The background of the cover is an aerial photograph of a tropical coastline, showing a mix of dark green land and light blue water. A large, circular inset in the center-right of the page shows a close-up of water with concentric ripples, suggesting a drop of water hitting the surface. The text 'ANNUAL REPORT 2021/22' is positioned on the left side of the page, in a clean, blue, sans-serif font.

ANNUAL
REPORT
2021/22

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)

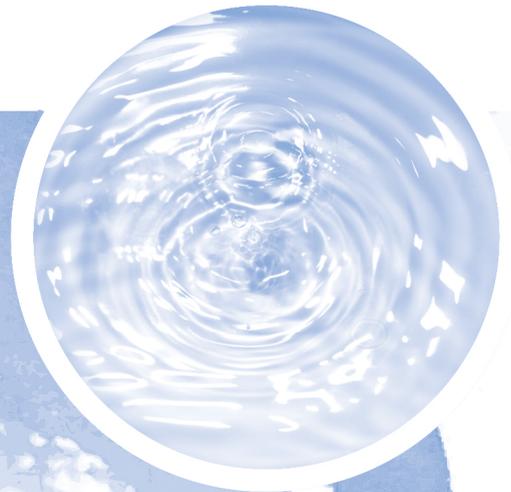
CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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
Mr. Wang Xinliang (Appointed on 3 January 2022)
Mr. Wong Terence Kwong Lung
(Appointed on 3 January 2022 and
resigned on 19 July 2022)
Ms. Wang Rui (Resigned on 28 April 2022)

Independent non-executive Directors

Mr. Ng Kam Tsun
(Appointed on 30 September 2021)
Mr. Ma Meng (Appointed on 3 January 2022)
Mr. Li Ruyi (Appointed on 7 January 2022)
Dr. Lam King Sun Frankie (Resigned on 23 August 2021)
Mr. Chen Lei (Resigned on 8 October 2021)

COMPANY SECRETARY

Mr. Lee Kun Yin (Appointed on 15 July 2021)
Mr. Chong Ching Hoi (Resigned on 15 April 2021)

COMPLIANCE OFFICER

Ms. Wong Wing Hung

AUTHORISED REPRESENTATIVES

Mr. Nam Ho Kwan
Mr. Ng Wan Lok (Appointed on 15 April 2021)

AUDIT COMMITTEE

Mr. Ng Kam Tsun
(Appointed on 30 September 2021)
(*Chairman of Audit Committee*)
Mr. Ma Meng (Appointed on 3 January 2022)
Mr. Li Ruyi (Appointed on 7 January 2022)
Dr. Lam King Sun Frankie (Resigned on 23 August 2021)
Mr. Chen Lei (Resigned on 8 October 2021)

REMUNERATION COMMITTEE

Mr. Ng Kam Tsun
(Appointed on 30 September 2021)
(*Chairman of Remuneration Committee*)
Mr. Ma Meng (Appointed on 3 January 2022)
Mr. Li Ruyi (Appointed on 7 January 2022)
Dr. Lam King Sun Frankie (Resigned on 23 August 2021)
Mr. Chen Lei (Resigned on 8 October 2021)

NOMINATION COMMITTEE

Mr. Nam Ho Kwan (*Chairman of Nomination Committee*)
Mr. Ng Kam Tsun
(Appointed on 30 September 2021)
Mr. Ma Meng (Appointed on 3 January 2022)
Mr. Li Ruyi (Appointed on 7 January 2022)
Dr. Lam King Sun Frankie (Resigned on 23 August 2021)
Mr. Chen Lei (Resigned on 8 October 2021)

AUDITOR

CCTH CPA Limited
Certified Public Accountants and Registered PIE Auditor

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

Unit 1B, 10/F, Elite Industrial Centre
No. 883 Cheung Sha Wan Road
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
17/F, Far East Finance Centre
16 Harcourt Road
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 2022.

REVIEW AND RESULTS

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

During the year ended 31 March 2022, the total revenue of the Group decreased by approximately HK\$20.1 million or 75.7% from approximately HK\$26.6 million for the year ended 31 March 2021 to approximately HK\$6.5 million for the year ended 31 March 2022.

The Group's net loss increased from approximately HK\$28.9 million for the year ended 31 March 2021 to approximately HK\$30.4 million for the year ended 31 March 2022.

OUTLOOK

The outlook for 2022/2023 is full of uncertainties and the onslaught of the fifth wave of the epidemic has dealt a heavy blow to our business. Despite the impact the pandemic has had on the industry, the situation in Hong Kong has improved recently. The Board believes that the existing policies and systems developed by the newly elected HKSAR government is more than equipped to deal with any future and potential virus outbreaks within the community and is optimistic for the industry's future in Hong Kong.

The high labour cost and shortage of experienced labour caused by reduced labour mobility in light of the travel restrictions due to the coronavirus pandemic between Hong Kong, Macau and mainland China are amongst the challenges which industry peers have faced. It is expected that the Group will continue to face such intense competition to secure projects amid the downturn of economy while senior management will closely monitor the progress and project costs in order to enhance our competitiveness in securing projects.

The persisting challenge from the pandemic outbreak and the social-distancing measures is expected to continue disrupting business operations of the Group in 2022. To position us in the best of financial and operational health to counter the challenges posed by COVID-19, the Group has shifted its strategy and operations to ensure effective business continuity and evolution in this new rhythm of business. We have taken measures to the greatest extent in protecting the health of our staff including promoting vaccination among our colleagues.

The Company will continue to review its existing business on a regular basis and is committed to improve the business operations and financial position of the Group, while trying to identify potential business and investment opportunities to expand its source of income. In addition, riding on our solid experience in design, procurement and installation services of water circulation system and our established business connections with various main contractors and property developers in the industry, the Directors will continue to keep track of the economic environment and evaluate its business strategies to adapt the challenging market in order to enhance the Group's long-term potential growth in the future and generate the best returns to the shareholders.

CHAIRMAN'S STATEMENT

FUTURE PROSPECTS

The Company aims to expand its business operations into the Greater Bay Area (GBA) while continuing to participate in the tendering process with various construction or property development companies in Hong Kong. The Company's management team will spend more time in the GBA to proactively target certain companies for joint venture, business collaboration and investment opportunities.

The Group forecasts to have approximately over HK\$30 million of revenue recognised within the next 18 to 24 months based on the 4 current management contracting projects. Furthermore, we will explore funding sources to enhance the financial position of the Company. The Group will continue, in the best interests of the Company and the Shareholders as a whole, endeavor fund-raising alternatives to strengthen the capital base and support the continuing growth of the Company.

Overall, the Board considered that the Company has a viable and sustainable business with a sufficient level of operations and assets to support its operations to meet requirement of the GEM Listing Rules.

A NOTE OF APPRECIATION

On behalf of the Board, I would like 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, 31 August 2022

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, water curtains and etc. We provide services mainly to developers, main contractors and subcontractors in various private residential projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau. Our services are mainly categorised as (i) management contracting services – design, procurement and installation of water circulation systems, (ii) consultancy services – provision of consultancy services on water circulation systems and (iii) maintenance services – provision of maintenance and repair services for water circulation systems. For the year ended 31 March 2022, the Group had 7 management contracting projects (2021: 20 management contracting projects) with revenue contribution.

The COVID-19 outbreak has a material impact on the Group's operations and financial position for the year ended 31 March 2022. The social distancing restrictions and requirement have been and continued to be modified by the government from time to time as COVID-19 developments unfold. The disruption from the COVID-19 outbreak is expected to persist in the near future and recovery from such disruption is expected to be slow. The Group has shifted its strategy and operations to ensure effective business continuity and evolution in this new rhythm of business.

During the Reporting Period, the Group's net loss increased from approximately HK\$28.9 million for the year ended 31 March 2021 to approximately HK\$30.4 million for the year ended 31 March 2022. The Group's net loss was mainly attributable to the write-off of certain contract assets and other receivables. Substantial drop of revenue recorded by the Group this year was due to Hong Kong experiencing a historic economic downturn in the past 12 months.

Looking forward, given the uncertainty of COVID-19, it is expected that the pandemic will continue to affect the business environment in Hong Kong and Macau in the near future. The high labour cost and shortage of experienced labour caused by reduced labour mobility in light of the travel restrictions due to COVID-19 between Hong Kong, Macau and mainland China are amongst the challenges which industry peers have faced. It is expected that the Group will face such intense competition to secure projects while we will closely monitor the progress and costs of the projects in order to enhance our competitiveness.

We have also taken measures in protecting the health of our staff. To position us in the best of financial and operational health to counter the challenges posed by COVID-19, we have streamlined to improve the existing operations. In addition, we have held cost reduction programs to minimize cashflows, remuneration, staff costs general expenses while taking considerable efforts to control capital expenditures.

Although the Directors remain confident in the long term business outlook of Hong Kong and Macau and also the performance of the Group, the financial results of the Group in the near future may potentially be affected as a result of the adversities.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to explore opportunities in order to diversify or expand our businesses in Hong Kong, Macau and Mainland China respectively. The Directors will also evaluate its business strategies on a regular basis while any potential business opportunities will be discussed and reviewed internally. Business decisions are made in the view of improving the Group's short and long term potential growth while we will continue to leverage our network to enhance our financial positions for our shareholders and stakeholders.

FINANCIAL REVIEW

Revenue

Our total revenue decreased by approximately HK\$20.1 million or 75.7% from approximately HK\$26.6 million for the year ended 31 March 2021 to approximately HK\$6.5 million for the year ended 31 March 2022.

The significant reduction in our revenue was recorded by the Group in respect of the Reporting Period during which Hong Kong continued to undergo an unprecedented economic downturn affected by the outbreak of coronavirus pandemic. Due to the weak business environment, the Group has continued to face its most challenging time in winning new construction and property development projects for water circulation systems.

In addition, the decrease in revenue was also due to the reduction in number of projects compared with prior year.

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 decreased by approximately HK\$19.4 million or 80% from approximately HK\$24.2 million for the year ended 31 March 2021 to approximately HK\$4.8 million for the year ended 31 March 2022. Such reduction was primarily due to reduction in number of projects this year.

Gross profit and gross profit margin

Our gross profit reduced by approximately HK\$0.7 million or 31.5% from approximately HK\$2.4 million for the year ended 31 March 2021 to approximately HK\$1.6 million for the year ended 31 March 2022. While the number of projects were reduced this year, the Group has managed to increase its gross profit margin from approximately 8.9% for the year ended 31 March 2021 to approximately 25% for the year ended 31 March 2022. The increase was mainly due to management paying more attention to control and reduce expenses such as salary, material and subcontract costs.

Other income

Our other income decreased from approximately HK\$1.5 million for the year ended 31 March 2021 to approximately HK\$0.2 million for the year ended 31 March 2022, as the Group no longer received any subsidies from the HKSAR Government under the Employment Support Scheme during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Our administrative expenses increased by approximately HK\$1.7 million or 4.3% from approximately HK\$30.2 million for the year ended 31 March 2021 to approximately HK\$31.5 million for the year ended 31 March 2022 due to additional write-off of certain contract assets and other receivables compared with prior year.

Finance costs

Our finance costs decreased by approximately HK\$1.9 million or 72.7% from approximately HK\$2.7 million for the year ended 31 March 2021 to approximately HK\$0.7 million for the year ended 31 March 2022, primarily due to certain loans have been repaid during the reporting period.

Income tax expenses

For the year ended 31 March 2022 and 2021, there were no assessable profits in Hong Kong and Macau and as a result, no income tax expenses were provided for.

Net loss

The Company recorded a net loss of approximately HK\$30.4 million for the year ended 31 March 2022 as compared to a net loss of approximately HK\$28.94 million for the year ended 31 March 2021.

Written-off and loss allowance on contracts assets and trade debtors

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and retention receivables, deposits and other receivables, contract assets, cash and cash equivalents) on an annual basis. The Group has made significant write-off to its contract assets and details of the impairment assessment on trade debtors and contract assets are set out in note 26 to the consolidated financial statements.

DIVIDENDS

No dividend was declared or proposed by the Board for both years ended 31 March 2022 and 2021.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2022, the Group had total assets of approximately HK\$73.3 million (2021: approximately HK\$117.6 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$56.3 million (2021: approximately HK\$70.1 million) and approximately HK\$17.1 million (2021: approximately HK\$47.5 million) respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2022 were approximately HK\$10.3 million (2021: approximately HK\$36.6 million), and current ratio as at 31 March 2022 was approximately 1.30 times (2021: approximately 1.68 times).

MANAGEMENT DISCUSSION AND ANALYSIS

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 and bank overdrafts divided by total equity, reduced from approximately 77.1% as at 31 March 2021 to approximately 60.5% as at 31 March 2022, primarily due to the significant reduction in the level of bank borrowings and the total equity. The decrease in the level of bank borrowings was primarily due to repayment of bank loans and reduction in the total equity was due to reduction in reserves during the Reporting Period.

CAPITAL STRUCTURE

The Shares were successfully listed on the GEM of the Stock Exchange on 26 May 2017 (the "Listing"). Immediately upon the 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 2022 and 2021, the Company's issued share capital was HK\$13,000,000 divided into 1,300,000,000 ordinary Shares of par value of HK\$0.01 each.

CAPITAL COMMITMENTS

As at 31 March 2022 and 2021, the Group did not have any capital commitments contracted but not provided for.

SEGMENTAL INFORMATION

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2022, 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 2022, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

Save as disclosed in note 30 to the consolidated financial statements, as at 31 March 2022 and 2021, the Group did not have other material contingent liabilities.

FOREIGN CURRENCY EXPOSURE

Since the Company's business activities are mainly operated in Hong Kong and Macau, and the relevant transactions are denominated in Hong Kong dollars, the Directors consider that the Company's risk in foreign exchange is insignificant.

PLEDGE OF ASSETS

Save as disclosed in note 29 to the consolidated financial statements, as at 31 March 2022 and 2021, the Group did not have other pledge of assets.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed a total of 11 employees (2021: 29 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$6.9 million for the year ended 31 March 2022 (2021: approximately HK\$10.4 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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 development of the Group. Therefore, the Board is committed to uphold good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, and protect the interests and create values 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 2022 (the “Reporting Period”), the Company has adopted and complied with, where applicable, the CG Code set out in Appendix 15 of the GEM Listing Rules to ensure that the Group’s business activities and decision-making processes are regulated in a proper and prudent manner, apart from the deviations as described in this Corporate Governance Report.

