March 2017

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE				
External sales	106,991	2,279	180	109,450
Segment profit	26,196	1,128	130	27,454
Corporate income				11
Administrative and listing expenses				(23,799)
Finance costs				(937)
Profit before tax				2,729

6. SEGMENT INFORMATION (continued)

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

As at 31 March 2018

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	112,829	8	–	112,837
Pledged and restricted bank deposits				2,733
Bank balances and cash				28,094
Payment for a life insurance policy				2,650
Consolidated assets				146,314
LIABILITIES				
Segment liabilities	16,029	2	–	16,031
Bank borrowings				26,943
Obligations under finance leases				277
Bank overdraft				7,705
Consolidated liabilities				50,956

6. SEGMENT INFORMATION (continued)

As at 31 March 2017

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	66,143	8	–	66,151
Pledged and restricted bank deposits				473
Bank balances and cash				1,058
Payment for a life insurance policy				2,653
Consolidated assets				70,335
LIABILITIES				
Segment liabilities	17,334	2	–	17,336
Bank borrowings				13,593
Obligations under finance leases				826
Bank overdraft				2,957
Consolidated liabilities				34,712

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 March 2018

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Consolidated *HK$'000*
OTHER INFORMATION				
Additions to property, plant and equipment	**157**	**–**	**–**	**157**
Depreciation of property, plant and equipment	**687**	**–**	**–**	**687**

For the year ended 31 March 2017

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Consolidated *HK$'000*
OTHER INFORMATION				
Additions to property, plant and equipment	153	–	–	153
Depreciation of property, plant and equipment	692	–	–	692

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

	2018 ***HK$'000***	2017 *HK$'000*
Hong Kong	**120,649**	53,045
Macau	**10,237**	56,405
	130,886	109,450

6. SEGMENT INFORMATION (continued)

The following is an analysis of the carrying amounts of non-current assets, analysed by the geographical area in which the assets are located:

	2018 **HK$'000**	2017 *HK$'000*
Hong Kong	**902**	1,429
Macau	**8**	11
	910	1,440

Note: Non-current assets excluded payment for a life insurance policy.

Information about major customers

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

	2018 **HK$'000**	2017 *HK$'000*
Customer A	**114,892**	71,115
Customer B *(Note)*	**N/A**	12,883

Note: Revenue from Customer B is less than 10% of the total revenue of the Group for the year ended 31 March 2018.

7. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**66**	3
Interest income arising from deposit paid for life insurance policy	**8**	8
	74	11

8. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**1,366**	882
Interest on finance leases	**27**	55
	1,393	937

9. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**965**	–
Macau tax		
Current tax	**137**	1,915
Deferred taxation *(note 22)*	**–**	–
	1,102	1,915

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

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

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

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**4,085**	2,729
Tax charge at Hong Kong Profits Tax rate of 16.5%	**674**	450
Tax effect of expenses not deductible for tax purpose	**783**	2,203
Tax effect of income not taxable for tax purpose	**(104)**	(606)
Utilisation of tax losses previously not recognised	**(190)**	–
Tax effect of tax losses not recognised	**26**	170
Tax effect of different tax rates of subsidiary operating in other jurisdiction	**(87)**	(302)
Income tax expense for the year	**1,102**	1,915

Details of the deferred taxation are set out in note 22.

10. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**700**	700
Depreciation of property, plant and equipment	**687**	692
Amortisation of payment for a life insurance policy	**11**	11
Operating lease rentals	**1,810**	1,863
Staff costs		
Directors' emoluments *(note 11)*	**3,827**	3,040
Other staff costs:		
Salaries, discretionary bonus and other benefits	**9,819**	7,792
Retirement benefit scheme contributions	**386**	342
Total staff costs	**14,032**	11,174
Less: Amount capitalised in respect of contracts in progress	**(7,177)**	(5,569)
	6,855	5,605
Contract costs recognised as expenses	**105,093**	80,795
Net exchange loss	**–**	104

11. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Ng Wan Lok, Ms. Wong Wing Hung, Mr. Tan Kean Ee and Mr. Chong Kam Fung were appointed as directors of the Company on 8 June 2016. Mr. Wu Kam On Keith, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack were appointed as directors on 19 January 2017. The emoluments paid or payables to the directors and Chief Executive Officer of the Company (including emoluments for services as employee/directors of the group entities by entities comprising the Group for the year of 2017) during the year are as follows:

	Directors' fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2018				
Executive directors				
Mr. Nam Ho Kwan	–	1,818	18	1,836
Mr. Ng Wan Lok	–	574	18	592
Ms. Wong Wing Hung	–	594	18	612
Non-executive directors				
Mr. Tan Kean Ee *(Note i)*	90	–	–	90
Ms. Wang Rui *(Note iii)*	37	–	–	37
Mr. Chong Kam Fung *(Note iv)*	165	–	–	165
Independent non-executive directors				
Mr. Wu Kam On Keith	165	–	–	165
Ms. Chan So Fong *(Note ii)*	128	–	–	128
Mr. Kwong Tsz Ching Jack *(Note iv)*	165	–	–	165
Mr. Lau Wai Hung *(Note iii)*	37	–	–	37
	787	2,986	54	3,827

11. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Year ended 31 March 2017				
Executive directors				
Mr. Nam Ho Kwan	–	1,818	18	1,836
Mr. Ng Wan Lok	–	574	18	592
Ms. Wong Wing Hung	–	594	18	612
Non-executive directors				
Mr. Tan Kean Ee	–	–	–	–
Mr. Chong Kam Fung	–	–	–	–
Independent non-executive directors				
Mr. Wu Kam On Keith	–	–	–	–
Ms. Chan So Fong	–	–	–	–
Mr. Kwong Tsz Ching Jack	–	–	–	–
	–	2,986	54	3,040

Notes:

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

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

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

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

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

Mr. Nam Ho Kwan is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Executive Officer for the year.

11. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid individuals in the Group included three directors (2017: three directors). Details of the emoluments for these directors are set out in note 11(a) above.

The aggregate emoluments of the remaining highest paid individuals for the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries and other benefits	**1,800**	1,575
Discretionary bonus	**–**	–
Retirement benefit scheme contributions	**36**	32
	1,836	1,607

Their emoluments were within the following band:

	Number of employees	
	2018	2017
Not exceeding HK$1,000,000	**2**	2

During the year, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

No dividend was declared or proposed by the directors of the Company for the year ended 31 March 2018 (2017: Nil), nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share during the year is based on the number of shares that would have been outstanding for the relevant year assuming that the capitalisation issue of shares as detailed in note 23 had been effective on 1 April 2016.

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit for the year for the purpose of calculating earnings per share	**2,983**	814

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,251,027,000**	972,898,000

No diluted earnings per share was presented as there was no dilutive potential ordinary share in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$'000*	Furniture and fixture *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 April 2016	6	26	592	2,748	3,372
Additions	–	25	82	46	153
At 31 March 2017	6	51	674	2,794	3,525
Additions	–	–	97	60	157
At 31 March 2018	**6**	**51**	**771**	**2,854**	**3,682**
DEPRECIATION					
At 1 April 2016	6	4	198	1,185	1,393
Provided for the year	–	10	124	558	692
At 31 March 2017	6	14	322	1,743	2,085
Provided for the year	–	10	129	548	687
At 31 March 2018	**6**	**24**	**451**	**2,291**	**2,772**
CARRYING VALUES					
At 31 March 2018	**–**	**27**	**320**	**563**	**910**
At 31 March 2017	–	37	352	1,051	1,440

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of the term of the lease or 5 years
Furniture and fixture	20%
Office equipment	20%
Motor vehicles	20%

The net book value of motor vehicles of HK$563,000 (2017: HK$1,051,000) includes an amount of HK$391,000 (2017: HK$887,000) in respect of assets held under finance leases.

