ANNUAL REPORT 2022/23

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)

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Lun (Appointed on 14 October 2022 and re-designated as chairman on 23 December 2022)
Mr. Shu Zhongwen (Appointed as CEO on 1 December 2022)
Ms. Wong Wing Hung (Re-designated as Chairman and CEO on 5 October 2022, resigned as CEO on 1 December 2022 and resigned as chairman on 23 December 2022)
Mr. Ng Wan Lok
Mr. Wang Xinliang
Mr. Nam Ho Kwan (Resigned as Chairman and CEO on 5 October 2022)
Mr. Lin Hann Ruey (Appointed on 13 December 2022 and resigned on 4 April 2023)
Mr. Jiang Jianguo (Appointed on 4 April 2023 and resigned on 24 April 2023)

Non-executive Director

Ms. Chen Xiaodan (Appointed on 14 October 2022)

Independent non-executive Directors

Mr. Ma Meng
Ms. Li Ruyi
Ms. Yuen Wai Man (Appointed on 13 December 2022)
Mr. Cheung Hiu Fung (Appointed on 23 December 2022)
Mr. Ng Jeffrey Kam Tsun (Resigned on 23 December 2022)

COMPANY SECRETARY

Mr. Lee Kun Yin

COMPLIANCE OFFICER

Ms. Wong Wing Hung

AUTHORISED REPRESENTATIVES

Mr. Wang Lun (Appointed on 23 December 2022)
Mr. Ng Wan Lok
Mr. Nam Ho Kwan (Resigned on 5 October 2022)

AUDIT COMMITTEE

Ms. Yuen Wai Man (Appointed as Chairman on 23 December 2022)
Mr. Ng Kam Tsun (Resigned as Chairman on 23 December 2022)
Mr. Ma Meng
Mr. Li Ruyi
Mr. Cheung Hiu Fung (Appointed on 23 December 2022)

REMUNERATION COMMITTEE

Ms. Yuen Wai Man (Appointed as Chairman on 23 December 2022)
Mr. Ng Kam Tsun (Resigned as Chairman on 23 December 2022)
Mr. Ma Meng
Mr. Li Ruyi

NOMINATION COMMITTEE

Mr. Wang Lun (Appointed as Chairman on 23 December 2022)
Mr. Ma Meng
Mr. Li Ruyi
Ms. Yuen Wai Man (Appointed on 13 December 2022)
Ms. Wong Wing Hung (Appointed as Chairman on 5 October 2022 and resigned on 23 December 2022)
Mr. Nam Ho Kwan (Resigned as Chairman on 5 October 2022)
Mr. Ng Kam Tsun (Resigned on 23 December 2022)

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.irasia.com/listco/hk/haobai/

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 2023.

REVIEW AND RESULTS

During the year under review, the Group, a Hong Kong-based contractor, was principally engaged in design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains.

In the past 12 months, the outbreak of COVID-19 has continuously generated unprecedented challenges to the global and local economy while negatively affected the Group's overall business environment at the same time. 2022/23 was a challenging year for the Group in which our industry continues to face challenges such as labour shortage, rising operational and staff costs, global political tensions, trade disputes between China and the United States and other market uncertainties. Many major cities including Hong Kong have experienced several waves of COVID-19 pandemic in the past 12 months.

Given such market conditions, the Group continued to maintain robust business strategies and tight control of its operations while focused on enhancing operational efficiency and implementing various cost reduction measures during the year. Senior management tried to improve the Group's balance sheet by proactively explored fund-raising activities such as placing of new shares mentioned in our announcements dated 11 April 2022 and 12 January 2023 respectively. The Group also managed to enhance its business relationship with customers, sub-contractors, business partners and obtained full support from them while effectively satisfying their needs at the same time. The Group will continue to monitor the market trends and take prompt and appropriate actions to adjust our business strategies and allocate resources effectively under the challenging market conditions.

During the year ended 31 March 2023, the total revenue of the Group increased by approximately HK$9.1 million or 241.5% from approximately HK$6.5 million for the year ended 31 March 2022 to approximately HK$15.6 million for the year ended 31 March 2023.

The Group's net loss increased from approximately HK$30.4 million for the year ended 31 March 2022 to approximately HK$33.2 million for the year ended 31 March 2023 due to additional write-off/loss allowance of contract assets and material contract costs relating to management contracting services being recognised as expenses compared with prior year.

OUTLOOK

Looking ahead, we anticipate the global economy continue to be volatile and challenging in the coming year and It is very difficult to predict when the global economy will resume its normal pace. However, it is anticipated that many countries will adopt flexible and accommodative monetary policies and fiscal stimulus to provide liquidity to counter economic downturn. We are still confident in the future development of the Group in long-term. Despite possible disruptions to the Chinese economy, we are confident about the mid-to-long-term recovery of the Chinese market. We believe the central government will continue to provide accommodative monetary policy and fiscal stimulus in order to support economic growth.

CHAIRMAN'S STATEMENT

We firmly believe that China and the rest of the world will gradually step out of the pandemic and hence, the Group intends to revamp and optimise its existing businesses in 2023/24 for greater operational efficiency and opportunities while trying to identify potential projects and investment opportunities in Hong Kong and China. The Group will target certain markets in China, particularly in the Greater Bay Area, and will adhere to the strategy of enlarging the market share and competitiveness through integration and improvement of its overall team strength. The Group will continue to assess the opportunities prudently in order to improve profitability and enhance the capital functioning. The Group will also continue to exploit new business opportunities from time to time, diversify and broaden revenue sources of the Group and generate tremendous returns and long-term values for the Shareholders.

In addition, the Board believes that the fund raising activities in the past 12 months allowed the Group to (a) settle some of the Group's indebtedness; (b) strengthen the financial position of the Group; (c) support its business operations; and (d) enable the Group to participate in certain investment opportunities. The Board believes 2023/24 will be a better year for the Group due to its improved financial position and more promising business environment and opportunities.