Code A.2.1

Pursuant the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Nam Ho Kwan is currently the Chairman of 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.

Code C.1.2

Under code provision C.1.2 of the CG Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the Listing Rules. Between 16 April 2021 and 14 July 2021, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2 of the CG Code, due to the resignation of Mr. Chong Ching Hoi as Chief Financial Officer and Company Secretary of the Company while Mr. Lee Kun Yin was only appointed as the Chief Financial Officer and Company Secretary of the Company on 15 July 2021. Executive Directors were involved in the daily operations of the Group and were fully aware of the performance, position and prospects of the Company while the management of the Company had provided quarterly updates to all Directors, giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient details prior to the regular board meetings. In addition, the management of the Company had provided all members of the Board updates with sufficient background and explanatory information on any material changes to the performance, position and prospects of the Group in a timely manner.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the Reporting Period.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

On 1 January 2022, the amendments to the Corporate Governance Code (the “New CG Code”) came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

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 of the Group (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 the 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.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD

As at the date of this report, the Board comprises seven Directors, including four executive Directors and three independent non-executive Directors (the “INEDs”) as set out below:

Executive Directors

Mr. Nam Ho Kwan (*Chairman and Chief Executive Officer*)

Mr. Ng Wan Lok

Ms. Wong Wing Hung

Mr. Wang Xinliang (Appointed on 3 January 2022)

Mr. Wong Terence Kwong Lung (Appointed on 3 January 2022 and resigned on 19 July 2022)

Ms. Wang Rui (Resigned on 28 April 2022)

Independent Non-executive Directors

Mr. Ng Kam Tsun (Appointed on 30 September 2021)

Mr. Ma Meng (Appointed on 3 January 2022)

Mr. Li Ruyi (Appointed on 7 January 2022)

Dr. Lam King Sun Frankie (Resigned on 23 August 2021)

Mr. Chen Lei (Resigned on 8 October 2021)

Biographical details of the current Directors are set out in “Biographical Details of the Directors” on pages 48 to 50 of this annual report.

Following the appointment of Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi, the Company has fulfilled the requirements under the Rules 5.05(1), 5.05(2), 5.05(A), 5.06, 5.28, 5.33 and 5.34 of the GEM Listing Rules.

CHANGES IN DIRECTORS’ INFORMATION

The change in director’s information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the publication of the 2021 Interim Report of the Company, is set out below:

Ms. Wang Rui and Mr. Wong Terence Kwong Lung resigned as executive Directors of the Company on 28 April 2022 and 19 July 2022 respectively.

In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company had 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 during the Reporting Period. The Company has received from the INEDs the annual confirmation of their independence as of the date of this Report, and the Company considers such Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

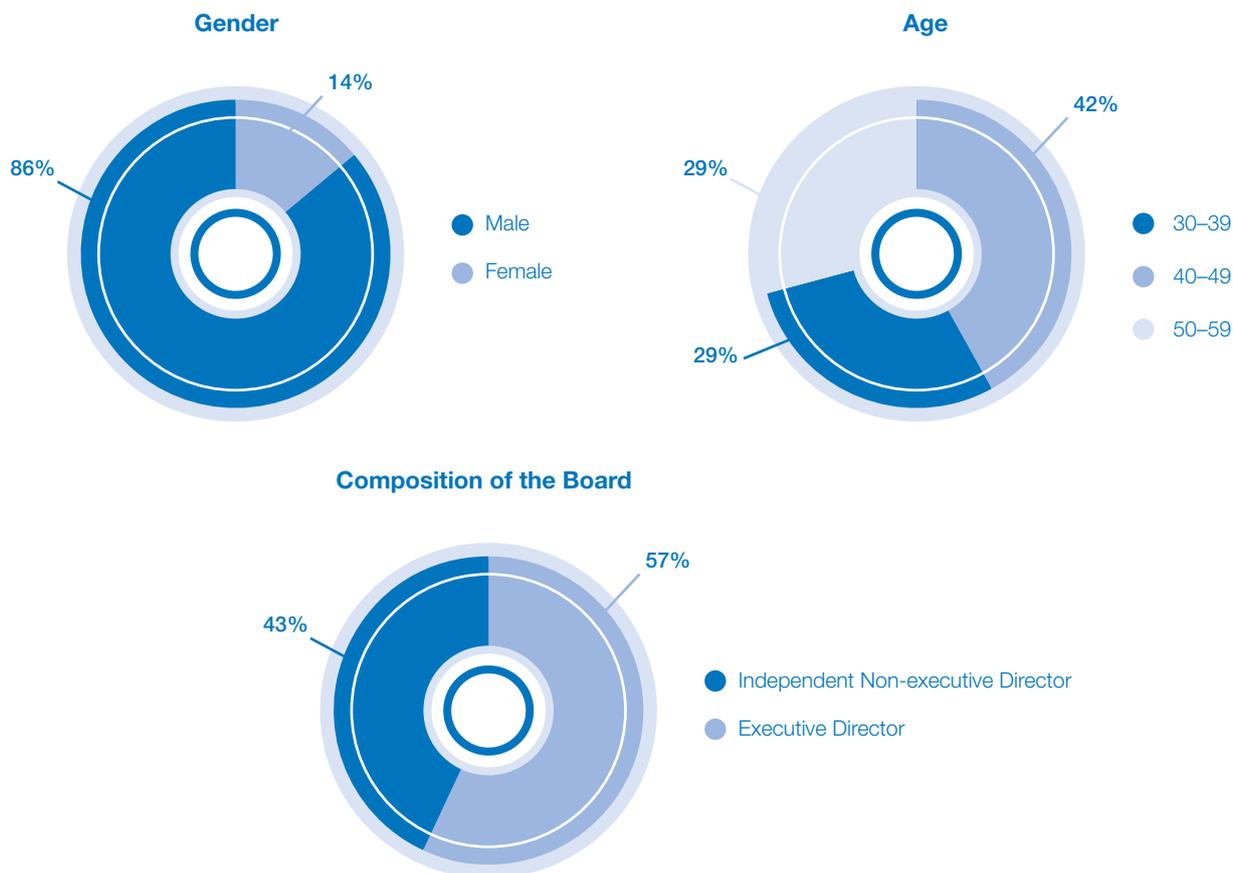
The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired because of the diverse background and experience of our INEDs. Furthermore, all Board Committees including the Audit Committee of the Company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

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

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

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



A Board Diversity Policy was adopted in preparation for the listing of shares of the Company (the “Listing”) and amended in December 2018 by the Board. The said Policy sets out the approach to achieve diversity on the Board and the factors (including but not limited to skills, regional and industry experience, professional experience, background, education, race, gender, age, culture and other qualities, etc.) to be considered in determining the composition of the Board so as to ensure the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximise the Board’s effectiveness. The Board reviews the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

CORPORATE GOVERNANCE REPORT

BOARD PROCESS AND MEETINGS

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

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

Four Board meetings were held during the year ended 31 March 2022 for approving the financial results, receiving the management updates and reviewing the compliance status of the CG Code, overall strategies and development of the Group. The individual attendance records at the Board and Board Committees meetings as well as the Company's annual general meeting held during the year ended 31 March 2022 are set out as below. Private meeting between the Chairman and the INEDs was held during the year ended 31 March 2022 as required under Code A.2.7 of the CG Code.

Name of Directors	Number of Board meetings attended/ eligible to attend	Number of Audit Committee meetings attended/ eligible to attend	Number of Remuneration Committee meetings attended/ eligible to attend	Number of Nomination Committee meetings attended/ eligible to attend	Annual General Meeting held on 3 September 2021 ^{note 1}
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
Mr. Wang Xinliang (Appointed on 3 January 2022)	3/4	–	–	–	N/A
Mr. Wong Terence Kwong Lung (Appointed on 3 January 2022 and resigned on 19 July 2022)	4/4	–	–	–	N/A
Ms. Wang Rui (Resigned on 28 April 2021)	3/4	–	–	–	1/1
Independent Non-executive Directors					
Mr. Ng Kam Tsun (Appointed on 30 September 2021)	4/4	4/4	1/1	1/1	N/A
Mr. Ma Meng (Appointed on 3 January 2022)	4/4	4/4	1/1	1/1	N/A
Mr. Li Ruyi (Appointed on 7 January 2022)	3/4	3/4	0/1	0/1	N/A
Dr. Lam King Sun Frankie (Resigned on 23 August 2021)	N/A	N/A	N/A	N/A	N/A
Mr. Chen Lei (Resigned on 8 October 2021)	N/A	N/A	N/A	N/A	1/1

Note:

1. Mr. Nam Ho Kwan, Ms. Wang Rui and Mr. Chen Lei attended the annual general meeting through video conference.

CORPORATE GOVERNANCE REPORT

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has entered into a service agreement with each of our executive Directors for an initial term of three years whereas all of the independent non-executive Directors have been appointed for an initial term of three years, 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.

Mr. Nam Ho Kwan, Mr. Ng Wan Lok and Ms. Wong Wing Hung had entered into a service agreement as executive Director with the Company for a term of three years from 26 May 2017, being the date on which the Company was listed on GEM. The said service agreements have been renewed for another term of 3 years since 26 May 2020 on the same terms and conditions. On 3 January 2022, Mr. Wang Xinliang had entered into a service agreement as executive Director with the Company. All their appointments are subject to retirement and re-election in accordance with the Articles of Association of the Company.

Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi have entered into a service agreement as independent non-executive Director with the Company for an initial term of three years commencing from 30 September 2021, 3 January 2022 and 7 January 2022 respectively. Their appointments are subject to retirement and re-election in accordance with the Articles of Association of the Company.

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

As such, Mr. Nam Ho Kwan, Mr. Wang Xinliang, Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi will retire from office as Directors and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company in accordance with the Articles. Separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of each of them.

CORPORATE GOVERNANCE REPORT

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 Company had made specific enquiry to all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 March 2022.

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. Business and regulatory updates would be circulated to the Directors from time to time. The Company also provided the Director's Induction to the Directors who had been appointed during the Reporting Period.

Directors are fully aware of the requirements under the Code Provision A.6.5 of the CG Code regarding the professional development. Up to the date of this report, all Directors have confirmed to the Company that they have participated in trainings by attending seminars, conferences and/or reading material, webcast, newspapers, journals and updates related to the economy, the company's business or directors' duties and responsibilities.

BOARD COMMITTEES

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

Audit Committee

The Company established an Audit Committee on 19 January 2017 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the CG Code. On 1 April 2021, Mr. Tsang Yung Fat ceased to be chairman of the Audit Committee. Dr. Lam King Sun Frankie and Mr. Chen Lei resigned as member of the Audit Committee on 23 August 2021 and 8 October 2021 respectively. With effect from 30 September 2021, the Audit Committee was chaired by our independent non-executive Director, Mr. Ng Kam Tsun who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. Our other two independent non-executive Directors, Mr. Ma Meng and Mr. Li Ruyi were appointed as member of the Audit Committee on 3 January 2022 and 7 January 2022 respectively.

CORPORATE GOVERNANCE REPORT

The primary duties of the Audit Committee are to make recommendations to the Board on appointment, re-appointment or 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 2022 to review and discuss with the Management and the external auditor on 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 the dividend policy and the report of the internal control review. Members' attendance records are set out in section headed "Board Process and Meetings" of this report.

Remuneration Committee

The Company established a Remuneration Committee on 19 January 2017 with written terms of reference in compliance with paragraph B.1.2 of the CG Code. On 1 April 2021, Mr. Tsang Yung Fat ceased to be a member of the Remuneration Committee. Dr. Lam King Sun Frankie resigned as chairman of the Remuneration Committee on 23 August 2021 while Mr. Chen Lei resigned as a member of the Remuneration Committee on 8 October 2021. With effect from 30 September 2021, the Remuneration Committee was chaired by our independent non-executive Director, Mr. Ng Kam Tsun while our other two independent non-executive Directors, Mr. Ma Meng and Mr. Li Ruyi were appointed as member of the Remuneration Committee on 3 January 2022 and 7 January 2022 respectively.

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 2022 to review the remuneration structure of the Directors. Members' attendance records are set out in section headed "Board Process and Meetings" of this report.

CORPORATE GOVERNANCE REPORT

Senior Management of the Group

The number of senior management (other than the Directors) of the Group fell within the following band is as follows:

Remuneration Band	FY2022 Number of Individual	FY2021 Number of Individual
Not exceeding HK\$1,000,000	1	3

Further details of the Directors' remuneration for the year ended 31 March 2022 are set out on pages 107 to 108 of this annual report.

Nomination Committee

The Company established a Nomination Committee on 19 January 2017 with written terms of reference in compliance with paragraph A.5.2 of the CG Code. The Nomination Committee currently consists of four members which is chaired by Mr. Nam Ho Kwan, the chairman of the Board, and three INEDs, namely Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi who became members of the Nomination Committee on 30 September 2021, 3 January 2022 and 7 January 2022 respectively. Dr. Lam King Sun Frankie and Mr. Chen Lei resigned as members of the Nomination Committee on 23 August 2021 and 8 October 2021 respectively.

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

CORPORATE GOVERNANCE REPORT

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

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

One Nomination Committee meeting was held during the year ended 31 March 2022 to assess the independence of the INEDs, review the structure, size and composition of the Board and make recommendation to the Board on the re-election of the Directors at the Company's annual general meeting held in 2021. The Nomination Committee also reviewed the Nomination Policy and Board Diversity Policy and reviewed and recommended to the Board on the appointment of the new INEDs. Summary of the Board Diversity Policy and its implementation can be found on page 14 of this annual report. Members' attendance records are set out in section headed "Board Process and Meetings" of this report.

COMPANY SECRETARY

Mr. Lee Kun Yin is the company secretary of the Company pursuant to Rule 5.14 of the GEM Listing Rules. Mr. Lee is a member of the Chartered Accountants in Australia & New Zealand and Hong Kong Institute of Certified Public Accountants. His primary contact person of the Company is Mr. Nam Ho Kwan, Chairman and Chief Executive Officer of the Company. Mr. Lee has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 March 2022 in compliance with Rules 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 63 to 70 of this annual report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Group also established a set of risk management policies and measures. The Group's risk management process starts with identifying the major risks associated with its business, industry and market in the ordinary course of business. The Board and senior management are responsible for identifying and analysing the risk associated with their respective function, preparing and measuring risk mitigation plans and reporting the status of risk management. More information about the principal risks and uncertainties faced by the Group can be found on page 59 of this annual report.