15. PAYMENT FOR A LIFE INSURANCE POLICY

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

At the inception date, the upfront payment paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expenses and insurance charges will be incurred over the insurance period according to the terms set out in the policy. The policy premium, expense and insurance charges are amortised to profit or loss over the expected life of policy and the deposit placed is carried at amortised cost using the effective interest method. As represented by the directors of the Company, the Group will not terminate the policies nor withdraw cash prior to the fifteenth policy year for the insurance policy and the expected life of the policies remained unchanged from the initial recognition. The balance of payments for life insurance policy is denominated in US$, being a currency other than the functional currency of Harmony Asia.

Particulars of the policy are as follows:

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

16. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2018	2017
	HK$'000	*HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred	**308,291**	211,522
Recognised profits less recognised losses	**120,439**	87,723
	428,730	299,245
Less: Progress billings	**(349,075)**	(257,606)
	79,655	41,639
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**79,655**	41,980
Amounts due to customers for contract works	**–**	(341)
	79,655	41,639

At the end of the reporting period, retention held by customers for contract works amounted to HK$9,968,000 (2017: HK$10,104,000), which are set out in note 17.

17. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	2018 **HK$'000**	2017 *HK$'000*
Trade debtors	**14,048**	11,156
Retention receivables *(Note i)*	**9,968**	10,104
Advances to staff *(Note ii)*	**2,250**	–
Pledged deposits to an insurance company *(Note iii)*	**757**	352
Other debtors, deposits and prepayments	**5,249**	1,119
	32,272	22,731

Notes:

(i) Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from one to two years from the date of the completion of the respective projects.

(ii) Advances to staff are unsecured, interest-free and repayable on demand, which consist of advances to executive directors Mr. Ng Wan Lok and Ms. Wong Wing Hung for approximately HK$750,000 (Maximum amount outstanding during the year: HK$750,000) and HK$500,000 (Maximum amount outstanding during the year: HK$500,000), respectively.

(iii) Pledged deposits of approximately HK$757,000 (2017: HK$352,000) to an insurance company is the security for issuance of performance bonds in respect of construction contracts with prevailing market rates ranging from 0.05% to 0.10% (2017: 0.05% to 0.10%) per annum.

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

	2018 **HK$'000**	2017 *HK$'000*
On demand or within one year	**2,550**	2,820
After one year	**7,418**	7,284
	9,968	10,104

Trade debtors mainly arise from management contracting business. The Group's credit terms for its management contracting business are negotiated at terms determined and agreed with its trade customers. The credit periods are ranging from 30 to 60 days.

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

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

	2018	2017
	HK$'000	HK$'000
Within 30 days	12,449	7,347
More than 30 days and within 60 days	212	34
More than 60 days	1,387	3,775
	14,048	11,156

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

The following is an ageing analysis of trade debtors which are past due but not impaired:

	2018	2017
	HK$'000	HK$'000
More than 30 days and within 60 days	212	34
More than 60 days	1,387	3,775
	1,599	3,809

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The directors of the Company considers that there has not been a significant change in credit quality of the trade debtors and there is no recent history of default, therefore the amounts are considered recoverable. The Group does not hold any collateral over these balances.

All of the trade debtors that are neither past due nor impaired have no default payment history.

18. PLEDGED AND RESTRICTED BANK DEPOSITS, BANK BALANCES AND CASH AND BANK OVERDRAFT

	2018	2017
	HK$'000	*HK$'000*
Pledged bank deposits *(note i)*	**2,506**	–
Restricted bank deposits *(note ii)*	**227**	473
Short-term time deposits *(note iii)*	**20,000**	–
Bank balances and cash	**8,094**	1,058
Bank overdraft *(note iv)*	**(7,705)**	(2,957)
	23,122	(1,426)
Less: Pledged and restricted bank deposits	**(2,733)**	(473)
Cash and cash equivalents	**20,389**	(1,899)

Notes:

(i) The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group with maturity within one year from the end of the reporting period and are therefore classified as current assets. The pledged bank deposits carry fixed interest rates 0.50% per annum at 31 March 2018 (2017: nil).

(ii) The restricted bank deposits represent cash held at banks as security for due performance under several management contracting work with prevailing market rates ranging from 0.05% to 0.10% at 31 March 2018 (2017: 0.05% to 0.10%) per annum.

(iii) The short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rate at 0.65% per annum (2017: nil).