FUTURE PROSPECTS

Regarding the business operations in Hong Kong, the Group will continue to participate in the tendering process with various construction or property development companies in Hong Kong. The Group forecasts to have approximately HK$12 million of revenue recognised within the next 18 to 24 months from the 4 current management contracting projects in Hong Kong.

In respect of the business operations in China, the Company's management team will spend more time in China to proactively target certain companies for joint venture, business collaboration and investment opportunities while trying to consolidate our existing business in China at the same time.

Furthermore, we will explore funding sources, such as the proposed Rights Issue on the basis of one Rights Share for every two existing Shares, with the estimated net proceeds of approximately HK$18.42 million as mentioned in our announcement dated 29 May 2023, in order 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.

Wang Lun
Chairman
Hong Kong, 30 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group, a Hong Kong-based contractor, is principally engaged in design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains. We provide services mainly to property developers, main contractors and subcontractor in various private residential projects, hotel, casino, shopping and recreation complex projects in Hong Kong and China. 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 engineering, procurement and construction management ("EPCM") services of commercial and residential buildings and infrastructures in China; and (iii) maintenance services – provision of maintenance and repair services for water circulation systems. For the year ended 31 March 2023, the Group had 4 management contracting projects in Hong Kong (2022: 7 management contracting projects) with revenue contribution, while the Group will continue to expand our businesses into China and the Greater Bay Area.

During the Year, with the strict COVID-19 curbs in Hong Kong and China, the Group's operation has inevitably been affected, which was in line with the general market condition. Facing such difficulties, the Group has demonstrated its determination to keep up with industry development while trying to improve its financial structure for the long-term and healthy growth of the Group's businesses.

During the Reporting Period, the Group's net loss increased from approximately HK$30.4 million for the year ended 31 March 2022 to approximately HK$33.2 million for the year ended 31 March 2023. The Group's net loss was mainly attributable to the additional write-off/loss allowance of contract assets and material contract costs relating to management contracting services being recognised as expenses compared with prior year.

Looking ahead, we believe economic recovery to the pre-pandemic level will be a prolonged process while coupled with rising inflation expectations in the United States and the occurrence of global political events, there maybe a negative impact on the financial markets.

We will continue to take measures in protecting the health of our staff while implementing cost reduction programs to minimize cash outflows, staff costs and general expenses while taking considerable efforts to control capital expenditures.

Although the Directors remain confident in the mid-to-long term business outlook of Hong Kong and China 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.

The Directors will continue to evaluate the Group's business strategies in Hong Kong and China 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our total revenue increased by approximately HK$9.1 million or 241.5% from approximately HK$6.5 million for the year ended 31 March 2022 to approximately HK$15.6 million for the year ended 31 March 2023.

Last year was a challenging year for the Group because of COVID-19, while increase in revenue this year is due to the steady progress being made by the Group's current 4 projects in Hong Kong. In addition, we have managed to collect long outstanding receivables from other projects.

Due to the uncertain business environment, water circulation systems' tender process for new construction and property development projects has been slow, but management remains confident in winning new tenders in the next 12 to 18 months.

Cost of services

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

Our cost of services increased by approximately HK$7.3 million or 250% from approximately HK$4.8 million for the year ended 31 March 2022 to approximately HK$12.1 million for the year ended 31 March 2023. Such increase was primarily due to good progress being made by our current projects compared with prior year.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$1.9 million or 215.9% from approximately HK$1.6 million for the year ended 31 March 2022 to approximately HK$3.5 million for the year ended 31 March 2023. While number of projects remains the same this year, gross profit margin reduced from approximately 25% for the year ended 31 March 2022 to approximately 22.3% for the year ended 31 March 2023. Reduction was mainly due to increase in material costs and other general expenses.

Other income

Our other income reduced from approximately HK$0.2 million for the year ended 31 March 2022 to approximately HK$0.02 million for the year ended 31 March 2023.

Administrative expenses

Our administrative expenses increased by approximately HK$4.8 million or 15.1% from approximately HK$31.5 million for the year ended 31 March 2022 to approximately HK$36.3 million for the year ended 31 March 2023 due to additional write-off/loss allowance of contract assets and material contract costs relating to management contracting services being recognised as expenses compared with prior year.

Finance costs

Our finance costs decreased by approximately HK$0.31 million or 57% from approximately HK$0.72 million for the year ended 31 March 2022 to approximately HK$0.41 million for the year ended 31 March 2023, primarily due to certain loans being repaid during the reporting period.

Income tax expenses

For the year ended 31 March 2023 and 2022, there were no assessable profits in Hong Kong and Macau, as a result, no income tax expenses were provided for, while the current income tax expense of HK$1,000.00 was subject to PRC Enterprise Income Tax.

Net loss

The Company recorded a net loss of approximately HK$33.2 million for the year ended 31 March 2023 as compared to a net loss of approximately HK$30.4 million for the year ended 31 March 2022.

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 2023 and 2022.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2023, the Group had total assets of approximately HK$84.1 million (2022: approximately HK$73.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$83.3 million (2022: approximately HK$56.3 million) and approximately HK$0.9 million (2022: approximately HK$17.1 million) respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2023 were approximately HK$7.6 million (2022: approximately HK$10.3 million), and current ratio as at 31 March 2023 was approximately 0.91 times (2022: approximately 1.30 times).