During the year, the Audit Committee appointed external professional adviser to conduct an internal control review on the effectiveness of the Group's internal control systems. The external professional adviser is assigned with the task to perform reviews on operational, financial and compliance aspects and will alert the management on the review findings or irregularities, if any, advise on the implementation of necessary steps and actions to enhance the internal control systems of the Group. The external professional adviser has also assessed the risk management functions of the Group. The results of internal control and risk management review and agreed action plans are reported to the Audit Committee and the Board for further follow-up actions.

Save as disclosed above, the Board has conducted a review of the effectiveness of the risk management and internal control system of the Group pursuant to C.2.1 of the CG Code and considers them effective and adequate. With a view of further enhancing the Group's internal control system on an ongoing basis, the Group will continue to engage external professional advisers to conduct review and consider to establish a formal in-house internal audit department where necessary from time to time, taking into account the development of the business and the scale and complexity of our operation in future.

DIVIDEND POLICY

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

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

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR

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 financial year ended 31 March 2022, the Audit Committee and Board had reviewed the term and conditions for the appointment of CCTH CPA as external auditor of the Company, replacing Mazars CPA Limited. Further details were set out in the Company's announcements dated 24 June 2022 and 29 June 2022 respectively.

For the year ended 31 March 2022, 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	
	FY2022 HK\$'000 ^{Note 2}	FY2021 HK\$'000 ^{Note 1}
Statutory audit services	360	500
Non-audit services for tax advisory	–	16

Notes:

1. Fees paid or payable to Mazars CPA Limited
2. Fees paid or payable to CCTH CPA Limited

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Communications with the Shareholders

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 Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.harmonyasia.com).

An annual general meeting of the Company was held on 3 September 2021 to seek the shareholders' approval on, among other things, the granting of the general mandates to issue and repurchase the Company's shares and the re-election of the Directors. The Board members' attendance record can be found on page 15 of this annual report. The next annual general meeting of the Company will be held on 30 September 2022 and notice of the meeting will be sent to the Shareholders at least 20 clear business days before the said meeting.

Procedures and Rights 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.

CORPORATE GOVERNANCE REPORT

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

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

Shareholders who have enquiries regarding the above procedures may write to the Board at Unit 1B, 10/F, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, Kowloon, Hong Kong.

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

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

If a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person for election as a Director at that meeting, he/she may lodge a written notice at the Company's principal place of business in Hong Kong at Unit 1B, 10/F, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention to the Board. Detailed procedures for the Shareholders to propose a person for election as a Director of the Company can be found on the Company's website (www.harmonyasia.com).

Investors Relations

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

The Company has adopted its Shareholders' Communications Policy. The Board welcomed enquiries and proposals from the Shareholders, investors and all stakeholders. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong at Unit 1B, 10/F, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention to the Board. Such written enquires or proposals with full name, contact details and identification must deposit and send to said address.

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

CONSTITUTIONAL DOCUMENTS

The Company first adopted its Memorandum and Articles of Association on 23 November 2015. The amended and restated memorandum and articles of association of the Company adopted for the purpose of the Listing is available at the Company's website (www.harmonyasia.com). There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2022.

CONCLUSION

Going forward, the Company will continue to review its corporate governance practices on a timely basis to maintain its high level of transparency. The Company will also try to enhance its competitiveness and operating efficiency in order to generate greater returns for its stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL

This is the 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 2021 to 31 March 2022 (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 “ESG Reporting Guide”).

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 categorised into:

- (i) Management contracting services – design, procurement and installation of water circulation systems;
- (ii) Consultancy services – provision of consultancy services on water circulation systems; and
- (iii) Maintenance services – provision of maintenance and repair services for water circulation systems.

BOARD STATEMENT

The Board is pleased to present the ESG Report of the Group, which demonstrates the Group’s ongoing achievements and commitments to enhancing its sustainability performance in areas including employment and labour practices, environmental protection, business operations, supply chain management, and corporate governance. As a responsible corporate, the Group views ESG commitments as part of its responsibilities and is committed to incorporating ESG considerations into its decision-making process.

ESG Governance Structure

The Group conducts a top-down management approach in regards to ESG issues and has developed a core governance framework to ensure the alignment of ESG governance with its strategic growth, while advocating ESG integration into its business operations. The structure of ESG governance is divided into two components, namely the Board and ESG task force (the “Task Force”).

The Board takes the ultimate responsibility for the Group’s ESG strategy and reporting, as well as overseeing and managing its ESG-related issues. The Board regularly reviews and confirms the Group’s ESG-related risks and opportunities, performance, goals and targets, progress made against ESG-related goals and targets, management approach, strategies, priorities of the Group’s material ESG issues and policies with the assistance of the Task Force. The Board also ensures the effectiveness of the ESG risk management and internal control mechanism.

The Task Force consists of representatives from different functional departments of the Group. The Task Force has the responsibility for collecting and analysing the ESG data, identifying and prioritising the Group’s ESG issues, monitoring and evaluating the Group’s ESG performance, ensuring compliance with ESG-related laws and regulations, as well as preparing ESG reports. The Task Force arranges meeting regularly to discuss and review ESG-related issues including but not limited to the effectiveness of current ESG policies and procedures, the Group’s strategic goals in terms of sustainable development, ESG-related risk and opportunities, and progress made against ESG-related goals and targets. The Task Force reports to the Board periodically and assists the Board to discharge its responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

The senior management of the Group discusses, identifies and has confirmed the reporting scope based on the materiality principle, the core business and main revenue source. The reporting scope of this ESG Report is approved by the Board.

The reporting scope of this ESG Report is comprised of the Group's management contracting services which represent approximately all of the Group's revenue. The ESG Report generally covers the Group's business and operational activities in Hong Kong and Macau offices. The Group will continue to assess the major ESG aspects of different businesses and extend the scope of disclosures when and where applicable.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group between 1 April 2021 and 31 March 2022.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 20 of the Rules Governing the Listing Securities on GEM of the Stock Exchange.

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

During the preparation of the ESG Report, the Group has applied the following reporting principles which are set out in the ESG Reporting Guide:

Materiality: The Group has conducted a materiality assessment to identify the material issues, and has adopted the confirmed material issues as the focus for the preparation of this ESG Report. The materiality of issues was reviewed and confirmed by the Board and the Taskforce. Details will be mentioned in the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: The standards, applicable assumptions and methodologies used in the calculation of KPIs data are supplemented by explanatory notes where applicable.

Consistency: The preparation approach of this ESG Report were substantially consistent with 2021. If there are any changes that may affect comparison with previous reports, explanation will be provided to the corresponding data.

This ESG Report has undergone the internal review process of the Group and was approved by the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Opinions and feedback from the Group's stakeholders regarding its businesses and ESG aspects are greatly valued by the Group, as their expectations and concerns steer the Group towards sustainability, allowing the Group to formulate business and ESG strategies accordingly and appropriately. The Group has been maintaining close communication with key stakeholders by utilising a variety of engagement methods, and has summarised their respective expectations and concerns as follows:

Stakeholders	Expectations and Concerns	Communication Channels
Shareholders and investors	<ul style="list-style-type: none">• Corporate governance system• Business strategies and performance• Financial results	<ul style="list-style-type: none">• Annual general meeting and other shareholder meetings• Financial reports• Announcements and circulars• Company website and email
Customers and business partners	<ul style="list-style-type: none">• Privacy protection• Business integrity and ethics• Quality of the services	<ul style="list-style-type: none">• Email communications• Business visits• Regular meetings
Employees	<ul style="list-style-type: none">• Career development• Health and safety• Remuneration and benefits• Equal opportunities	<ul style="list-style-type: none">• Training, orientation, seminars, and briefing sessions• Staff appraisals• Internal meetings and email communication
Subcontractors	<ul style="list-style-type: none">• Fair tendering• Business ethics and reputation• Timely payment for supplied goods and services	<ul style="list-style-type: none">• Management meetings and emails• Business visits
Regulatory bodies and government authorities	<ul style="list-style-type: none">• Compliance with laws and regulations• Implementation of policies	<ul style="list-style-type: none">• Compliance Adviser• On-site inspections• Legal Advisor
Media, non-governmental organizations and the public	<ul style="list-style-type: none">• Environmental protection• Health and safety	<ul style="list-style-type: none">• ESG reports

The Group aims to collaborate with its stakeholders to improve its ESG performance and create greater value for the community on a continuous basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

To consider the feedback from various stakeholders on relevant ESG issues, the Group has assessed its importance to its businesses and stakeholders by summarising in below table:

ESG Index	Material ESG Issues	Materiality
A. Environmental		
A1: Emissions	Air emissions	Low
	Noise emissions	Medium
	Waste management	Low
A2: Use of Resources	Electricity consumption	Medium
	Water consumption	Medium
	Paper, packaging and other raw material consumption	Low
A3: The Environment and Natural Resources	Impact on environment and natural resources	Low
A4: Climate Change	Impact of climate-related issues on the Group	Medium
B. Social		
B1: Employment	Recruitment, promotion and dismissal	Medium
	Remuneration and benefits	Medium
	Diversity and equal opportunity	Medium
B2: Health and Safety	Working environment	Medium
	Work-related fatalities and injuries	High
B3: Development and Training	Staff development and training	Medium
B4: Labour Standards	Prevention of child and forced labour	Low
BS: Supply Chain Management	Fair and open procurement	Medium
	Environmental and social risks of the supply chain	Medium
	Promotion of environmental preferable products and services	Medium
B6: Product Responsibility	Product quality and customer complaints	High
	Advertising and labelling	Low
	Protection of IP rights	Medium
	Data privacy protection	Medium
B7: Anti-corruption	Whistleblowing policy and anti-corruption training	Medium
	Corrupt practices	Medium
B8: Community Investment	Community involvement and resources contribution	Medium

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTACT US

The Group welcomes stakeholders to provide feedback on its ESG approach and performance. If you have any enquiries, you are welcome to contact us by:

Address: Unit 1B, 10/F, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, Kowloon, Hong Kong
Tel: +852 2388 8311
Email: sales@harmonyasia.com

(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 minimise adverse impacts on the environment and the site workers as well as the surrounding communities.

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

Scope of greenhouse emission	Unit	Total in 2021/22	Total in 2020/21	Increase/ decrease (+/-)
Scope 1 – direct emissions	Tonnes	N/A	N/A	N/A
Scope 2 – indirect emissions (electricity)	Tonnes	15.70	26.38	-40.5%
Scope 3 – other indirect emissions (water)	Tonnes	0.03	0.03	0%
Total emissions	Tonnes	15.73	26.41	-40.5%

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any material non-compliance with environmental related laws and regulations, including but not limited to the Air Pollution Control Ordinance, the Waste Disposal Ordinance and the Water Pollution Control Ordinance of Hong Kong, and Law No. 2/91/M Environmental Law of Macau.

A1 Emissions

(i) Air Pollutant and Noxious Odour Emissions

Indirect non-hazardous gas emission of carbon dioxide (CO₂) from the use of electricity, and hazardous gases emission of sulphur oxide (SO_x), nitrogen oxide (NO_x) and particulate matter (PM) from the use of fuel and diesel are generated during the installation works on the construction sites. A special kind of dust pollutant will also be produced. In many circumstances, the use of certain chemicals to cleanse the environment or to burn out the wastes will generate noxious odours which will irritate the site workers and people of the surrounding areas.

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

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

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

(ii) Noise Emissions

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

During the Reporting Period, the Group was not aware of any material 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(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.

For our Hong Kong office, only a small amount of office and staff living non-hazardous wastes such as typing paper and packaging materials are generated, which are collected by the property management offices.

During the Reporting Period, the Group was not aware of any material 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 also encourages employees to consume less and generate less waste water at our office.

During the Reporting Period, the Group was not aware of any material 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.

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(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 as mentioned above are generated. Even though we can only play a relatively passive role on this control in the construction site as a whole, as a socially and environmentally responsible corporation, we have been proactively involved in the emission management process with other sub-contractors and the site-work operators. As discussed in our previous ESG reports, we advocate to minimise 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. During the Reporting Period, the Group was not aware of any material 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, 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 natural resources through implementing various measures to reduce their consumption.

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

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

(i) *Electricity Consumption*

For the Reporting Period, 36,000 KWh of electricity was consumed for our office operation, which was 3,975 KWh or 10.0% lower than the last reporting period. The decrease in electricity consumption was mainly due to centralization of our principal office where efficient in consumption of electricity was occurred while the Company also moved to a smaller office during the Reporting Period. The Group will continue to implement our energy saving measures being taken.

(ii) *Water Consumption*

Water is supplied from the city central water system. The use of fresh water in the office is for staff general operating purpose, and a total of 30 cubic meters (2020/21: 43 cubic meters) was used for the Reporting Period. Though the amount is insignificant, our staff has been constantly reminded to save on water consumption.

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

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

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

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

A3 The Environment and Natural Resources

As discussed above, the Group is fully aware that its activities and operation may generate significant environmental impacts if they are not properly managed. The operation and activities consume large amounts of energy, water and other natural resources and generate various types of emissions, water and solid wastes. We have actively and directly introduced and implemented eco-friendly practices to reduce and conserve energy, fresh water and other natural resources, and to minimise 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 organisations' activities to build a "clean and safe" environment and society.

As certain procedures produce noises during constructions, which may cause impacts to the residents nearby, the Group adopts necessary measures to minimise noises in compliance with the Noise Control Ordinance. The Group conducts construction during designated time and ensures inspection and maintenance of equipment before use for compliance of permitted noise level.

The Group also monitors the indoor air quality at workplace on a regular basis. By installing air purifying equipment in the workplace and regularly cleaning air conditioning systems, the Group maintains a good indoor air quality, which leads to a pleasant working environment for its staff.

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

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A4 *Climate Change*

The Group recognises the importance of identification of significant climate-related issues and mitigation of the related risks, therefore, the Group is committed to managing the potential climate-related risks which may impact the Group's business activities. During the Reporting Period, the Group has formulated the Climate Change Policy and conducted a climate change assessment to identify and mitigate the potential climate-related risks that may arise from its business operations. These risks mainly stem from the following dimensions:

Physical Risks

The increase in frequency and severity of extreme weather such as typhoons, storms and heavy rains can disrupt the Group's operations by damaging the construction work, hindering its employees from work, especially outdoor inspection work. The extreme weather may also disrupt the supply chain and hinder the construction projects due to the delayed transportation or disturbance of the construction material manufacturing. These could result in temporary, permanent or partial halt of the Group's business operations, which exposes the Group to risks associated with non-performance and delayed performance.