(iv) As at 31 March 2018, the bank overdraft carries interest rate of 1.75% over the prime rate per annum. The bank overdraft of approximately HK$6,765,000 is secured by the pledged bank deposit of approximately HK$2,506,000.

As at 31 March 2017, the bank overdraft carries interest rates 1.50% over the prime rate per annum. The bank overdraft of approximately HK$2,121,000 is secured by personal bank deposit of approximately HK$2,500,000 of Mr. Nam Ho Kwan and guaranteed by Mr. Nam Ho Kwan and Mr. Ng Wan Lok for approximately HK$7,000,000 each. These personal bank deposit and personal guarantees were released during the year ended 31 March 2018.

Another bank overdraft of HK$940,000 (2017: HK$836,000) carries interest rate of 1.50% over the prime rate per annum (2017: 1.50% over prime rate per annum) is secured by restricted bank deposits.

18. PLEDGED AND RESTRICTED BANK DEPOSITS, BANK BALANCES AND CASH AND BANK OVERDRAFT (continued)

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

	2018	2017
	HK$'000	*HK$'000*
MOP	**150**	1,017
US$	**8**	10

19. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Trade creditors	**11,836**	9,452
Accrued listing expenses	**–**	3,095
Other creditors and accrued expenses	**2,475**	1,967
	14,311	14,514

The credit period on trade creditors is 30–90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The ageing analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**1,486**	2,544
More than 30 days and within 60 days	**1,089**	637
More than 60 days	**9,261**	6,271
	11,836	9,452

20. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank borrowings		
Secured	**25,853**	9,993
Unsecured	**1,090**	3,600
	26,943	13,593

The bank borrowings are repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
On demand or within one year	**24,950**	9,649
More than one year, but not exceeding two years	**–**	1,951
More than five years	**1,993**	1,993
	26,943	13,593
Less: Amount due within one year shown under current liabilities	**(24,950)**	(9,649)
Amount due after one year shown under non-current liabilities	**1,993**	3,944

Except for bank borrowings of HK$1,993,000 (2017: HK$1,993,000) which are denominated in US$, all the bank borrowings are denominated in HK$. The bank borrowings carry floating interest rates ranging from 3.35% to 5.75% (2017: 2.43% to 5.75%) per annum based on prime rate or London Interbank Offered Rate ("LIBOR") or Hong Kong Interbank Offered Rate ("HIBOR") plus a spread.

As at 31 March 2018, bank borrowing amounting to HK$23,860,000 is secured by pledged bank deposit of HK$2,506,000 and guaranteed by the Company for HK$37,000,000.

As at 31 March 2017, bank borrowing amounting to HK$7,842,000 is secured by personal bank deposit of HK$2,500,000 of Mr. Nam Ho Kwan and guaranteed by Mr. Nam Ho Kwan and Mr. Ng Wan Lok for HK$7,000,000 each. These personal bank deposit and personal guarantees were released during the year ended 31 March 2018.

20. BANK BORROWINGS (continued)

Another bank borrowing amounting to HK$1,090,000 (2017: HK$3,600,000) is guaranteed by the Company for HK$5,000,000 (2017: guarantee by Mr. Nam Ho Kwan for HK$5,000,000).

As at 31 March 2017, bank borrowing amounting to HK$158,000 is secured by pledged and restricted bank deposits of HK$473,000.

As at 31 March 2018, bank borrowing amounting to HK$1,993,000 (2017: HK$1,993,000) is secured by payment for a life insurance policy as disclosed in note 15.

21. OBLIGATIONS UNDER FINANCE LEASES

	2018 ***HK$'000***	2017 *HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**277**	549
Non-current liabilities	**–**	277
	277	826

The Group has leased certain of its motor vehicles under finance leases. The lease term ranges from four to five years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 6.54% (2017: ranging from 4.75% to 6.54%) per annum. These leases have no terms of renewal or purchase options and escalation clauses.