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

The Group's gearing ratio, which is calculated by total borrowings and bank overdrafts divided by total equity, changed from approximately 60.5% as at 31 March 2022 to approximately 857.1% as at 31 March 2023, primarily due to the significant reduction in total equity and reduction in bank borrowings during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CONSOLIDATION

On 12 December 2022, the Board proposed to implement share consolidation on the basis that every ten (10) issued and unissued existing shares of par value of HK$0.01 each in the share capital of the Company were consolidated into one (1) consolidated share of par value of HK$0.10 each (the "Share Consolidation"). The Share Consolidation was approved by the Shareholders at the extraordinary general meeting on 30 January 2023 and became effective on 1 February 2023, upon which the authorised share capital of the Company was HK$20,000,000 divided into 200,000,000 Consolidated Shares of HK$0.10 each, of which 195,340,000 Consolidated Shares of HK$0.10 each were in issue as fully paid or credited as fully paid. Details of the Share Consolidation are set out in the Company's circular dated 5 January 2023 and the Company's announcements dated 12 December 2022, 22 December 2022 and 1 February 2023 respectively.

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 have been no changes in the capital structure of the Group until the current financial year. The share capital of the Group comprises ordinary shares only.

As at 31 March 2023, the number of ordinary shares of the Company issued and fully paid was 195,340,000 (2022: 130,000,000 (after Share Consolidation)).

CAPITAL COMMITMENTS

As at 31 March 2023 and 2022, 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 2023, 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 2023, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies, except for (a) acquisition of City Key Group Limited and its subsidiaries for HK$8.008 million in which the Company allotted and issued 260,000,000 shares at an issue price of HK$0.0308. Please refer to the announcements dated 11 April, 2022, 4 April 2022, 31 March 2022, and 22 March 2022 for further details; and (b) acquisition of Splendid Resources. Please refer to the announcements dated 25 April 2022 and 29 April 2022 for further information.

CONTINGENT LIABILITIES

Save as disclosed in note 30 to the consolidated financial statements, as at 31 March 2023 and 2022, 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 China, 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 2023 and 2022, the Group did not have other pledge of assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed a total of 11 employees (2022: 11 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$3.8 million for the year ended 31 March 2023 (2022: approximately HK$6.9 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.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 29 December 2022, the Company and Cheong Lee Securities Limited (the "Placing Agent"), entered into the placing agreement ("Placing Agreement"), pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, of up to 323,400,000 placing shares ("Placing Shares"), to not less than six placees who and whose ultimate beneficial owners shall be Independent Third Parties at the Placing Price of HK$0.024 per Placing Share ("Placing").

On 12 January 2023, 323,400,000 Placing Shares were successfully placed by the Placing Agent. Gross proceeds from the Placing were approximately HK$7.76 million and the net proceeds from the Placing were approximately HK$7.39 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK$0.023 per Placing Share. Net proceeds from the Placing were intended (i) to repay HK$1.40 million bank loan; (ii) to repay HK$5.59 million overdue trade payables; while (iii) remaining net proceeds of approximately HK$0.40 million were used to support the Group's business operations as working capital.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Details of the Placing and Placing Agreement are set out in the announcements dated 29 December 2022 and 12 January 2023 respectively.

ACQUISITIONS AND FUND-RAISING ACTIVITIES

On 8 April 2022, all the conditions precedent to the sale and purchase of the Sale Share and issue of the Consideration Shares were fulfilled and the Completion took place in accordance with the terms and conditions of the Sale and Purchase Agreement (as supplemented by the supplemental agreements dated 31 March 2022 and 4 April 2022). Upon Completion, City Key Group Limited becomes a wholly-owned subsidiary of the Company and the financial results of City Key Group Limited and its subsidiaries are consolidated into the financial statements of the Group. The Company allotted and issued 260,000,000 Consideration Shares to the Vendor (Mr. Song Chenglei) at the Issue Price of HK$0.0308 upon the Completion pursuant to the Sale and Purchase Agreement. Please refer to the announcements dated 11 April 2022, 8 April 2022, 4 April 2022, 31 March 2022 and 22 March 2022 respectively for further information.

On 25 April 2022, conditions precedent to the sale and purchase of the Sale Share were met in accordance with the terms and conditions of the Sale and Purchase Agreement. If completed, Splendid Resources Inc. is expected to be held as to 45% of its issued share capital by the Company and will become an associated entity of the Company. The Consideration paid by the Company is as follow: (i) HK$500,000 in cash or equivalent as deposit to the Vendor (Ms. So Siu Ngan, Amy) upon signing of the Sale and Purchase Agreement; and (ii) HK$12,500,000 by way of issuing the Promissory Note by the Company to the Vendor or its nominee(s) upon the Completion. The acquisition is yet to be fully completed as at the date of this Report.

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 2023 (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 C.2.1

Pursuant paragraph C.2.1 of the CG Code which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the roles of the chairman and chief executive officer were both performed by Ms. Wong Wing Hung ("Ms. Wong") between 5 October 2022 and 1 December 2022, after Mr. Nam Ho Kwan, who was an executive Director, the chairman of the Board, and chief executive officer of the Company since 23 November 2015, resigned from such positions with effect from 5 October 2022.

With effect from 1 December 2022, Ms. Wong resigned as the chief executive officer of the Company but remained as an executive director and chairman of the Board of the Company. Mr. Shu Zhongwen was appointed as the chief executive officer and an executive director of the Company with effect from 1 December 2022.

With effect from 23 December 2022, Ms. Wong resigned as the chairman of the Board of the Company, but remained as an executive director of the Company. Mr. Wang Lun, an executive director and general manager of the Company, was appointed as the chairman of the Board with effect from 23 December 2022.

From 23 December 2022 onwards, the Company complied with the code provision C.2.1 of the CG Code since the roles of chairman and chief executive were performed by Mr. Wang Lun and Mr. Shu Zhongwen respectively.

Code F.2

One executive Director and one independent non-executive Director were absent from the last annual general meeting of the Company held on 30 September 2022 as they were away from Hong Kong due to other important engagements at the time of this meeting. The Board considered that sufficient measures had been taken for the absent Directors to understand the views of shareholders, including having circulated the minutes of the annual general meeting to each of the absent Directors after the conclusion of the annual general meeting.