To better manage the above mentioned physical risks, the Group has formulated a contingency plan and relevant policies, which sets out appropriate solutions for employees to follow, therefore to reduce the negative impacts brought by extreme weather events to the Group. When extreme weather events occurred or possibly happened, the senior management will timely communicate with employees about the work arrangement to ensure staff safety and operation continuity according to the plan. The Group will also review the response plan from time to time to ensure its employee know how to respond if any of the essential work is hindered under the extreme weather events.

Transition Risks

Policy and Legal Risks

There are more stringent climate legislations and regulations to support global vision for decarbonisation. For example, the Stock Exchange has required the listed companies to enhance the climate-related disclosures in their ESG reports. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs thus increase.

In response to policy and legal risks as well as reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate change and ensure the senior management is aware of the changes in policies or legislation so as to avoid unnecessary costs or non-compliance fines incurred and to reduce reputation risks resulting from delayed responses.

Market Opportunities

Due to the advocacy of "Net Zero", an ambition to achieve net zero carbon emissions, and the global vision of decarbonisation, there are increasing number of investors and customers who are aware of combating climate change. If the Group enable to implement effective measures to manage climate risks, and even provide green building alternative in its service, the attractiveness of the Group to investors and customers may significantly increase. Therefore, the Group intends to maintain a high transparency in ESG reporting and its related activities which establish trust and confidence between its relationship with investors and customers. The Group will also conduct research and may develop more on green building service in the future.

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(B) Social

Employment and Labour Practices

B1 Employment

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

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

As at 31 March 2022, the employment characteristics are summarised below:

Description	2021/22	2020/21	Increase/ decrease (+/-)
(i) Total number of employees	11	29	-62.1%
(ii) Female/Male ratio	1:3.7	1:3.8	N/A
(iii) Number of office employees including Executive			
Director and senior management roles	6	7	-14.3%
(iv) Age distribution			
(a) 19–40	18.2%	31.0%	-12.8%
(b) 41–60	81.8%	62.1%	+19.7%

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

Employee Compensation and Benefits

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

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

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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.

Equal Opportunities and Diversity

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

Apart from maintaining a diversified workforce, the Group also recognises the importance of maintaining diversity within the Board so as to enhance the quality of its performance, while achieving sustainable and balanced development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. As at 31 March 2022, the Board comprised of both male and female directors with various educational background and professional experience.

B2 Health and Safety

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

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

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

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B3 *Development and Training*

The Group values its employees as human capital and commits to investing resources to refresh their standards, skills and knowledge so that they can maximise their contribution to the Group's growth and success. The Group supports continuous learning and recognises 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 familiarise them with the Group's general working environment, work culture and safety awareness, on-the-job training programmes and guidance from supervisors are also provided to enhance their technical or product knowledge.

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

During the Reporting Period, 11 employees (FY2021: 24 employees) of the Group have received a total of 41 hours (FY2021: 110 hours) of training in the Reporting Year, the corresponding percentage of employees who received training was 81.8% (FY2021: 82.8%). The percentage of trained employees by gender was 77.8% for male and 22.2% for female, while by employment level was 11.1% for general staff, 0% for middle management and 88.9% for senior management. On the other hand, the average training hour by gender was 4.5 hours for male and 4.5 hours for female, while by employment level was 4.5 hours for general staff, 0 hour for middle management and 36 hours for senior management.

Moving forward, the Group will continue to invest more resources into its employee training and development as Hong Kong transitions from COVID-19 infection peak, so that its staff can keep abreast of the market changes and demands.

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 was 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.

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B5 Supply Chain Management

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

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

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

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

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

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

During the Reporting Period, the Group had a total 68 key suppliers/subcontractors, which can be categorised by region as follow: Hong Kong 50, Macau 3, PRC 10 and others 5 and does not foresee its source of supplies to be a potential threat to its project operations.

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B6 Product Responsibility

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

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to services that would have a significant impact on the Group, including but not limited to the Personal Data (Privacy) Ordinance and the Trade Descriptions Ordinance of Hong Kong.

The Group has limited activities in advertising and labeling matters. The Group strives to ensure information disseminated such as company brochures are complete, accurate, clear, and in compliance with relevant laws and regulations.

(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 minimised by the established industry checking practices and our in-house supervision plans.

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

During the Reporting Period, the Group was 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, the issue about intellectual property rights is less significant 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.

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(iii) Privacy

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

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

(iv) Customer Services and Satisfaction

The Group emphasises customers' feedbacks in respond to the quality of services. The Group has formulated a set of policies and procedures to handle customers' feedback, inquiries and complaints, which will be recorded in details and reviewed by the Group's management. The Group will also take appropriate follow-up actions if any feedback or complaint is received, in order to improve the quality of products and services. After a complaint is settled, the Group will evaluate correspondent customers' satisfaction to ensure its professionalism. During the Reporting Period, the Group had no recorded service related complaints received.

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 realises 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.

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B8 Whistleblowing Mechanism

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

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

B9 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.

During the Reporting Period, the Group has devoted resources to maintain its business operations due to the pandemic, therefore, suspended all its philanthropic activities. The Group will focus more on social participation and community investment in the future.

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CONTENT INDEX OF THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

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Subject Areas, Aspects, General Disclosures and KPIs		
	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and noise emissions, waste water, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Pollutant and Noxious Odour Emissions and Noise Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Air Pollutant and Noxious Odour Emissions and Noise Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Hazardous and Non-Hazardous Wastes
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Hazardous and Non-Hazardous Wastes
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions – Mitigation Measures on Emission and Results
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Hazardous and Non-Hazardous Wastes

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Subject Areas, Aspects, General Disclosures and KPIs

	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Electricity Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Electricity Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Paper, Packaging Materials and Other Raw Materials Consumption
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

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Subject Areas, Aspects, General Disclosures and KPIs

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
Aspect B1: Employment		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. 	Employment and Labour Practices
KPI B1.1	Total workforce by gender, employment type (for example, full-time or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

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Subject Areas, Aspects, General Disclosures and KPIs

	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

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Subject Areas, Aspects, General Disclosures and KPIs

	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

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Subject Areas, Aspects, General Disclosures and KPIs

	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Quality Assurance
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Privacy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs

	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Whistleblowing Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Nam Ho Kwan (藍浩鈞), aged 50, 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)" organised 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 23 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 a director of the major operating subsidiaries namely, Harmony Asia Limited and Best Innovation Limited and holds a number of directorships in other subsidiaries within the Group.

Mr. Ng Wan Lok (吳蘊樂), aged 54, 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 25 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. Wong Wing Hung (王詠紅), aged 48, 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 21 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.

Mr. Wang Xinliang (汪興亮), aged 47, was appointed as an executive Director of the Company with effect from 3 January 2022.

Mr. Wang has over 25 years of management experience. Mr. Wang has been serving 永萊實業有限公司 as a Managing Director since 2020. Mr. Wang has also worked as a general manager of COFCO's subsidiary companies between 2012 and 2020 and has held management position at various companies in the People's Republic of China (the "PRC"). Mr. Wang graduated from Anhui University in the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS

Independent non-executive Directors

Mr. Ng Kam Tsun (伍鑑津), aged 48, was appointed as an independent non-executive Director, chairman of the Audit Committee, chairman of the Remuneration Committee and a member of the Nomination Committee of the Company on 30 September 2021.

Mr. Ng has been serving Fulum Group Holdings Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1443) as the chief financial officer, company secretary and authorised representative since September 2015, responsible for corporate finance management, corporate governance, investor relations management and company secretarial function.

Mr. Ng has over 20 years of professional experience in corporate finance management and has acted as chief financial officer, company secretary or independent non-executive Director for various listed companies.

Mr. Ng was awarded a Bachelor of Business by Monash University in January 2003; a Master degree in Management by the Shanghai University of Finance and Economics in March 2006; and a Master of Laws by the Chinese University of Hong Kong in November 2014.

Mr. Ng has been a certified practising accountant and fellow of CPA Australia since July 2002 and December 2010 respectively. He has also been a member and fellow of the Hong Kong Institute of Certified Public Accountants since December 2002 and September 2009 respectively.

Mr. Ma Meng (馬萌), aged 38, was appointed as an independent non-executive Director, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company on 3 January 2022.

Mr. Ma has over 10 years of experience in the financial services industry. Mr. Ma has worked at Chinaventure Investment Consulting Limited (上海投中信息諮詢股份有限公司), Zero2IPO Holdings Inc. (stock code: 01945.HK), Haitong Securities Co. Ltd (stock code: 600837.SH) and other large private equity institutions and securities firms. Mr. Ma has participated in many M&A transactions, has led investment team with assets under management over RMB1 billion and has strong experience in project investment, fund operations in private equity and debt financing. Mr. Ma graduated from The China University of Geosciences in the PRC.

Mr. Li Ruyi (李如意), aged 34, was appointed as an independent non-executive Director, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company on 7 January 2022.

Mr. Li has over 12 years of work experience in the construction and engineering industries. Mr. Li has worked for 中信渤海鋁業控股有限公司 (a wholly-owned subsidiary of China CITIC Group), while he has also served as an engineering director, group operations director and commercial manager previously. Mr. Li has strong experience in project material management, tender process, quality control, safety and cost management in construction related projects. Mr. Li graduated from 河北省邢台建設工程學院 and is a registered construction engineer in the People's Republic of China.

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 2022.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 November 2015 under the Companies Law of the Cayman Islands. The companies now comprising the Company and its subsidiaries (the “Group”) underwent a reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation for the listing on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” in the prospectus issued by the Company dated 16 May 2017 (the “Prospectus”). The shares of the Company (“Shares”) were listed on GEM of the Stock Exchange on 26 May 2017 (the “Listing”).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged as contractor specialised in design, procurement and installation services of the Water Circulation Systems. The services are mainly categorised as (i) management contracting services – design, procurement and installation of Water Circulation Systems, (ii) consultancy services – provision of consultancy services on Water Circulation Systems; and (iii) maintenance services – provision of maintenance and repair services for Water Circulation Systems. Details of the principal activities of its subsidiaries are set out in note 32 to the consolidated financial statements. For discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of business, discussion of the principal risks and uncertainties facing by the Group, its key relationship with employees, customers and suppliers and an indication of likely future developments in the Group’s business, can be found in “Chairman’s Statement” and section “Management Discussion and Analysis” set out on pages 4 to 5, pages 6 to 10, pages 54 to 55 and page 59 of this annual report and the discussion of its environmental policies and performance, can be found in section “Environmental, Social and Governance Report” of this annual report. During the year ended 31 March 2022, as far as the Group is aware and save as disclosed elsewhere in this report, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact of the Group.

SEGMENT INFORMATION

An analysis of the Group’s performance for the year ended 31 March 2022 by operating segment is set out in note 3 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 71 of this annual report.

PAYMENT OF FINAL DIVIDEND

The Board does not recommend the payment of final dividend of the Company for the year ended 31 March 2022 (2021: Nil) to the shareholders of the Company.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 142 of this annual report.

REPORT OF DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 March 2022 in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year ended 31 March 2022 in the share capital of the Company are set out in note 22 to the consolidated financial statements.

RESERVES

As at 31 March 2022, 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\$26,201,000 (2021: approximately HK\$26,201,000). Movement in reserves of Company during the year ended 31 March 2022 are set out on page 139 of this annual report.

BANK BORROWINGS

Details of bank borrowings during the year ended 31 March 2022 are set out in note 20 to the consolidated financial statements.

SHARE OPTION SCHEME

The Share Option Scheme became effective on the date of the Company's listing (i.e. 26 May 2017) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 130,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and as at the date of this annual report.

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.

REPORT OF DIRECTORS

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 was granted during the period from the date of adoption of the Share Option Scheme to 31 March 2022. 130,000,000 of share options were granted on 27 April 2022. Please refer to the Company's announcement dated 27 April 2022 for further details.

EQUITY LINKED AGREEMENT

Save for the Share Option Scheme, no equity-linked agreement was entered into by the Group or existed during the year ended 31 March 2022.

DISCLOSURE OF INTERESTS

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

So far as the Directors are aware, as at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Mr. Nam Ho Kwan (<i>Note</i>)	Interest in controlled corporation	652,290,000	Long position	50.18%

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

Save as disclosed above, as at 31 March 2022, none of the Directors nor chief executive of the Company has registered an interest and short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

REPORT OF DIRECTORS

(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 2022, the following persons/entities had or deemed to taken to have an interest or short position in the Shares or underlying Shares or debentures of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Name of Shareholder	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Harmony Asia International	Beneficial owner (<i>Note</i>)	652,290,000	Long position	50.18%
Mr. Nam Ho Kwan	Interest in controlled corporation (<i>Note</i>)	652,290,000	Long position	50.18%
Prudential Brokerage Limited	Person having security interest in shares	652,290,000	Long position	50.17%
Ms. Chen Mingxia	Beneficial owner	243,750,000	Long position	18.75%

Notes: 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. These Shares were pledged to Prudential Brokerage Limited on 14 September 2020.

Save as disclosed above, as at 31 March 2022, no person/entities, had notified the Company of an interest or short position in the Shares, underlying Shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MAJOR CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS AND RELATIONSHIP

We strive to provide high quality and reliable services to its customers. The privacy of the Group's customers are well protected. Policies and procedures are adopted to ensure that all customer complaints or concerns are appropriately addressed. During the year ended 31 March 2022, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 82% (2021: 90.2%) and 24.5% (2021: 35.0%) respectively, of the Group's total revenue for the year ended 31 March 2022.

The Group is committed to forging collaborative partnership with its suppliers and have a list of approved suppliers who are assessed on a regular basis. Purchases from the Group's five largest suppliers accounted for approximately 92% (2021: 13.3%) of the Group's total costs of services for the year ended 31 March 2022 and the purchase from the largest supplier included therein amounted to approximately 60% (2021: 3.8%).

We also maintain a list of sub-contractors who have passed the Group's quality control tests and have a satisfactory record of quality and on time-delivery. Sub-contracting fees paid to the Group's five largest sub-contractors accounted for approximately 92% (2021: 16.9%) of the Group's total costs of services for the year ended 31 March 2022 and the sub-contracting fee paid to the largest subcontractor included therein amounted to approximately 25% (2021: 7.0%).