21. OBLIGATIONS UNDER FINANCE LEASES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Obligations under finance leases payable:				
Within one year	**281**	576	**277**	549
Within a period of more than one year but not more than two years	**–**	281	**–**	277
	281	857	**277**	826
Less: future finance charges	**(4)**	(31)	**N/A**	N/A
Present value of lease obligations	**277**	826	**277**	826
Less: Amount due for settlement with twelve months (shown under current liabilities)			**(277)**	(549)
Amount due for settlement after twelve months			**–**	277

22. DEFERRED TAXATION

The Group's deferred tax liability/asset recognised relating to tax loss and accelerated tax deprecation of property, plant and equipment and movement thereon during the year is as follows:

	Tax loss	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2016	(182)	182	–
Charge (credit) to profit or loss	1	(1)	–
At 31 March 2017	(181)	181	–
Charge (credit) to profit or loss	39	(39)	–
At 31 March 2018	**(142)**	**142**	**–**

22. DEFERRED TAXATION (continued)

The Group has unused estimated tax losses of HK$2,533,000 (2017: HK$3,769,000) available to offset against future profits. Deferred taxation assets have been recognised in respect of HK$861,000 (2017: HK$1,097,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining HK$1,672,000 (2017: HK$2,672,000) due to the unpredictability of future profit streams.

23. SHARE CAPITAL

For the purpose of this consolidated financial statements, the issued capital of the Group as at 1 April 2016 represents the share capital of the Company of 8,876 shares of US$1 each. The issued capital of the Group as at 31 March 2017 represents the share capital of the Company of 10,000 shares of HK$0.01 each.

The movement in the Company's authorised and issued ordinary share capital are as follows:

	Nominal value per share	Number of shares
Ordinary shares		
Authorised:		
At 1 April 2016	US$1	50,000
Cancellation of shares *(Note i)*	US$1	(50,000)
Creation of shares *(Note i)*	HK$0.01	2,000,000,000
At 31 March 2017 and 31 March 2018	**HK$0.01**	**2,000,000,000**

	Nominal value per share	Number of shares	Share capital	
			US$'000	*HK$'000*
Issued and fully paid:				
At 1 April 2016	US$1	8,876	9	69
Issue of shares on 8 April 2016	US$1	1,124	1	9
Cancellation of shares on 19 January 2017 *(Note i)*	US$1	(10,000)	(10)	(78)
Issue of shares on 19 January 2017 *(Note i)*	HK$0.01	10,000		–
At 31 March 2017	HK$0.01	10,000		–
Capitalisation Issue of shares *(Note ii)*	HK$0.01	974,990,000		9,750
Issue of shares by public offering *(Note iii)*	HK$0.01	325,000,000		3,250
At 31 March 2018	**HK$0.01**	**1,300,000,000**		**13,000**

23. SHARE CAPITAL (continued)

Notes:

(i) On 19 January 2017, the Company increased its authorised share capital by HK$20,000,000 by the creation of 2,000,000,000 shares of par value HK$0.01 each (the "Increase"). Following the Increase, the Company allotted and issued 7,500 nil paid shares, 1,376 nil paid shares and 1,124 nil paid shares to Harmony Asia International, Global Equity Value Fund SPC FRO Capital Fund I SP and the Morgan Star Investment Limited respectively, for an aggregate price of US$10,000 (the "Subscription Price").

On 19 January 2017, the Company repurchased all the existing 10,000 shares of US$1.00 each (the "Existing Shares") for an aggregate price of US$10,000 (the "Repurchase Price"), which was offset against the Subscription Price, following which all the Existing Shares were cancelled and the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value of US$1.00 each in the share capital of the Company, and the authorised share capital of the Company became HK$20,000,000 divided into 2,000,000,000 shares of nominal value of HK$0.01 each.