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

The board (the "Board") of directors (the "Directors") of the Company and management of the Group aim to maintain high standards of corporate governance best suited to the needs of its businesses and interest and value of the shareholders of the Company (the "Shareholders") as the Board believes that effective governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the 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 A.2.1 of the CG Code which include the following:

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

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

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

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

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

COMPOSITION OF THE BOARD

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

Executive Directors

Mr. Wang Lun (Appointed on 14 October 2022 and re-designated as chairman on 23 December 2022)
Mr. Shu Zhongwen (Appointed as CEO on 1 December 2022)
Ms. Wong Wing Hung (Re-designated as Chairman and CEO on 5 October 2022, resigned as CEO on 1 December 2022 and resigned as chairman on 23 December 2022)
Mr. Ng Wan Lok
Mr. Wang Xinliang
Mr. Nam Ho Kwan (Resigned as Chairman and CEO on 5 October 2022)
M. Lin Hann Ruey (Appointed on 13 December 2022 and resigned on 4 April 2023)
Mr. Jiang Jianguo (Appointed on 4 April 2023 and resigned on 24 April 2023)

Non-executive Director

Ms. Chen Xiaodan (Appointed on 14 October 2022)

Independent Non-executive Directors

Mr. Ma Meng
Ms. Li Ruyi
Ms. Yuen Wai Man (Appointed on 13 December 2022)
Mr. Cheung Hiu Fung (Appointed on 23 December 2022)
Mr. Ng Jeffrey Kam Tsun (Resigned on 23 December 2022)

An updated list of Directors identifying their roles and functions has been published on the websites of the Company and the Stock Exchange. The profiles of the Directors, including relationship between Board members, are set out in the section "Biographical Details of the Directors" of this annual report.

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 2022 Interim Report of the Company, is set out below:

- Ms. Wong Wing Hung resigned as the chief executive officer of the Company but remained as an executive director of the Company, the chairman of the Board, the chairman of the Nomination Committee, the Exchange authorised representative and the agent for service of process in Hong Kong with effect from 1 December 2022;

- Mr. Shu Zhongwen was appointed as the chief executive officer and an executive director of the Company with effect from 1 December 2022;

- Mr. Lin Hann Ruey was appointed as an executive Director of the Company with effect from 13 December 2022 and resigned as an executive Director of the Company with effect from 4 April 2023;

- Ms. Yuen Wai Man was appointed as an independent non-executive Director and a member of the Nomination Committee of the Company with effect from 13 December 2022 while she was also appointed as the chairman of Audit Committee and chairman of the Remuneration Committee of the Company with effect from 23 December 2022;

- Ms. Wong Wing Hung resigned as the chairman of the Board, chairman of the Nomination Committee of the Company and the Exchange authorised representative with effect from 23 December 2022 but remained as an executive director of the Company and the agent for service of process in Hong Kong;

- Mr. Wang Lun, an executive director and general manager of the Company, was appointed as the chairman of the Board, chairman of the Nomination Committee of the Company and the Exchange authorised representative with effect from 23 December 2022;

- Mr. Cheung Hiu Fung was appointed as an independent non-executive Director and member of the Audit Committee of the Company with effect from 23 December 2022 and he was appointed as an independent non-executive director of Simplicity Holding Limited (Stock Code: 8367), a company listed on the GEM of the Stock Exchange since 31 March 2023;

- Mr. Ng Kam Tsun resigned as an independent non-executive Director, chairman of the Audit Committee, chairman of the Remuneration Committee and member of the Nomination Committee of the Company with effect from 23 December 2022; and

- Mr. Jiang Jianguo was appointed as an executive Director of the Company with effect from 4 April 2023 and resigned as an executive Director of the Company with effect from 24 April 2023.

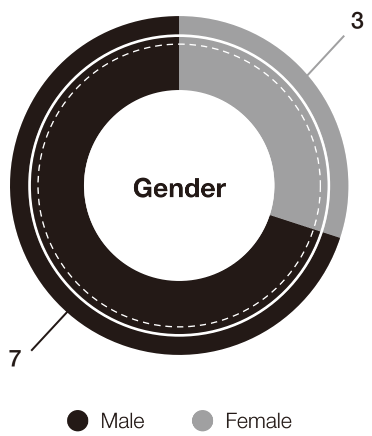
In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company had appointed the INEDs representing not less than one-third of the Board and at least one of whom has appropriate professional qualifications, accounting or related financial management expertise during the Reporting 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.

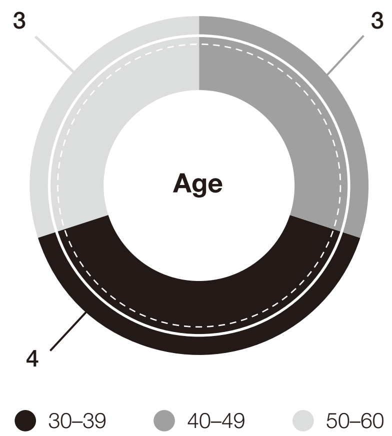
The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired because of the diverse background and experience of our INEDs. Furthermore, all Board Committees including the Audit Committee of the Company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