REPORT OF DIRECTORS

So far as the Directors are aware, none of the Directors, or any of his close associates (as defined under the GEM Listing Rules) or the Company's shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers, suppliers or sub-contractors during the year ended 31 March 2022.

RELATIONSHIP WITH EMPLOYEES

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

DIRECTORS

The Directors up to the date of this report were:

Executive Directors

Mr. Nam Ho Kwan (*Chairman*)

Mr. Ng Wan Lok

Ms. Wong Wing Hung

Mr. Wang Xinliang (Appointed on 3 January 2022)

Mr. Wong Terence Kwong Lung (Appointed on 3 January 2022 and Resigned on 19 July 2022)

Ms. Wang Rui (Resigned on 28 April 2022)

Independent Non-executive Directors

Mr. Ng Kam Tsun (Appointed on 30 September 2021)

Mr. Ma Meng (Appointed on 3 January 2022)

Mr. Li Ruyi (Appointed on 7 January 2022)

Dr. Lam King Sun Frankie (Resigned on 23 August 2021)

Mr. Chen Lei (Resigned on 8 October 2021)

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

REPORT OF DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND CHANGES IN INFORMATION OF DIRECTORS

Updated biographical details of the Directors are set out on pages 48 to 50 of this annual report.

DIRECTORS' SERVICES CONTRACTS

Each of the executive Directors has entered into a services agreement with Company for a term of three years 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 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.

During the year ended 31 March 2021, the services contracts with Mr. Nam Ho Kwan, Mr. Ng Wan Lok and Ms. Wong Wing Hung have been renewed for another term of 3 years since 26 May 2020 on the same terms and conditions.

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 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.

REPORT OF DIRECTORS

In accordance with Article 84 of the Articles, Mr. Nam Ho Kwan, Mr. Wang Xinliang, Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi shall retire by rotation at the forthcoming annual general meeting of the Company. They are, being eligible, offer themselves for re-election at the said annual general meeting.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, CONTRACTS OF SIGNIFICANCE

Save as disclosed in Prospectus and elsewhere in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2022.

CONTROLLING SHAREHOLDERS' INTERESTS

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

EMOLUMENTS OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

EMOLUMENT POLICY

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

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

COMPETING INTERESTS

The Directors are not aware of any business or interest of Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during the year ended 31 March 2022.

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 2022. 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.

REPORT OF DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

USE OF PROCEEDS FROM LISTING

The Shares were listed on GEM on 26 May 2017 pursuant to the initial public offering of the Company. The net proceeds from the Listing (after deducting the underwriting fees and expenses related to the Listing) of a total of approximately HK\$38.0 million would be used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. To cope with the increasingly challenging external business environment, the Board resolved to change and re-allocate the uses of the unutilised net proceeds. For more details including the reasons and benefits for the said change, please refer to the announcement of the Company dated 18 September 2020. As at 31 March 2022, the Group had fully utilised the net proceeds from the Listing.

	Actual net proceeds	Amount utilised up to 18 September 2020	Unutilised net proceeds as at 18 September 2020	Revised allocation of net proceeds as at 18 September 2020	Amount utilised from 19 September 2020 to 31 December 2020	Unutilised net proceeds as at 31 March 2021
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Strengthening of the Group's industry position and expansion of business	19.4	0.8	18.6	-	-	-
Repayment of bank loans	7.6	7.6	-	20.0	20.0	-
Strengthening of the Group's technical and project management capabilities	3.6	3.6	-	-	-	-
Establishment of a Macau office/ warehouse	2.5	0.2	2.3	-	-	-
Purchase of tools and equipment	1.6	-	1.6	-	-	-
General working capital	3.3	3.3	-	2.5	2.5	-
	<u>38.0</u>	<u>15.5</u>	<u>22.5</u>	<u>22.5</u>	<u>22.5</u>	<u>-</u>

REPORT OF DIRECTORS

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. Other than the potential impact of the coronavirus pandemic on the local and global economy and the operation and financial performance of the Group as mentioned under the paragraph headed "Management Discussion and Analysis – Business Review and Outlook" above, the management considers that following are the key risks and uncertainties identified by the Group:

- (a) The Group's business is project-based. The Group mainly derive revenue from projects which are non-recurring 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.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

REPORT OF DIRECTORS

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 2022 are set out in note 25 to the consolidated financial statements in this annual report. None of these related party transactions constituted a connected transaction under Chapter 20 of the GEM Listing Rules which were subject to the reporting, announcement or independent shareholders' approval requirements for the year ended 31 March 2022.

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.

AUDIT COMMITTEE

The Group has established an audit committee of the Board (the "Audit Committee") pursuant to a resolution of the Board passed on 19 January 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or re-appointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the risk management and internal control procedures of the Group.

The Audit Committee currently consists of three members who are independent non-executive Directors of the Company, namely Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi. For further details, please refer to the section headed "Corporate Governance Report" of this annual report.

The audited consolidated financial statements of the Group for the year ended 31 March 2022 and the annual results had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

REPORT OF DIRECTORS

AUDITOR

On 23 June 2022, Mazars CPA Limited (“Mazars”) resigned as the auditor of the Company and CCTH CPA Limited (“CCTH”) was appointed as the auditor of the Company to fill the vacancy following the resignation of Mazars. Please refer to the Company’s announcements of 24 June 2022 and 29 June 2022 for more details regarding the change of auditor.

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by CCTH. A resolution will be proposed at the forthcoming annual general meeting to reappoint CCTH as the auditors of the Group.

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed “Corporate Governance Report” of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision 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 2022.

CHARITABLE DONATIONS

During the year ended 31 March 2022, the Group did not make any charitable donations (2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

Save for the information disclosed in note 33 to the consolidated financial statements in this annual report, the Board is not aware of any significant event subsequent to 31 March 2022 which would materially affect the Group’s operating and financial performance.

REPORT OF DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 30 September 2022, the register of members of the Company will be closed from Tuesday, 27 September 2022 to Friday, 30 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 pm on Monday, 26 September 2022.

On behalf of the Board

Hao Bai International (Cayman) Limited

Nam Ho Kwan

Chairman

Hong Kong, 31 August 2022

INDEPENDENT AUDITOR'S REPORT



CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF HAO BAI INTERNATIONAL (CAYMAN) LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hao Bai International (Cayman) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 71 to 141, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the section headed “Going Concern” of note 2 to the consolidated financial statements, that the Group incurred a net losses amounted to approximately HK\$30,430,000 and HK\$28,935,000 for the years ended 31 March 2022 and 31 March 2021 respectively and the Group’s net current assets as at 31 March 2022 amounted to approximately HK\$16,603,000, which decreased by approximately HK\$29,846,000 compared with those as at 31 March 2021. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. In light of all the measures and arrangements detailed in note 2 to the consolidated financial statements, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key Audit Matter

How our audit addressed the Key Audit Matter

Recognition of construction contract revenue

Refer to note 4 to the consolidated financial statements

The Group recognised construction contract revenue for the year ended 31 March 2022 amounted to HK\$6,458,000.

The recognition of revenue and cost of sales for the Group's construction contracts is based on the stage of completion of construction activities, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

We have identified the recognition of construction contract revenue as key audit matter as the magnitude of the contract revenue and cost of sales are significant and management judgment is used to estimate the costs to complete individual construction project in progress and determine the stage of completion of the projects as at the year end date.

Our procedures in relation to management's recognition of construction contract revenue included:

- we understood and evaluated the design and operating effectiveness of the internal control and assessment process of the estimation of total contract costs and budgeted gross profit and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes in circumstances and susceptibility to management bias or fraud;
- we checked the calculation of the revenue and profit recognised from construction contracts;
- we discussed with the management and the respective project teams about the progress of major projects and the assumptions adopted in the forecast of contract costs, including estimated costs to completion and assessment of potential liquidated damages for major contracts;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

- we checked, on a sample basis, the agreed contract amount to construction contracts and variation orders;
- we checked, on a sample basis, the supporting documents of the budget costs, which include sub-contracting contracts, material purchase contracts/ invoices and price quotations, etc.;
- we tested on a sample basis, the actual costs incurred on construction works during the reporting period; and
- we compared the current year's budget or actual costs incurred for major contracts with last year's budgets on a sampling basis to assess the effectiveness of management's estimation process.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of trade and retention receivables and contract assets

Refer to notes 16 and 17 to the consolidated financial statements

The Group had trade and retention receivables and contract assets with the carrying amounts of HK\$5,395,000 and HK\$66,654,000 respectively at 31 March 2022. Impairment loss on trade and retention receivables and contract assets amounted to HK\$5,161,000 and HK\$16,731,000 respectively were recognised in profit or loss in respect of the current year ended 31 March 2022.

Management has performed impairment assessment of the trade and retention receivables and contract assets based on information including ageing of the trade and retention receivables, past settlement history, credit profile of the customers and on-going trading relationship with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding receivable balances and contract assets in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the magnitude of the trade and retention receivables and contract assets and impairment assessment of these receivables and contract assets under the expected credit loss model involved significant management judgments and estimates.

Our procedures in relation to management's impairment assessment of trade and retention receivables and contract assets included:

- we understood and evaluated the design and operating effectiveness of the credit control and impairment assessment process and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes in circumstances and susceptibility to management bias or fraud;
- we tested, on a sample basis, the accuracy of ageing profile on trade and retention receivables by checking to the underlying invoices;
- we challenged management for the status of each of the material trade and retention receivables and contract assets as at year end and corroborated explanations from management with supporting evidence, understanding on-going business relationship with the customers, checking historical and subsequent settlements records and other correspondence with the customers;
- where necessary, for projects with potential dispute with customers, we checked relevant evidence including agreements and correspondence with customers and, enquired the management and the respective project teams regarding their work performed to assess the outcome and the basis and assumptions adopted for the estimation of the amount the Group is able to realise from the projects.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

- we assessed the appropriateness of the expected credit loss provision methodology, examined the key inputs on a sample basis to assess their accuracy and completeness, and challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses; and
- we compared the actual loss incurred with last year's impairment provision, if any, made by management to assess the effectiveness of management's estimation process.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 29 June 2021.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

From the matters communicated with those charged with governance, we determine 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.

CCTH CPA Limited

Certified Public Accountants
Hong Kong, 31 August 2022

David Yim Kai Pung

Practising certificate number: P02324

Unit 1510-17, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, N.T.
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	4	6,458	26,594
Cost of services		(4,843)	(24,235)
Gross profit		1,615	2,359
Other income	5	182	1,516
Administrative expenses		(31,510)	(30,182)
Finance costs	6	(717)	(2,628)
Loss before income tax	7	(30,430)	(28,935)
Income tax expense	10	–	–
Loss for the year		(30,430)	(28,935)
Other comprehensive income		–	–
Total comprehensive expenses for the year		(30,430)	(28,935)
Loss per share, basic and diluted (HK cents)	11	(2.34)	(2.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment	13	143	271
Right-of-use assets	14	322	131
Financial assets at fair value through profit or loss	15	–	2,640
		<u>465</u>	<u>3,042</u>
Current assets			
Contract assets	16	66,654	85,354
Trade and other debtors, deposits and prepayments	17	5,886	11,103
Pledged and restricted bank deposits	18	228	17,665
Bank balances and cash	18	107	438
		<u>72,875</u>	<u>114,560</u>
Current liabilities			
Contract liabilities	16	1,288	3,138
Trade and other creditors and accrued expenses	19	44,357	30,193
Bank borrowings – due within one year	20	9,181	26,267
Lease liabilities	14	293	133
Income tax payable	10	–	–
Bank overdrafts – secured	18	1,153	8,380
		<u>56,272</u>	<u>68,111</u>
Net current assets		<u>16,603</u>	<u>46,449</u>
Total assets less current liabilities		<u>17,068</u>	<u>49,491</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
Non-current liability			
Bank borrowings – due over one year	20	–	1,993
NET ASSETS		17,068	47,498
Capital and reserves			
Share capital	22	13,000	13,000
Reserves		4,068	34,498
TOTAL EQUITY		17,068	47,498

These consolidated financial statements on pages 71 to 141 were approved and authorised for issue by the Board of Directors on 31 August 2022 and signed on its behalf by

Mr. Nam Ho Kwan
Director

Mr. Ng Wan Lok
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022

	Share capital HK\$'000 (Note 22)	Reserves			Total HK\$'000
		Share premium HK\$'000	Other reserve HK\$'000 (Note)	Accumulated losses HK\$'000	
At 1 April 2020	13,000	81,096	(16,790)	(873)	76,433
Loss for the year and total comprehensive expenses for the year	—	—	—	(28,935)	(28,935)
At 31 March 2021	13,000	81,096	(16,790)	(29,808)	47,498
At 1 April 2021	13,000	81,096	(16,790)	(29,808)	47,498
Loss for the year and total comprehensive expenses for the year	—	—	—	(30,430)	(30,430)
At 31 March 2022	13,000	81,096	(16,790)	(60,238)	17,068

Note:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	24(a)	17,405	(6,135)
Income tax paid		–	(94)
Net cash generated from/(used in) operating activities		17,405	(6,229)
INVESTING ACTIVITIES			
Interest received		9	192
Placement of pledged and restricted bank deposits		–	(4,127)
Release of pledged and restricted bank deposits		17,437	–
Net cash generated from/(used in) from investing activities		17,446	(3,935)
FINANCING ACTIVITIES			
New bank borrowings raised		1,000	12,842
Repayment of bank borrowings		(20,079)	(20,549)
Repayment of lease liabilities		(355)	(1,114)
Amount due to a director		(7,804)	(863)
Interest paid		(717)	(2,628)
Net cash used in financing activities	24(c)	(27,955)	(12,312)
Net increase/(decrease) in cash and cash equivalents		6,896	(22,476)
Cash and cash equivalents at the beginning of the year		(7,942)	14,534
Cash and cash equivalents at the end of the year		(1,046)	(7,942)
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		107	438
Bank overdrafts		(1,153)	(8,380)
Cash and cash equivalents at the end of the year	18	(1,046)	(7,942)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

1. CORPORATE INFORMATION

Hao Bai International (Cayman) Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The directors of the Company consider the Company’s immediate and ultimate holding company to be Harmony Asia International Limited, a company incorporated in Samoa. The Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business was located at Unit 1B, 10/F, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, Kowloon, Hong Kong.