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

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

24. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes the bank borrowings disclosed in note 20, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**65,411**	26,716
Financial liabilities		
Amortised cost	**46,484**	29,097

(b) Financial risk management objectives and policies

The Group's major financial instruments include payment for a life insurance policy, trade debtors and other debtors and deposits, pledged and restricted bank deposits, bank balances and cash, trade and other creditors, bank borrowings and bank overdraft. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risks

(i) Currency risk

Several subsidiaries of the Company have bank balances and cash, bank overdraft and bank borrowing denominated in foreign currencies, which expose the Group to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities as at the reporting dates are as follows:

	2018 HK$'000	2017 HK$'000
Assets		
MOP	**150**	1,017
US$	**2,525**	2,519
Liability		
US$	**1,993**	1,993

As most of the Group's foreign currency denominated monetary assets are denominated in US$ and MOP and Hong Kong dollars is pegged to US$ while MOP is pegged to Hong Kong dollars, the Group's foreign currency risk exposure is not considered to be significant.

25. FINANCIAL INSTRUMENTS (continued)

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

***Market risks** (continued)*

(ii) Interest rate risk

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

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in interest rates for bank borrowings is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on bank borrowings had been 50 basis points (2017: 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$112,000 (2017: HK$57,000).

The Group is also exposed to cash flow interest rate risk due to the fluctuation of prevailing market interest rate on bank balances. The Group considered interest rate fluctuation on these bank deposits and balances is insignificant.

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's bank balances as the directors of the Company consider that the exposure is minimal.

25. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group has significant concentration of credit risk in a few customers. At the end of the reporting period, the outstanding balances from the five largest customers, which have been included in trade debtors and retention receivables, amounted to approximately HK$20,758,000 (2017: HK$15,362,000) in aggregate, of which represents approximately 86% (2017: 72%) of the total trade debtors. In view of their credit standings, good payment record in the past and long term relationships with the Group, the directors of the Company considers that the Group's credit risk is not material.

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

Other than the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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

25. FINANCIAL INSTRUMENTS (continued)

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

***Liquidity risk** (continued)*

	Weighted average interest rate %	On demand or within 90 days *HK$'000*	91 days– 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flow *HK$'000*	Total carrying amount *HK$'000*
At 31 March 2018						
Trade creditors	–	4,125	7,711	–	11,836	11,836
Bank overdraft	6.72	7,705	–	–	7,705	7,705
Bank borrowings	5.57	23,928	1,061	2,071	27,060	26,943
		35,758	8,772	2,071	46,601	46,484
Obligations under finance leases	6.54	121	160	–	281	277
		35,879	8,932	2,071	46,882	46,761

	Weighted average interest rate %	On demand or within 90 days *HK$'000*	91 days– 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flow *HK$'000*	Total carrying amount *HK$'000*
At 31 March 2017						
Trade creditors and other payables	–	7,701	4,846	–	12,547	12,547
Bank overdraft	6.75	2,957	–	–	2,957	2,957
Bank borrowings	5.25	6,988	2,865	3,982	13,835	13,593
		17,646	7,711	3,982	29,339	29,097
Obligations under finance leases	6.29	152	424	281	857	826
		17,798	8,135	4,263	30,196	29,923

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

25. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

26. RETIREMENT BENEFIT SCHEMES

The Group participates defined contribution retirement benefit schemes for qualifying employees in Hong Kong. The assets of the schemes are separately held in funds under the control of trustees. The cost charged to the consolidated statement of profit or loss and other comprehensive income represents contributions payable to the funds by the Group at rates specified in the rules of the schemes.

Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. During the year, there were no material forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

With effect from 28 July 2009, the Group has joined a Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Under the MPF Scheme, there will not be any forfeited contribution available to reduce the contribution payable by the Group.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at the rates specified in the rules of the scheme.

The Group participates a defined contribution retirement scheme for eligible employee in Macau. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

During the year ended 31 March 2018, the Group made contributions to the retirement benefit schemes of approximately HK$440,000 (2017: HK$396,000).

27. PLEDGE OF ASSETS

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

	2018	2017
	HK$'000	*HK$'000*
Pledged and restricted bank deposits	**2,733**	473
Pledged deposits to an insurance company	**757**	352
Payment for a life insurance policy	**2,650**	2,653
	6,140	3,478

28. CONTINGENT LIABILITIES

	2018	2017
	HK$'000	*HK$'000*
Indemnities issued to banks and an insurance company for performance bonds in respect of construction contracts	**1,928**	1,464

29. OPERATING LEASE COMMITMENTS

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**1,357**	1,609
In the second to fifth year inclusive	**1,276**	383
	2,633	1,992

Leases in respect of premises are negotiated, and monthly rentals are fixed, for terms ranging from one to two years at the end of the reporting period.

30. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following transactions with its related parties during the year:

As at 31 March 2017, bank borrowing and bank overdraft amounting to HK$7,842,000 and HK$2,121,000, respectively are secured by personal bank deposit of HK$2,500,000 of Mr. Nam Ho Kwan and guaranteed by Mr. Nam Ho Kwan and Mr. Ng Wan Lok for HK$7,000,000 each. Another bank borrowing amounting to HK$3,600,000 was guaranteed by Mr. Nam Ho Kwan for HK$5,000,000. These personal bank deposit and personal guarantees were released during the year ended 31 March 2018.

(b) The remuneration of key management during the year was as follows:

	2018	2017
	HK$'000	*HK$'000*
Short-term employee benefits	**2,986**	2,986
Post-employment benefits	**54**	54
	3,040	3,040

(c) The details of the advances to executive directors, Mr. Ng Wan Lok and Ms. Wong Wing Hung are disclosed in note 17.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place and date of incorporation	Place of operation	Issued and fully paid share capital/ quota capital	Equity interest attributable to the Group as at 31 March		Principal activities
				2018	2017	
Best Innovation Holdings*	Samoa, 1 January 2016	Hong Kong	US$1,000,000	**100%**	100%	Investment holding
Best Innovation Holdings Company Limited*	Samoa, 16 December 2015	Hong Kong	US$1,000,000	**100%**	100%	Investment holding
Best Innovation Hong Kong	Hong Kong, 15 September 2009	Hong Kong	HK$100,000	**100%**	100%	Provision of consultancy service
Best Innovation Macau	Macau, 17 September 2014	Macau	MOP25,000	**100%**	100%	Installation service of water circulation system
Future Pop Limited	British Virgin Islands, 16 October 2017	Hong Kong	US$1	**100%**	–	Investment holding
Harmony Asia Holdings*	Samoa, 16 December 2015	Hong Kong	US$1,000,000	**100%**	100%	Investment holding
Harmony Asia	Hong Kong, 3 November 2006	Hong Kong	HK$200,000	**100%**	100%	Provision of design, procurement and installation service of water circulation system
Hong Kong Yepsince Group Limited	Hong Kong, 6 April 2017	Hong Kong	HK$10,000	**100%**	–	Inactive
Zhenxingyuan Trade Company Limited	Hong Kong, 3 April 2017	Hong Kong	HK$10,000	**100%**	–	Inactive

* *Directly held by the Company*

None of subsidiaries had issued any debt securities at the end of the year.

33. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT ASSET		
Investments in subsidiaries	**37,344**	37,344
CURRENT ASSETS		
Deposit paid	**2,363**	–
Amounts due from subsidiaries	**7,919**	–
Bank balances and cash	**26,615**	–
	36,897	–
CURRENT LIABILITIES		
Other creditors and accrued expenses	**–**	3,396
Amount due to a subsidiary	**–**	12,007
	–	15,403
NET CURRENT ASSETS (LIABILITIES)	**36,897**	(15,403)
TOTAL ASSETS LESS CURRENT LIABILITIES	**74,241**	21,941
CAPITAL AND RESERVES		
Share capital	**13,000**	–
Reserves	**61,241**	21,941
TOTAL EQUITY	**74,241**	21,941

33. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2016	29,275	(2,597)	26,678
Issue of shares	8,069	–	8,069
Loss and total comprehensive expense for the year	–	(12,806)	(12,806)
At 31 March 2017	37,344	(15,403)	21,941
Capitalisation Issue of shares	(9,750)	–	(9,750)
Issue of shares by public offering	61,750	–	61,750
Share issuance expenses	(8,248)	–	(8,248)
Loss and total comprehensive expense for the year	–	(4,452)	(4,452)
At 31 March 2018	**81,096**	**(19,855)**	**61,241**

FINANCIAL SUMMARY

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

RESULTS

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

ASSETS AND LIABILITIES

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