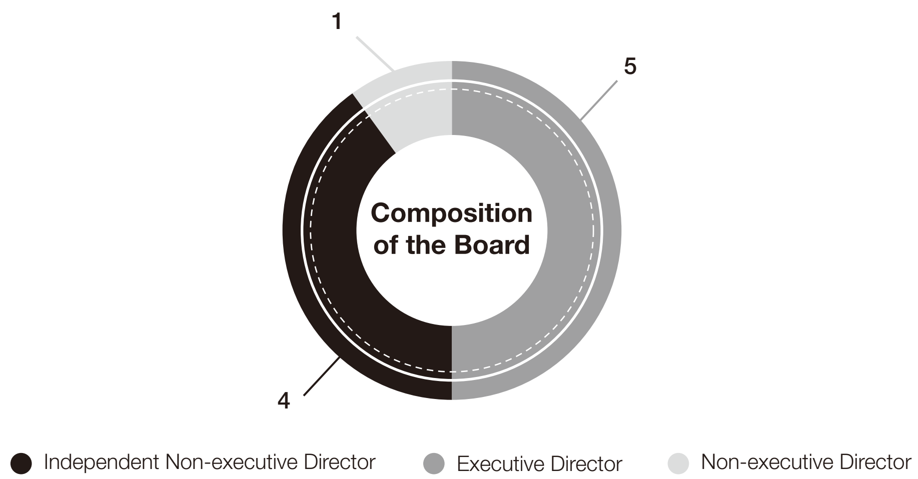
To the best knowledge of the Board, there are no other relationship (including financial business, family, and other material/relevant relationships) among the members of the Board as of the date of this report.

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.

Gender Diversity

The Board believes that gender diversity is a manifestation of board diversity, among all other measurable objectives. For the year ended 31 March 2023, the Board comprises seven male directors and three female directors. The Company will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole.

Under the revised Rule 17.104 of the GEM Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved board diversity. The Company has always complied with this new requirement since its Shares were first listed on the GEM back in May 2017.

The Group recognises the importance of diversity and has a diverse workforce in terms of gender, providing a variety of ideas and levels of competency that contribute to the Group's success. In the hiring process, the Company takes into account a number of measurable factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications. Appointment of candidates is solely based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Group.

As of 31 March 2023, the gender ratio of the Group's workforce is 63.6% male and 36.4% female. Overall, the Board considers the recruitment strategy adopted by the Group is effective and adequate. In determining the independence of Directors, the Board follows the requirements as set out in the GEM Listing Rules.

Measurable Objectives

For the purpose of implementing of the Board Diversity Policy, the following measurable objectives are being implemented:

1. at least one third of the Directors shall be independent non executive Directors;

2. at least one Director is female; and

3. at least one Director shall have obtained accounting or other professional qualifications.

During the year ended 31 March 2023, all the measurable objectives have been fulfilled.

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.

Five Board meetings were held during the year ended 31 March 2023 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 2023 are set out as below. Private meeting between the Chairman and the INEDs was held during the year ended 31 March 2023 as required under Code A.2.7 of the CG Code.

	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 30 September 2022
Executive Directors					
Mr. Wang Lun (Appointed as ED on 14 October 2022 and re-designated as chairman on 23 December 2022)	0/2	N/A	N/A	N/A	N/A
Mr. Shu Zhongwen (Appointed as CEO on 1 December 2022)	1/1	N/A	N/A	N/A	N/A
Ms. Wong Wing Hung (Re-designated as Chairman and CEO on 5 October 2022, resigned as CEO on 1 December 2022 and resigned as chairman on 23 December 2022)	5/5	N/A	N/A	N/A	1/1
Mr. Ng Wan Lok	5/5	N/A	N/A	N/A	1/1
Mr. Wang Xinliang	4/5	N/A	N/A	N/A	1/1*
Mr. Nam Ho Kwan (Resigned as Chairman and CEO on 5 October 2022)	3/3	N/A	N/A	N/A	0/1
M. Lin Hann Ruey (Appointed on 13 December 2022 and resigned on 4 April 2023)	1/1	N/A	N/A	N/A	N/A
Mr. Jiang Jianguo (Appointed on 4 April 2023 and resigned on 24 April 2023)	N/A	N/A	N/A	N/A	N/A
Non-executive Director					
Ms. Chen Xiaodan (Appointed on 14 October 2022)	2/2	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Ma Meng	5/5	5/5	1/1	1/1	1/1*
Ms. Li Ruyi	3/5	3/5	1/1	1/1	0/1
Ms. Yuen Wai Man (Appointed on 13 December 2022)	1/1	1/1	N/A	N/A	N/A
Mr. Cheung Hiu Fung (Appointed on 23 December 2022)	1/1	1/1	N/A	N/A	N/A
Mr. Ng Jeffrey Kam Tsun (Resigned on 23 December 2022)	4/4	4/4	1/1	1/1	1/1*

* attended the annual general meeting through electronics means

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company renewed the service agreements with 2 of its executive Directors, namely Mr. Ng Wan Lok and Ms. Wong Wing Hung for another 3 years between 26 May 2023 and 25 May 2026 on the same terms and conditions. where as service contracts of the other 3 executive Directors, namely Mr. Wang Xinliang, Mr. Wang Lun and Mr. Zhu Zhongwen and non-executive Director, namely Ms. Chen Xiaodan, have no fixed terms, with effective date being 3 January 2022, 14 October 2022, 1 December 2022 and 14 October 2022 respectively.

Each of the Company's independent non-executive Directors, namely Mr. Ma Meng, Mr. Li Ruyi, Ms. Yuen Wai Man and Mr. Cheung Hiu Fung has been appointed for a fixed term of three years, with effective being, 3 January 2022, 7 January 2022, 13 December 2022 and 23 December 2022 respectively.

All directors' appointments are subject to re-election in accordance with the amended and restated Articles of Association of the Company (the "Articles") and termination in accordance with their respective terms.

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

As such, Mr. Wang Lun, Mr. Shu Zhongwen, Ms. Chen Xiaodan, Ms. Yuen Wai Man and Mr. Cheung Hiu Fung 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.

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 2023.

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 C.1.4 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 and the Company's website.

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 D.3.3 and D.3.7 of the CG Code. On 23 December 2023, Mr. Ng Kam Tsun ceased to be the chairman of the Audit Committee, Ms. Yuen Wai Man was appointed as the chairman of the Audit Committee and Mr. Cheung Hiu Fung was appointed as a member of the Audit Committee.