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

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

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

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
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 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

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

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all the new and amendments to HKFRSs not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (continued)

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Going concern

In preparing the consolidated financial statements, the directors of the Company (the “Directors”) have given careful consideration to the future liquidity of the Group in light of the fact that the Group recorded a consolidated loss before tax of approximately HK\$30,430,000 for the year ended 31 March 2022. In addition, at 31 March 2022, the Group’s total trade and other creditors and accrued expenses and bank overdrafts and borrowings amounted to approximately HK\$56,272,000, of which approximately HK\$56,272,000 are classified as current liabilities. These current liabilities include the Group’s trade and other creditors and accrued expenses of approximately HK\$44,357,000, bank borrowings of approximately HK\$9,181,000 and bank overdrafts of approximately HK\$1,153,000 which are due for repayment within the next twelve months after 31 March 2022. And also, the Group had only bank balances and cash of approximately HK\$107,000. There is a material uncertainty related to these matters that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements, after taking into consideration of the following:

- (i) the substantial shareholder, who is also the director of the Company, has committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;
- (ii) the substantial shareholder has agreed not to demand for any repayment due to him of approximately HK\$5,033,000 at 31 March 2022 until the Group is in a financial position to do so;
- (iii) the Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flow from its operation in future; and
- (iv) the Group will actively negotiate with the banks and other financial institutions in Hong Kong to secure new financing arrangement to meet the Group’s working capital and financial requirements in the near future. The Group will also actively seek opportunities to carry out fund raising activities including but not limited the placing of new shares as alternative sources of funding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Going concern (continued)

Having regard to the cash flow projection of the Group, which are prepared assuming that the above measures are successful, the Directors are of the opinion that, in the light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements. The Directors believe that the aforementioned measures will be successful, based on the continuous efforts by the management of the Group.

However, should the above measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively, and to provide for any further liabilities which might arise.

Basis of preparation of consolidated financial statements

Basis of measurement

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

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 accounted for in accordance with HKFRS 16 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.

For financial assets which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of preparation of consolidated financial statements (continued)

Basis of consolidation

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

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

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

Allocation of total comprehensive income

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

Changes in ownership interests

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

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

Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, an associate, a joint venture or others, as appropriate, from the date when control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Subsidiaries

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

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

Property, plant and equipment

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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

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

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

A financial asset is held for trading if:

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

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

Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Group always recognises lifetime ECL for trade and retention receivables and contract assets.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

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

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

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for certain trade and retention receivables and contract assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(v) **Measurement and recognition of ECL** (continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

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

Effective interest method

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash equivalents

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

Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities if they are redeemable at a specific date or at the shareholders' option; or if dividend payments are not discretionary. Preference shares that are not redeemable, or are redeemable only at the Group's option; and any dividend payments are discretionary, are classified as equity.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is management contracting services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers within HKFRS 15 (continued)

Identification of performance obligations

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

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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

- (a) the customer can benefit from the goods or service either on its own or together with other resources that are readily available to the customer (i.e. the goods or service is capable of being distinct); and
- (b) the Group's promise to transfer the goods or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the goods or service is distinct within the context of the contract).

Timing of revenue recognition

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

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

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers within HKFRS 15 (continued)

Timing of revenue recognition (continued)

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

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

Transaction price: significant financing components

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

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

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

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Contract assets and contract liabilities

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

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

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

Foreign currencies

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

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

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- on all other partial disposals, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Borrowing costs

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

Provisions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of other assets

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

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

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

Leases

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

The Group as lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

The right-of-use asset is initially measured at cost, which comprises:

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

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives at the annual rates/useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises

Over the term of lease

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;
- (b) the Group determines the lease term of the modified contract;
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits

Short term employee benefits

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

Defined contribution plans

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

Taxation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Related parties (continued)

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

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

Segment reporting

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

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

Critical accounting estimates and judgements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty

Management contracting services

The Group recognises revenue and associated attributable profit from management contracting services based on the latest available budgets of those construction contracts with reference to the overall performance and the percentage of completion of construction works of each construction contract which requires management's best estimation and judgement. The percentage of completion of construction works is estimated based on the contract costs incurred for work performed to date relative to the estimated total contract costs. Contract costs of construction works, which mainly comprise costs for interior decorative materials, labour costs and subcontracting fees, are based on quotations from time to time provided by the major subcontractors/suppliers/vendors and the experience of the management of the Group taking into account of factors including the profit margin and contract costs of similar projects, which involve the management's best estimates and judgements. 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.

Loss allowance for ECL

The Group's management estimates the loss allowance for trade debtors and contract assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's considerations of the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant charge to the customer's ability to meet obligations;
- Actual or expected significant charges in the operating results of the customer;
- Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer.

Based on the expected recoverability and timing for collection of outstanding balances, the Group maintained a provision for doubtful debts and actual losses incurred which had been within management's expectations. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade debtors and contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

3. SEGMENT INFORMATION

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

Based on the products and services offered by the Group to the customers, the executive directors of the Company have determined that the Group has only one operating and reportable segment throughout the year, as the Group manages its business as a whole which is the management contracting services with regards to provision of design, procurement and installation services of the water circulation systems in Hong Kong and Macau. The executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

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

	2022 HK\$'000	2021 <i>HK\$'000</i>
Hong Kong	6,225	19,318
Macau	233	7,276
	6,458	26,594

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

	2022 HK\$'000	2021 <i>HK\$'000</i>
Hong Kong	465	402
Macau	–	–
	465	402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

3. SEGMENT INFORMATION (continued)

Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	3,911	9,304
Customer B	235	6,805
Customer C	1,484	4,541

4. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from management contracting services	6,458	26,594

All revenue generated by the Group for the years ended 31 March 2022 and 2021 was from contracts with customers within HKFRS15, recognised over time and with fixed type of transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	9	192
Government subsidies (<i>Note</i>)	–	1,291
Gain on redemption of financial assets at FVTPL	30	–
Interest income arising from a life insurance policy	–	7
Sundry income	143	26
	182	1,516

Note:

For the year ended 31 March 2021, included in government subsidies are government grants amounted to HK\$1,223,000 received by the Group under the Employment Support Scheme (the "Scheme") under the Anti-epidemic Fund which was launched by the HKSAR Government. The purpose of this Scheme is to provide financial support to enterprises to retain their staff who would otherwise be made redundant. Under the terms of this Scheme, the Group is required not to lay off their staff during the subsidy period and to spend all subsidies on paying wages to the staff. There are no such government subsidies for the year ended 31 March 2022.

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	544	2,030
Interest on bank overdrafts	159	577
Interest on lease liabilities	14	21
	717	2,628

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

7. LOSS BEFORE INCOME TAX

This is stated after charging:

	2022 HK\$'000	2021 HK\$'000
Staff costs and related expenses (including director's remuneration)		
Directors' emoluments (<i>Note 8</i>)	3,698	3,279
Other staff's salaries, allowances and other benefits	3,131	6,731
Contributions to defined contribution plans [#]	96	372
	6,925	10,382
Less: Amount included in cost of services	(928)	(4,003)
	5,997	6,379

[#] 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.

The Group has participated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

7. LOSS BEFORE INCOME TAX (continued)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other items		
Auditors' remuneration	360	500
Amortisation of payment for a life insurance policy	–	11
Contract costs relating to management contracting services recognised as expenses*	4,843	24,235
Depreciation of property, plant and equipment	128	181
Depreciation of right-of-use asset	324	1,099
Lease payment recognised under short-term lease	–	857
Written-off of trade debtors	–	5
Written-off of contract assets	9,632	6,619
Loss allowance of trade debtors	5,161	526
Loss allowance of contract assets	7,099	5,447

* Contract costs included approximately HK\$898,000 (2021: approximately HK\$10,666,000) and approximately HK\$3,178,000 (2021: approximately HK\$4,003,000) relating to the consumables goods and staff cost respectively which the staff cost is also included in the amount disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

Year ended 31 March 2022

	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
Executive directors:					
Mr. Nam Ho Kwan (<i>Chairman</i>)	–	1,763	–	18	1,781
Mr. Ng Wan Lok	–	558	–	18	576
Ms. Wong Wing Hung	–	510	–	18	528
Mr. Wang Xinliang (Appointed on 3 January 2022)	–	58	–	2	60
Mr. Wong Terence Kwong Lung (Appointed on 3 January 2022 and resigned on 19 July 2022)	–	412	–	5	417
Ms. Wang Rui (Resigned on 28 April 2022)	–	–	–	–	–
Independent non-executive directors:					
Mr. Ng Kam Tsun (Appointed on 30 September 2021)	73	–	–	5	78
Mr. Ma Meng (Appointed on 3 January 2022)	37	–	–	2	39
Mr. Li Ruyi (Appointed on 7 January 2022)	37	–	–	2	39
Dr. Lam King Sun Frankie (Resigned on 23 August 2021)	70	–	–	5	75
Mr. Chen Lei (Resigned on 8 October 2021)	100	–	–	5	105
	317	3,301	–	80	3,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

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

Year ended 31 March 2021

	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
Executive directors:					
Mr. Nam Ho Kwan ("Mr. Nam")	–	1,458	–	18	1,476
Mr. Ng Wan Lok ("Mr. Ng")	–	576	–	18	594
Ms. Wong Wing Hung ("Ms. Wong")	–	528	–	18	546
Ms. Wang Rui (Note i)	–	300	–	–	300
Independent non-executive directors:					
Mr. Wu Kam On Keith (Note ii)	3	–	–	–	3
Mr. Lau Wai Hung (Note v)	41	–	–	–	41
Mr. Chen Lei	180	–	–	–	180
Mr. Tsang Yung Fat ("Mr. Tsang") (Note iii)	–	–	–	–	–
Dr. Lam King Sun Frankie (Note iv)	139	–	–	–	139
	<u>363</u>	<u>2,862</u>	<u>–</u>	<u>54</u>	<u>3,279</u>

Notes:

- (i) Ms. Wang Rui was re-designated as an executive director with effect from 2 July 2019.
- (ii) Mr. Wu Kam On Keith resigned as an independent non-executive director with effect from 6 April 2020.
- (iii) Mr. Tsang was appointed as an independent non-executive director on 6 April 2020 and subsequently resigned with effect from 1 April 2021.
- (iv) Dr. Lam King Sun Frankie was appointed as an independent non-executive director on 23 June 2020.
- (v) Mr. Lau Wai Hung resigned as an independent non-executive director with effect from 23 June 2020.

Mr. Nam is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Executive Officer for the years ended 31 March 2022 and 2021.

During the years ended 31 March 2022 and 2021, no remuneration was paid by the Group to any of these directors and the Chief Executive Officer as an inducement to join or upon joining the Group or as a compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 March 2022 and 2021 is as follows:

	Number of individuals	
	2022	2021
Director	4	2
Non-director	1	3
	<u>5</u>	<u>5</u>

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

	2022	2021
	HK\$'000	HK\$'000
Salaries, allowances and other benefits	544	2,160
Contributions to defined contribution plans	18	53
	<u>562</u>	<u>2,213</u>

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

	2022	2021
	Not exceeding HK\$1,000,000	<u>1</u>

During the years ended 31 March 2022 and 2021, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

10. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Hong Kong Profits Tax	-	-
Macau Complementary Tax	-	-
Total income tax expenses for the year	-	-

The Group's entities established in the Cayman Islands, Samoa and the BVI are exempted from income tax.

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes during the years ended 31 March 2022 and 2021.

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% (2021: 12%) on the taxable income above Macau Pataca ("MOP") 600,000.

Macau Complementary Tax has not been provided as the Group's entity established in Macau incurred a loss for taxation purposes.

Reconciliation of income tax expense

	2022 HK\$'000	2021 HK\$'000
Loss before income tax	(30,430)	(28,935)
Applicable income tax rates of 16.5% (2021: 16.5%)	(5,021)	(4,774)
Non-deductible expenses	74	284
Tax exempt revenue	(1)	(207)
Unrecognised tax losses	4,948	4,341
Difference in tax rates of a subsidiary operating in another jurisdiction	-	43
Tax concession	-	(18)
Others	-	331
Income tax expense	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

11. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to the owners of the Company, used in basic and diluted loss per share calculation	<u>(30,430)</u>	<u>(28,935)</u>
	Number of shares	
Weighted average number of ordinary shares for basic and diluted loss per share calculation	<u>1,300,000,000</u>	<u>1,300,000,000</u>
Loss per share, basic and diluted (<i>HK cents</i>)	<u>(2.34)</u>	<u>(2.23)</u>

Diluted loss per share is same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2022 and 2021.

12. DIVIDENDS

The directors of the Company did not declare or propose any dividend for the year ended 31 March 2022 (2021: HK\$ Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reconciliation of carrying amount – Year ended 31 March 2021					
At 1 April 2020	154	127	164	7	452
Depreciation	(47)	(39)	(88)	(7)	(181)
At 31 March 2021	107	88	76	–	271
Reconciliation of carrying amount – Year ended 31 March 2022					
At 1 April 2021	107	88	76	–	271
Depreciation	(47)	(39)	(42)	–	(128)
At 31 March 2022	60	49	34	–	143
At 31 March 2021					
Cost	242	195	860	2,749	4,046
Accumulated depreciation	(135)	(107)	(784)	(2,749)	(3,775)
Net book value	107	88	76	–	271
At 31 March 2022					
Cost	236	195	843	728	2,002
Accumulated depreciation	(176)	(146)	(809)	(728)	(1,859)
Net book value	60	49	34	–	143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	<i>HK\$'000</i>	
<hr/>		
Reconciliation of carrying amount – year ended 31 March 2021		
At 1 April 2020		571
Additions		659
Depreciation		<u>(1,099)</u>
At 31 March 2021		131
Reconciliation of carrying amount – year ended 31 March 2022		
At 1 April 2021		131
Additions		515
Depreciation		<u>(324)</u>
At 31 March 2022		322
At 31 March 2021		
Cost		1,983
Accumulated depreciation		<u>(1,852)</u>
Net carrying amount		131
At 31 March 2022		
Cost		646
Accumulated depreciation		<u>(324)</u>
Net carrying amount		322
Lease liabilities		
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Current portion	<u>293</u>	<u>133</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Extension and termination options

The lease contracts of office premise, directors' quarter and car parks contain an extension and termination option. These options aim to provide flexibility to the Group in managing the leased asset. The extension option of the leases of office premise, directors' quarter and car parks is normally exercised because the Group does not want to incur additional administrative costs while the termination option is normally not exercised. The Group seldom exercises options that were not included in the lease liabilities. During the years ended 31 March 2022 and 2021, all the lease contracts contain an extension or termination option, in which the total lease payment made amounted to approximately HK\$561,000 and HK\$1,135,000 and no optional lease payments were made.