As of the date of this report, the Audit Committee is chaired by our independent non-executive Director, Ms. Yuen Wai Man, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules and consists of three other independent non-executive Directors, Mr. Ma Meng, Mr. Li Ruyi and Mr. Cheung Hiu Fung.

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.

Five Audit Committee meetings were held during the year ended 31 March 2023 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 E.1.2 of the CG Code. On 23 December 2022, Mr. Ng Kam Tsun ceased to be the chairman of the Remuneration Committee and Ms. Yuen Wai Man was appointed as the chairman of the Remuneration Committee. As of the date of this report, the Remuneration Committee was chaired by our independent non-executive Director, Ms. Yuen Wai Man and consists of two independent non-executive Directors, Mr. Ma Meng and Mr. Li Ruyi.

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 2023 to review the remuneration structure of the Directors. Members' attendance records are set out in section headed "Board Process and Meetings" of this report.

Further details of the Directors' remuneration for the year ended 31 March 2023 are set out on pages 113 to 114 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 B.3.1 of the CG Code. On 5 October 2022, Mr. Nam Ho Kwan resigned as chairman of the Nomination Committee and Ms. Wong Wing Hung was appointed as the chairman of the Nomination Committee. On 13 December 2022, Ms. Yuen Wai Man was appointed as a member of Nomination Committee. On 23 December 2022, Ms. Wong Wing Hung resigned as the chairman of the Nomination Committee, Mr. Wang Lun was appointed as the chairman of the Nomination Committee and Mr. Ng Kam Tsun resigned as a member of the Nomination Committee. As at the date of this report, the Nomination Committee consists of four members which is chaired by Mr. Wang Lun, the chairman of the Board, and three independent non-executive Directors, namely Mr. Ma Meng, Mr. Li Ruyi and Ms. Yuen Wai Man.

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.

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 2023 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 2022. 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 16 to 17 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 was appointed as the chief financial officer and company secretary of the Company on 15 July 2021 pursuant to Rule 5.14 of the GEM Listing Rules. Mr. Lee was qualified as a chartered accountant from the Big 4 firms in Sydney, Australia while he previously worked in the equities team for Credit Suisse and Standard Chartered Bank. Mr. Lee also established and managed the business process outsourcing (BPO) team for Accenture in Hong Kong. Mr. Lee holds a Master of Commerce Degree from The University of New South Wales, Bachelor of Commerce and Bachelor of Arts Degrees from The University of Melbourne. Mr. Lee is a member of both the Chartered Accountants in Australia & New Zealand and Hong Kong Institute of Certified Public Accountants.

His primary contact person of the Company is Mr. Shu Zhongwen, an executive Director and chief executive officer of the Company. Mr. Lee confirms that he has taken no less than 15 hours of relevant professional training for the year ended 31 March 2023 and is in compliance with Rules 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Ms. Wong Wing Hung is the compliance officer of the Company. Please refer to the section headed "Biographical Details of Directors" in this annual report for Ms. Wong Wing Hung's biography.

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

The Directors acknowledge their responsibility for the preparation of the Group's consolidated financial statements, which are prepared on a going concern basis. Such responsibility of the Directors, and the responsibilities of the auditors in respect of the consolidated financial statements are set out in the report of the auditors of this annual report.

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 65 to 72 of this annual 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 confidential information and its effectiveness in safeguarding the Shareholders' interests. The Group has strictly prohibited unauthorised use of confidential 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 62 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.

During the year, the Group has complied with Principle D.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. 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.

INSIDE INFORMATION

Guidelines are provided to the Directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the Directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and the notification of the blackout period applicable to the publication of the annual, interim and quarterly results of the Company respectively.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

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.

EXTERNAL AUDITOR

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2023 and recommended approval to the Board.

The consolidated financial statements of the Group for the year ended 31 March 2023 were audited by CCTH CPA Limited ("CCTH") whose term of office will expire upon the forthcoming annual general meeting of the Company. The audit committee has recommended the Board the reappointment of CCTH as the auditors of the Company at the forthcoming annual general meeting.

A breakdown of the remuneration (including disbursement) paid/payable to the external auditor of the Company in respect of audit and non-audit services provided to the Company during the year is set out below:

	Fee paid or payable for the services rendered	
	FY2023	FY2022
	HK$'000	*HK$'000*
Statutory audit services and disbursements	**400**	360

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 and the Company's website.

An annual general meeting of the Company was held on 30 September 2022 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 18 of this annual report. The next annual general meeting of the Company will be held on 29 September 2023 and notice of the meeting will be sent to the Shareholders at least 20 clear business days before the said meeting.

Shareholders' Communication Policy

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders. The Company has established several channels to communicate with the shareholders as follows:

– corporate communications such as annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the websites of the Stock Exchange and the Company;

– periodic announcements are published on the websites of the Stock Exchange and the Company;

– corporate information is made available on the Company's website; and

– annual and extraordinary general meetings, if any, provide a forum for the shareholders to make comments and exchange views with the Directors and senior management.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended 31 March 2023.

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.

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.

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.

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.

WHISTLE-BLOWING POLICY

The Company has put in place whistle-blowing policy which applies to all the directors and employees (including but not limited to permanent, full-time, part-time and contract employees, etc.) of the Group and any parties who deal with the Group (including but not limited to investors, customers, contractors, suppliers, creditors and debtors, etc.). The policy is designed to provide the employees and any external parties with confidential whistle-blowing channels to report to the Group the actual or suspected illegal activities and misconducts in financial reporting, internal control or other areas.

Whistle-blowers are able to contact the Board and senior management. The identity of the whistle-blower and all the concerns or irregularities raised will be treated with confidence and every effort will be made to ensure that confidentiality is maintained throughout the process.

The Board which is responsible for oversight and monitoring of the whistle-blowing policy and mechanism, will make decisions on further actions (if needed) while the Company is also committed to ensuring the protection of the whistle-blower against detrimental or unfair treatment.

ANTI-CORRUPTION POLICY

The Company does not tolerate any corruption, bribery, extortion, fraud or money laundering during the course of its business activities.

The Company has in place an anti-corruption and integrity promotion system within all its employees, which forms part of the Company's employees staff manual. Employees are required to act with integrity and to report any suspected bribery, corruptions and money laundering cases to senior management or the Board. The employees are required to declare any conflict of interest when performing their duties.

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. There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2023.

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.

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 2022 to 31 March 2023 (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 principal activity of the Company is investment holding and the Company together with its subsidiaries (the "Group") are principally engaged in design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains. We provide services mainly to developers, main contractors and sub-contractors mainly in Hong Kong and Mainland China, 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 engineering, procurement and construction management services of commercial and residential buildings and infrastructures in China; 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.

The Group believes that prudent management of environmental and social issues is one of the key factors for long term success. To better understand the risks and opportunities for environmental protection, the Group ensures it complies with the requirements of regulatory authorities through an efficient operation management, policies and procedures as well as setting achievable targets, efficient energy measures and waste treatment.

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.

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 the Hong Kong office. The Group will continue to access 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 2022 and 31 March 2023.

OUTLOOK FOR THE GROUP

In the future, the Group will try to invest more manpower and resources in sustainable development, including resources efficiency and carbon reduction, to protect our planet. We will create a humanized and high-quality working environment for employees and ensure product safety and quality in the production process.

Meanwhile, we will also continue to communicate closely and effectively with our stakeholders, e.g. customers, employees, communities, suppliers, business partners, investors and regulatory authorities, listen to their opinions on the development of society and environment. We can only achieve our sustainable development and operation with the trust of our stakeholders.

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 2022. 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.

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	• Corporate governance system • Business strategies and performance • Financial results	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Company website and email
Customers and business partners	• Privacy protection • Business integrity and ethics • Quality of the services	• Email communications • Business visits • Regular meetings
Employees	• Career development • Health and safety • Remuneration and benefits • Equal opportunities	• Training, orientation, seminars, and briefing sessions • Staff appraisals • Internal meetings and email communication
Subcontractors	• Fair tendering • Business ethics and reputation • Timely payment for supplied goods and services	• Management meetings and emails • Business visits • Review and evaluation
Regulatory bodies and government authorities	• Compliance with laws and regulations • Implementation of policies	• Communication with regulatory authorities • On-site inspections • Tax returns
Media, non-governmental organizations and the public	• Environmental protection • Health and safety	• ESG reports • Company's website • Issue of financial 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.

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
B5: 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.

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:

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Tel: +852 2388 8311
Email: sales@harmonyasia.com

(A) ENVIRONMENTAL

The Group is well aware that the earth provides abundant natural resources for mankind, but we cannot make endless demand because human beings and the natural environment have an interdependent relationship. Therefore, the Group is committed to reducing the impact of its business operations on the environment, and takes responsibility for environmental protection. 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.

The Group hopes to encourage its employees to make good use of resources, develop energy conservation habits, reduce our impact on the environment and protect the environment through the implementation of the relevant environmental protection policies and codes. In addition, to reinforce the implementation of respective environmental measures, the Group has a clear division of labour amongst various departments, whereby the administration department is responsible for the overall environmental control. It monitors the implementation of different environmental measures, including energy consumption, and sets up relevant reward initiatives.

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 2022/23	Total in 2021/22	Increase/ decrease (+/-)
Scope 1 – direct emissions	Tonnes	N/A	N/A	N/A
Scope 2 – indirect emissions (electricity)	Tonnes	18.94	15.70	20.6%
Scope 3 – other indirect emissions (water)	Tonnes	0.03	0.03	0%
Total emissions	Tonnes	18.97	15.73	20.6%

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.

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.

A1 Emissions

(i) Air Pollutant and Noxious Odour Emissions

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

We are dedicated managing these emissions and our business is subject to Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong). 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.

(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, the major hazardous wastes were light bulbs, printer toner cartridges, batteries and obsolete computer and small machines during the Reporting Period. All these hazardous wastes were collected by qualified collectors for further handling. There is 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). 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.

(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 understands that effective resources management is conducive to environmental protection and is closely related to the sustainable development goals of the Company. We actively enhance our energy efficiency, promote green office and energy conservation and emission reduction, while requiring our employees to strictly comply with the relevant regulations and policies. We encourage our employees to take conservation of resources seriously and uphold the environmental protection idea. Meanwhile, in order to tackle potential energy supply issues during daily operation, the Group proactively optimises its energy protection and prevents suspension of energy supply.

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, 43,000 KWh of electricity was consumed for the Group's Hong Kong office operation, which was slightly more than last reporting period due to increased work required for respective projects. The Group encourages employees to (a) develop a good habit of switching off all lights and electronic equipments if not in use, (b) separate, recycle and reuse of waste when possible, and (c) use natural ventilation instead of air-conditioning whenever the conditions allow.

(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 33 cubic meters (2021/22: 30 cubic meters) was used for the Reporting Period. At all times, we request our staff and workers to use fresh water smartly and be responsible and we monitor water usage patterns constantly via the use of smart metres. We will continue to monitor this KPI closely even though the consumption amount is insignificant while our staff has been constantly reminded to save on water consumption. Though amount is insignificant, our staff has been constantly reminded to save on water consumption.

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

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

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

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

Overall, the Group often review the effectiveness of the aforesaid measures and make adjustments according to our operation to improve the efficiency of the use of resources.

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.