The Group leases various office and premises for its daily operations and the lease terms ranging from one to two years. The total cash outflow for leases was approximately HK\$561,000 and HK\$1,135,000 for the years ended 31 March 2022 and 2021 respectively.

Restrictions or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the leases.

Commitment under leases

At 31 March 2022 and 2021, the Group was committed to approximately HK\$Nil and HK\$6,000 for short-term leases respectively.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Key management life insurance contract, at fair value	–	2,640

Movements of the financial assets at fair value through profit or loss during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Fair value at beginning of the year	2,640	2,644
Interest income on insurance policy	–	7
Amortisation of payment	–	(11)
Less: Elimination on redemption of key management life insurance contract	(2,640)	–
Fair value at end of the year	–	2,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

During the year ended 31 March 2016, Harmony Asia Limited (“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, 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.

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

Particulars of the policy are as follows:

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

During the year ended 31 March 2022, the Group terminated the insurance contract, the account value (net of a surrender charge) of US\$343,000 (approximately HK\$2,670,000) was refunded to the Group.

The fair value of the payment for a life insurance policy is determined by reference to the surrender cash value of a life insurance policy reported by the financial institution at the end of the reporting period together with the guaranteed interest rate as mentioned above. Details of the fair value measurement of the key management life insurance contracts are set out in Note 27.

As at 31 March 2021, key management insurance contract with the carrying amount of HK\$2,640,000 were pledged for the Group’s bank borrowings as disclosed in Note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

16. CONTRACT ASSETS/CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Contract assets and contract liabilities arising from management contracting services as follows:		
Contract assets (including retention receivables) gross amount	88,832	97,420
Less: Written-off of contract assets (Note i)	(9,632)	(6,619)
Loss allowance of contract assets (Note ii)	(12,546)	(5,447)
	<u>66,654</u>	<u>85,354</u>
Contract liabilities	<u>(1,288)</u>	<u>(3,138)</u>

Notes:

- (i) At 31 March 2022, the written-off of approximately HK\$9,632,000 (2021: HK\$6,619,000) represented the contract assets (including retention receivables) on certain projects that the Group has completed the works under the construction contracts for at least four years. Therefore, the Group has no reasonable expectations of recovering the contractual cash flows and no realistic prospect of recovery.
- (ii) At 31 March 2022, following the assessment of individual balances based on the Group's historical default experiences and the individual characteristics of each customer including but not limited to the aging profile and financial position together with other forward looking factors, the Group has provided a loss allowance of approximately HK\$12,546,000 (2021: HK\$5,447,000) on contract assets.

At the end of the reporting period, the contract assets that are expected to be recovered after more than 12 months are approximately HK\$6,997,000 (2021: approximately HK\$12,289,000), which represented the retention receivables. The remaining contract assets and liabilities are expected to be recovered within 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

16. CONTRACT ASSETS/CONTRACT LIABILITIES (continued)

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

	2022 HK\$'000	2021 HK\$'000
Contract assets		
At beginning of the year	85,354	95,701
Transferred to trade debtors	–	(8,875)
Recognition of revenue	3,478	10,594
Written-off	(9,632)	(6,619)
Loss allowance	(12,546)	(5,447)
At end of the year	<u>66,654</u>	<u>85,354</u>

	2022 HK\$'000	2021 HK\$'000
Contract liabilities		
At beginning of the year	(3,138)	(3,173)
Receipt of advances or recognition of receivables	–	(3,138)
Recognition of revenue	1,850	3,173
At end of the year	<u>(1,288)</u>	<u>(3,138)</u>

The expected timing of the revenue recognition of the performance obligations that are unsatisfied (or partially unsatisfied) at 31 March 2022 and 2021 is within 1 year. As permitted under HKFRS 15, the transaction price allocated to those contracts is not disclosed.

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from one to two years from the date of the completion of the respective projects. The retention receivables (net of written-off and loss allowance) to be settled, based on the expiry of the defect liability period, at the end of the reporting period are:

	2022 HK\$'000	2021 HK\$'000
On demand or within one year	–	5,147
After one year	6,997	12,289
	<u>6,997</u>	<u>17,436</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

17. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	2022 HK\$'000	2021 HK\$'000
Trade debtors		11,082	11,028
Less: Loss allowance		(5,687)	(526)
	17(a)	5,395	10,502
Pledged deposits to an insurance company	17(b)	158	158
Other debtors, deposits and prepayments		333	443
		5,886	11,103

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

	2022 HK\$'000	2021 HK\$'000
Within 30 days	1,495	1,343
31 to 60 days	–	–
Over 60 days	3,900	9,159
	5,395	10,502

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

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

	2022 HK\$'000	2021 HK\$'000
Within 30 days	–	–
31 to 60 days	–	–
61 to 365 days	–	160
More than one year	3,900	8,999
	3,900	9,159

- (b) Pledged deposits of approximately HK\$158,000 (2021: approximately HK\$158,000) to an insurance company is the security for issuance of performance bonds in respect of contracts for management contracting services with prevailing market rates at 0.2% (2021: 0.2%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

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

	Note	2022 HK\$'000	2021 HK\$'000
Pledged bank deposits	18(a)	–	17,437
Restricted bank deposits	18(b)	228	228
Bank balances and cash		107	438
Bank overdrafts	18(d)	(1,153)	(8,380)
		(818)	9,723
Less: Pledged and restricted bank deposits		(228)	(17,665)
Cash and cash equivalents	18(d)	(1,046)	(7,942)
Represented by:			
Bank balances and cash		107	438
Bank overdrafts		(1,153)	(8,380)
		(1,046)	(7,942)

- (a) The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group with maturity within one year from the end of the reporting period. The pledged bank deposits carry fixed interest rates ranging from 0.15% to 0.25% per annum at 31 March 2021.
- (b) The restricted bank deposits represent cash held at banks as security for due performance under several management contracting work with prevailing market rates at 0.2% at 31 March 2022 (2021: 0.2%) per annum.
- (c) The bank overdrafts carry interest rates ranging from 0.25% to 1.5% over the prime rate (2021: 0% to 1.75% over prime rate) per annum and are secured by the pledged bank deposit of approximately HK\$Nil (2021: approximately HK\$17,437,000).
- (d) 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:

	2022 HK\$'000	2021 HK\$'000
Renminbi ("RMB")	7	3
MOP	51	123
US\$	5	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

19. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

	Note	2022 HK\$'000	2021 HK\$'000
Trade creditors	19(a)	13,681	12,886
Salary payables		4,858	3,356
Other creditors and accrued expenses		20,785	1,114
Amount due to a director	19(b)	5,033	12,837
		44,357	30,193

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

	2022 HK\$'000	2021 HK\$'000
Within 30 days	–	196
31 to 60 days	–	278
61 to 90 days	–	–
91 to 365 days	–	1,077
Over one year	13,681	11,335
	13,681	12,886

(b) The amount due is unsecured, interest-free and repayable on demand.

20. BANK BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Secured	3,275	23,260
Unsecured	5,906	5,000
	9,181	28,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

20. BANK BORROWINGS (continued)

The bank borrowings are repayable as follows:

	2022 HK\$'000	2021 HK\$'000
On demand or within one year	9,181	26,267
More than five years	-	1,993
	9,181	28,260
Less: Amount due within one year shown under current liabilities	(9,181)	(26,267)
Amount due after one year shown under non-current liabilities	-	1,993

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

	2022 HK\$'000	2021 HK\$'000
Within one year	2,533	15,749
Within a period of more than one year but not exceeding two years	1,517	7,644
Within a period of more than two years but not exceeding five years	3,311	2,874
Over five years	1,820	1,993
	9,181	28,260

Except for bank borrowings of approximately HK\$Nil (2021: approximately HK\$1,993,000) which are denominated in US\$, all the remaining bank borrowings are denominated in HK\$. The bank borrowings carry floating interest rates ranging from 2.75% to 5.75% (2021: 2.75% to 5.75%) per annum based on prime rate or London Interbank Offered Rate ("LIBOR").

At 31 March 2022, bank borrowing amounting to approximately HK\$9,181,000 (2021: approximately HK\$26,267,000) is secured by pledged bank deposit of approximately HK\$Nil (2021: approximately HK\$17,437,000) and guaranteed by the Company for HK\$55,000,000 (2021: HK\$55,000,000) and HKMC Insurance Limited under SME Financing Guarantee Scheme for HK\$5,906,000 (2021: 5,000,000).

At 31 March 2021, bank borrowing amounting to approximately HK\$1,993,000 is secured by payment for a life insurance policy as disclosed in Note 15 to the consolidated financial statements. The amount was repaid during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

21. DEFERRED TAX

	Tax loss	Accelerated tax depreciation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2020	(119)	119	–
(Credit)/charge to profit or loss	<u>96</u>	<u>(96)</u>	<u>–</u>
At 31 March 2021	(23)	23	–
Charge/(credit) to profit or loss	<u>–</u>	<u>–</u>	<u>–</u>
At 31 March 2022	<u>(23)</u>	<u>23</u>	<u>–</u>

The Group has unused estimated tax losses of approximately HK\$54,507,000 (2021: approximately HK\$49,559,000) available to offset against future profits which have no expiry date under current tax legislation. Deferred taxation assets have been recognised in respect of approximately HK\$139,000 (2021: approximately HK\$139,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining unused tax losses of approximately HK\$54,368,000 (2021: approximately HK\$49,420,000) due to the unpredictability of future profit streams.

22. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 April 2020, 31 March 2021 and 31 March 2022	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 April 2020, 31 March 2021 and 31 March 2022	<u>1,300,000,000</u>	<u>13,000</u>

23. SHARE OPTION SCHEME

A summary of the share option scheme of the Company is set out in the section headed “Share Option Scheme” in the Report of the Directors of the annual report.

The Company adopted a share option scheme in May 2017 (the “Share Option Scheme”). The Share Option Scheme became effective on the date of the Company’s listing (i.e. 26 May 2017) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

23. SHARE OPTION SCHEME (continued)

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 130,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and as at the date of this annual report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million (or such other amount as permissible under the GEM Listing Rules from time to time), are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within such time to be determined by the Board and upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised. The exercise price of the share options shall be not less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered, which must be a business day (the "Offer Date"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the par value of the Shares.

No share option was granted, exercised, lapsed or forfeited during the years ended 31 March 2022 and 31 March 2021. On 27 April 2022, certain directors, employees and consultants of the Group were granted shares options to subscribe for 130,000,000 shares at an exercise price of HK\$0.0342 per share, details of which are set out in the Company's announcement dated 27 April 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

24. OTHER CASH FLOW INFORMATION

(a) Cash generated from/used in operations

	2022 HK\$'000	2021 HK\$'000
Loss before income tax	(30,430)	(28,935)
Depreciation	452	1,280
Interest expenses	717	2,628
Amortisation of payment for a life insurance policy	–	11
Proceeds on redemption of financial assets at FVTPL	2,670	–
Gain on redemption of financial assets at FVTPL	(30)	–
Written-off of trade debtors	–	5
Written-off of contract assets	9,632	6,619
Loss allowance of trade debtor	5,161	526
Loss allowance of contract assets	7,099	5,447
Interest income	(9)	(192)
Change in working capital:		
Contract assets/liabilities	119	(1,761)
Trade and other debtors, deposits and prepayments	56	9,514
Trade and other creditors and accrued expenses	21,968	(1,277)
Cash generated from/(used in) operations	<u>17,405</u>	<u>(6,135)</u>

(b) Major non-cash transaction

During the year ended 31 March 2022, the Group entered into lease arrangements in respect of right-of-use assets with a total capital value at the inception of leases of approximately HK\$515,000 (2021: HK\$659,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

24. OTHER CASH FLOW INFORMATION (continued)

(c) Changes in liabilities arising from financing activities

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

Year ended 31 March 2022

	Amount due to a director HK\$'000	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2021	12,837	28,260	133	41,230
Net cash outflows	(7,804)	(19,782)	(369)	(27,955)
Interest expenses	–	703	14	717
Additions	–	–	515	515
At 31 March 2022	5,033	9,181	293	14,507

Year ended 31 March 2021

	Amount due to a director HK\$'000	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2020	13,700	35,967	588	50,255
Net cash flows	(863)	(10,314)	(1,135)	(12,312)
Interest expenses	–	2,607	21	2,628
Additions	–	–	659	659
At 31 March 2021	12,837	28,260	133	41,230

25. RELATED PARTIES TRANSACTIONS

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

Key management personnel remuneration

	2022 HK\$'000	2021 HK\$'000
Salaries, allowances and other benefits	3,301	2,862
Directors' fees	317	363
Contributions to defined contribution plans	80	54
	3,698	3,279

Further details of the directors' remuneration are set out in Note 8 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

At 31 March 2022

	Financial assets at amortised cost <i>HK\$'000</i>	Financial assets at FVPL <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets			
Payment for a life insurance policy	–	–	–
Trade and other debtors	5,886	–	5,886
Pledged and restricted bank deposits	228	–	228
Bank balances and cash	107	–	107
Total	6,221	–	6,221

	Financial liabilities at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial liabilities		
Trade and other creditors	44,357	44,357
Bank borrowings	9,181	9,181
Bank overdrafts	1,153	1,153
Lease liabilities	293	293
Total	54,984	54,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

At 31 March 2022

	Financial assets at amortised cost <i>HK\$'000</i>	Financial assets at FVPL <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets			
Payment for a life insurance policy	–	2,640	2,640
Trade and other debtors	10,962	–	10,962
Pledged and restricted bank deposits	17,665	–	17,665
Bank balances and cash	438	–	438
Total	29,065	2,640	31,705
		Financial liabilities at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial liabilities			
Trade and other creditors		30,193	30,193
Bank borrowings		28,260	28,260
Bank overdrafts		8,380	8,380
Lease liabilities		133	133
Total		66,966	66,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Credit risk

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

Trade debtors and contract assets

The Group trades only with recognised and creditworthy third parties. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. Except for those trade debtors and contract assets have been specifically written-off amounted to approximately HK\$9,632,000 (2021: HK\$6,624,000), the remaining receivable and contract assets balances (excluding those for which provision for expected credit losses amounted to HK\$18,233,000 (2021: HK\$5,973,000) were made) are monitored on an ongoing basis by the management and the Group's exposure to bad debts is not significant).

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

At 31 March 2022, the Group had a concentration of credit risk as approximately 69% (2021: approximately 78%) of the total trade debtors and contract assets was due from the Group's largest trade debtor and customer and approximately 88% (2021: approximately 90%) of the total trade debtors and contract assets was due from the Group's five largest trade debtors and customer.

The Group's customer base consists of a wide range of customers and trade debtors and contract assets are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade debtors and contract assets (continued)

The information about the exposure to credit risk and ECL for trade debtors and contract assets using a provision matrix at 31 March 2022 is summarised as below.

At 31 March 2022

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000	Credit- impaired
Trade debtors					
Not past due	0%	–	–	–	No
Within 30 days overdue	0%	1,500	(5)	1,495	No
30 days to one year overdue	0%	470	(1)	469	No
One to two years overdue	52%	9,112	(5,681)	3,431	No
More than two years overdue	–	–	–	–	–
		<u>11,082</u>	<u>(5,687)</u>	<u>5,395</u>	
Contract assets	16%	79,200	(12,546)	66,654	No

At 31 March 2021

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000	Credit- impaired
Trade debtors					
Not past due	0%	1,343	–	1,343	No
Within 30 days overdue	0%	–	–	–	No
30 days to one year overdue	3%	165	(5)	160	No
One to two years overdue	5%	8,994	(450)	8,544	No
More than two years overdue	13%	526	(71)	455	No
		<u>11,028</u>	<u>(526)</u>	<u>10,502</u>	
Contract assets	6%	90,801	(5,447)	85,354	No

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade debtors and contract assets (continued)

At the end of the reporting period, in addition to a specific written-off of trade debtors and contract assets amounted to approximately HK\$9,632,000 (2021: HK\$6,624,000), the Group recognised an impairment loss of approximately HK\$5,681,000 (2021: HK\$526,000) and HK\$12,546,000 (2021: HK\$5,973,000) on the trade debtors and contract assets respectively. The movement in the loss allowance for trade debtors and contract assets respectively during the year is summarised below:

	2022 HK\$'000	2021 HK\$'000
Trade debtors		
At the beginning of the year	526	–
Increase in allowance	5,161	526
At the end of the year	5,687	526
	2022 HK\$'000	2021 HK\$'000
Contract assets		
At the beginning of the year	5,447	–
Increase in allowance	7,099	5,447
At the end of the year	12,546	5,447

The Group does not hold any collateral over the trade debtors and contract assets at 31 March 2022 (2021: Nil).

Other debtors

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

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

Pledged and restricted bank deposits/bank balances and cash

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Several subsidiaries of the Group have bank balances and cash, payment for a life insurance policy 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 at the reporting dates are as follows:

	2022 HK\$'000	2021 HK\$'000
Assets		
RMB	7	3
MOP	51	123
US\$	5	2,658
Liabilities		
US\$	–	1,993

As most of the Group's foreign currency denominated monetary assets are denominated in US\$ and MOP; HK\$ is pegged to US\$ while MOP is pegged to HK\$, the Group's foreign currency risk exposure is not considered to be significant. Accordingly, no sensitivity analysis has been presented on the currency risk.

Interest rate risk

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

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

Sensitivity analysis

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

If interest rates on bank borrowings had been 0.5% (2021: 0.5%) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2022 would increase/decrease by approximately HK\$47,000 (2021: approximately HK\$183,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

	Weighted average interest rate %	On demand or within 90 days HK\$'000	91 days to 1 year HK\$'000	1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amount HK\$'000
At 31 March 2022							
Trade and other creditors and accrued expenses	-	44,357	-	-	-	44,357	44,357
Bank overdrafts	5.60	1,153	-	-	-	1,153	1,153
Bank borrowings	3.64	9,181	-	-	-	9,181	9,181
		<u>54,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,691</u>	<u>54,691</u>
	Weighted average interest rate %	On demand or within 90 days HK\$'000	91 days to 1 year HK\$'000	1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amount HK\$'000
At 31 March 2021							
Trade and other creditors and accrued expenses	-	30,193	-	-	-	30,193	30,193
Bank overdrafts	5.80	8,380	-	-	-	8,380	8,380
Bank borrowings	5.01	27,398	-	-	2,033	29,431	28,260
		<u>65,971</u>	<u>-</u>	<u>-</u>	<u>2,033</u>	<u>68,004</u>	<u>66,833</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
On demand or within 90 days	1,475	8,706
91 days to 1 year	1,058	7,792
1 to 5 years	4,828	10,900
Over 5 years	1,820	2,033
	9,181	29,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

27. FAIR VALUE MEASUREMENTS

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

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

(a) Assets and liabilities measured at fair value

	Level 3	
	2022	2021
	HK\$'000	HK\$'000
Assets measured at fair value		
Financial assets at FVTPL		
– Payment for a life insurance policy (Note 15)	–	2,640

Movements during the year of the financial assets FVTPL are as follows:

	Level 3	
	2022	2021
	HK\$'000	HK\$'000
At beginning of the year	2,640	2,644
Interest income recognised	–	7
Amortisation of payment	–	(11)
Transferred out on redemption	(2,640)	–
At end of the year	–	2,640

During the years ended 31 March 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

The fair value of the payment for a life insurance policy is determined by reference to the surrender cash value reported by the financial institution on a regular basis. The sensitivity analysis is not applicable because the significant unobservable inputs is not available to public.

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

All other financial assets and financial liabilities measured at amortised cost are carried at amounts not materially different from their fair values at 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

28. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividends to equity owners, issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2022 and 2021.

29. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Pledged and restricted bank deposits	228	17,665
Pledged deposits to an insurance company	–	158
Payment for a life insurance policy	–	2,640
	228	20,463

30. PERFORMANCE BONDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services	226	691

Certain customers require the Group to procure performance bonds to be provided by a bank or an insurance company in favour of them as security for due performance and observance of the obligations under the contracts. In procuring such performance bonds, the Group is usually required to place a required amount of deposit to such bank or insurance company. If the Group fails to provide satisfactory services to the customers, the customers are entitled to seek compensation from the bank or insurance company for the amount of financial losses incurred not exceeding the amount of the performance bonds. The Group will then become liable to compensate the bank or insurance company accordingly. During the years ended 31 March 2022 and 2021, no customers called any performance bond. Typically, the estimated consideration is not constrained for revenue recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Investments in subsidiaries		23,400	37,344
Current assets			
Deposit paid		113	113
Amounts due from subsidiaries		1,744	1,699
Bank balances and cash		–	45
		1,857	1,857
NET ASSETS		25,257	39,201
Capital and reserves			
Share capital	22	13,000	13,000
Reserves	31(a)	12,257	26,201
TOTAL EQUITY		25,257	39,201

This Company's statement of financial position was approved and authorised for issue by the Board of Directors on 31 August 2022 and signed on its behalf by:

Mr. Nam Ho Kwan
Director

Mr. Ng Wan Lok
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

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

(a) Movements of the reserves

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020	81,096	(22,142)	58,954
Loss for the year and total comprehensive expenses for the year	—	(32,753)	(32,753)
At 31 March 2021	81,096	(54,895)	26,201
At 1 April 2021	81,096	(54,895)	26,201
Loss for the year and total comprehensive expenses for the year	—	(13,944)	(13,944)
At 31 March 2022	81,096	(68,839)	12,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital/ quota capital	Attributable equity interest held by the Company		Principal activities and place of operation
			2022	2021	
Directly held by the Company					
Access Golden Limited	British Virgin Islands ("BVI"), 9 December 2020	US\$1	100%	100%	Investment holding, Hong Kong
Best Innovation (Hong Kong) Holdings Company Limited	Samoa, 19 January 2016	US\$1,000,000	100%	100%	Investment holding, Hong Kong
Best Innovation Holdings Company Limited	Samoa, 16 December 2015	US\$1,000,000	100%	100%	Investment holding, Hong Kong
Future Pop Limited	BVI, 16 October 2017	US\$1	100%	100%	Investment holding, Hong Kong
Harmony Asia Holdings Company Limited	Samoa, 16 December 2015	US\$1,000,000	100%	100%	Investment holding, Hong Kong
Impressive Win Investments Limited	BVI, 10 July 2020	US\$1	100%	100%	Investment holding, Hong Kong
Indirectly held by the Company					
Best Innovation Limited	Hong Kong, 15 September 2009	HK\$100,000	100%	100%	Provision of design, procurement and installation service of water circulation system, Hong Kong
Best Innovation Limited	Macau, 17 September 2014	MOP25,000	100%	100%	Provision of design, procurement and installation service of water circulation system, Macau

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital/ quota capital	Attributable equity interest held by the Company		Principal activities and place of operation
			2022	2021	
Harmony Asia Limited	Hong Kong, 3 November 2006	HK\$200,000	100%	100%	Provision of design, procurement and installation service of water circulation system, Hong Kong
Hong Kong Unique Food Technology Limited (formerly known as Hongkong Yepsince Group Limited)	Hong Kong, 6 April 2017	HK\$10,000	100%	100%	Inactive, Hong Kong
Yammy Technology Co., Limited (formerly known as Zhenxingyuan Trade Co., Limited)	Hong Kong, 3 April 2017	HK\$10,000	100%	100%	Inactive, Hong Kong

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

33. EVENTS AFTER THE REPORTING DATE

(a) Acquisition of Splendid Resource Inc.

On 26 April 2022, the Company entered into the Sale and Purchase Agreement with Ms. So Siu Ngan, Amy (“the Vendor”), a third party pursuant to which the Company agreed to purchase and the Vendor agreed to sell 45% equity interest in Splendid Resource, at a consideration of HK\$13,000,000. Splendid Resource is an investment company holding certain land in Hong Kong which are intended for development into a theme park and garden for pet lovers.

The Consideration shall be satisfied by the Company by (i) HK\$500,000 in cash as deposit to the Vendor within 14 days upon signing of the Sale and Purchase Agreement; and (ii) HK\$12,500,000 by way of issuing a promissory note by the Company to the Vendor. The completion of the acquisition took place on 29 April 2022.

(b) Acquisition of City Key Group Limited

On 22 March 2022, the Company entered into the sale and purchase agreement (the “Agreement”) with Mr. Song Chenglei (the “Vendor”), which Company agreed to purchase and the Vendor agreed to sell the entire issued share in City Key Group Limited (the “Target”), a company incorporated under the laws of the British Virgin Island (“BVI”) with limited liability, at a consideration of HK\$9.0 million (the “Consideration”). Upon the completion, the Target will become a direct wholly-owned subsidiary of the Company. The Consideration will be satisfied by the Company by (i) HK\$2.0 million in cash as deposit to the Vendor within 14 days upon signing of the Agreement; and (ii) HK\$7.0 million by way of issuing the promissory note by the Company to the Vendor.

The Company and the Vendor entered into the supplemental agreement on 31 March 2022, pursuant to which the Company and the Vendor conditionally agreed the Consideration shall be satisfied by the Company by (i) HK\$992,000 in cash as deposit to the Vendor within 14 days upon signing of the Agreement; and (ii) HK\$8.008 million by way of allotting and issuing 260,000,000 new shares by the Company to the Vendor at the issue price of HK\$0.0308 per share.

Pursuant to the Agreement, the Vendor irrevocably and unconditionally warrant and guarantee to the Company that, during the period from 1 January 2022 to 31 December 2024 (the “Guarantee Period”), the aggregate audited net profit after tax of the subsidiary of the Target, Jiayou (Beijing) Commercial and Trading Limited, a company incorporated in the PRC, will not be less than RMB27.0 million (the “Guaranteed Profit”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

33. EVENTS AFTER THE REPORTING DATE (continued)

(b) Acquisition of City Key Group Limited (continued)

On 4 April 2022, the Company and the Vendor entered into the second supplemental agreement (the "Second Supplemental Agreement"), pursuant to which the Company and the Vendor agreed to reduce the Consideration from HK\$9.0 million to HK\$8.96 million. The revised Consideration of HK\$8.96 million shall be satisfied by the Company by (i) HK\$952,000 in cash as deposit to the Vendor within 28 days upon signing of the Agreement; and (ii) HK\$8.008 million by way of allotting and issuing to the Vendor 260,000,000 new shares at the issue price of HK\$0.0308.

Completion of the acquisition of the Target took place on 8 April 2022.

As the fair value of the assets and liabilities of the Target at the date of completion of the acquisition are yet to be measured, details of the assets and liabilities of the Target acquired by the Group and the related goodwill on acquisition, if any, are not disclosed.

(c) Acquisition of Powerful Leader Mining Sdn. Bhd.

On 6 June 2022, the Company entered into the sale and purchase agreement with Mr. Tsoi Wai ("the Vendor"), a third party, pursuant to which the Company agreed to purchase and the Vendor agreed to sell the entire issued shares of Powerful Leader Mining Sdn. Bhd. at a consideration of HK\$11,000,000, details of which are set out in the Company's announcement dated 6 June 2022.

On 24 June 2022, the Company decided not to proceed with the acquisition since one of the conditions precedent in the sale and purchase agreement has not been fulfilled, details of which are set out in the Company's announcement dated 24 June 2022.

(d) Granting of Share Options

On 27 April 2022, a total of 130,000,000 share options (the "Share Options") were granted to certain executive directors, employees and external business consultants of the Group, with an exercise price of HK\$0.0342 per share under the Share Option Scheme adopted by the Company on 12 May 2017, details of which are set out in the Company's announcement dated 27 April 2022.

FINANCIAL SUMMARY

For the five years ended 31 March 2018, 2019, 2020, 2021 and 2022

RESULTS

Consolidated results	2022 HK\$'000	For the year ended 31 March			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	6,458	26,594	87,111	135,469	130,886
Gross profit	1,615	2,359	7,199	26,106	25,172
(Loss)/profit before income tax	(30,430)	(28,935)	(21,747)	3,727	4,085
(Loss)/profit and total comprehensive (expense)/income for the year	(30,430)	(28,935)	(21,907)	2,982	2,983

ASSETS AND LIABILITIES

Consolidated assets and liabilities	2022 HK\$'000	As at 31 March			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Total assets	73,340	117,602	155,105	188,010	146,314
Total liabilities	(56,272)	(70,104)	(78,672)	(89,670)	(50,956)
Net assets	17,068	47,498	76,433	98,340	95,358