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. In order to reduce carbon emissions in business operations and jointly cope with climate change, the Group actively advocates the green policy of sustainable development and strives to save energy, water, paper and other resources within its capacity. We proactively raise our staff's environmental awareness and implement relevant measures in energy saving and reducing emission in daily operation so as to establish a low-carbon office. 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 response 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 advocation 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.

(B) SOCIAL

The Group is committed to conducting business in an honest, accountable and ethical way and strives to build mutually beneficial relationships with our stakeholders, including our employees, customers, suppliers, subcontractors, communities, as well as the public and governing authorities. On formulation of ESG strategies and policies, we incorporate our long term corporate development goals with considerations on the stakeholders and society with a belief that we can make a difference to the world at large and the communities in which we operate.

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.

Recruitment and Promotion Policy

The Group's recruitment processes are made based on operational needs, business growth, and requirement of occupational skills and qualifications. Suitable employees are selected after careful analysis of their personal moral standard, professional skills, work experiences and relevant qualifications. We do not allow any personal relationship and interest as priority and prohibit any form of discrimination. We have built a comprehensive performance assessment and promotion system, evaluating the job performance of employees to make sure that each and every employee is entitled to reasonable promotion opportunities, with a view to creating a harmonious corporate culture.

Dismissal Policies

In general, the Group will lay off employees for the following reasons:

i. Unsatisfactory performance of an employee for a prolonged period of time, or his/her capability and skills do not meet the required level of the respective position so that he/she cannot perform the job duties;

ii. Serious violation of laws, regulations and employment policies to the level that he or she should be dismissed; and

iii. Objective condition where the company is not able to subsist.

If an employee is dismissed due to the above reasons, the Group will follow the procedures to handle and make reasonable compensation to the dismissed employee according to the guidance under relevant employment law and the relevant provisions on termination of the employment set out in the employment contracts of every staff.

As at 31 March 2023, the employment characteristics are summarised below:

Description	**2022/23**	**2021/22**	**Increase/ decrease (+/-)**
(i) Total number of employees	11	11	0%
(ii) Female/Male ratio	1:2.75	1:5.5	+200%
(iii) Number of office employees including Executive Director and senior management roles	7	6	+16.7%
(iv) Age distribution			
(a) 20–40	18.2%	18.2%	0%
(b) 41–60	81.8%	81.8%	0%

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) has also been arranged for all the Hong Kong employees respectively.

During the Reporting Period, the Group ensured all its employees can enjoy benefits such as salaries, 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 2023, 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 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.

We understand the increasing concern from employees and the society over work pressure and potential problems and the balance between work and life is very important to employees. Hence, we proactively care about our employees, so as to achieve pleasant mental health. The Group regularly organises and encourages its employees to participate in various kinds of activities that can promote their awareness of health, including lunch gatherings, long-distance running and other outdoor events. We hope to enhance their enthusiasm, understanding with each other, and thus the cohesiveness, so as to create an agreeable working atmosphere.

In the past 12 months, the Group pays close attention to the health and safety of our employees in its office. We take the health and safety of all employees as our priority, and attach great importance to the implementation of epidemic prevention and control. Some measures include:

i. Employees are required to take their own temperature at home before going to work. If the body temperature exceeds 37.5 degrees, they shall observe the high temperature situation and report at any time;

ii. Employees are forbidden to go to work when ill or tested positive for COVID-19. No concealment is allowed;

iii. Using telephone or video as priorities to have meetings with suppliers. If it is necessary to pay a visit, it is required to communicate with customers on visiting request by telephone call in advance, cooperate with them for safety inspection, and wear a mask during the entire trip;

iv. Disinfecting the Company's common areas, including corridors, offices, meeting rooms, and toilet on a daily basis; and

v. Adding enough hand sanitizer.

During the Reporting Period, the Group was not aware of any material non-compliance cases relating to health and safety while there were no fatalities, work injury, occupational health and safety hazard cases recorded. Through the continued efforts in training and monitoring of health and safety in our workplaces, the Group continues to target a zero injury and causality result for the coming year.

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.

The Group evaluates the effects of the training and our employees' performance to adjust the training programs. We always pay close attention to the latest policies and regulatory updates, so that our directors and senior management fully understand the new legal requirements, systems and industry knowledge.

Internal Development

The Group is well aware that talent training is the most important work above all, so the Group actively trains its employees to enhance efficiency and build a future management team. Therefore, the Group offers employees with enormous room for internal promotion. We aim to reward employees with outstanding performance and remarkable results in assessment. When there are suitable vacancies, we would prioritise the internal promotion of existing employees, with a view to building their confidence and sense of belongings, as well as reducing employee turnover. In addition, we will make adjustment to different positions according to actual needs while employees are allowed to request changes of job positions for personal circumstances.

During the Reporting Period, 11 employees (FY2022: 11 employees) of the Group have received a total of 80 hours (FY2022: 41 hours) of training in the Reporting Year, the corresponding percentage of employees who received training was 90.9% (FY2022: 81.8%). The percentage of trained employees by gender was 70% for male and 10% for female, while by employment level was 20% for general staff, 10% for middle management and 30% for senior management. On the other hand, the average training hour by gender was 8 hours for male and 8 hours for female, while by employment level was 8 hours for general staff, 16 hours for middle management and 56 hours for senior management.

Moving forward, the Group will continue to invest more resources into its employee training and development, 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. 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.

In the past 12 months, there were no labour strikes within the Group and we did not experience any material labour disputes nor any material insurance claims related to employees' injuries. We firmly believe that we have maintained a good working relationship with our employees.

During the Reporting Period, the Group did not experience any material safety problems and no material safety accidents were occurred due to the fault of the Group. Besides, we regularly monitor information and data related to employment to prevent non-compliance with rules on child labour and forced labour. We are not aware of any material non-compliance with the relevant standards, rules and regulations in relation to the employment and labour practices this financial year.

Operating Practices

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

B5 Supply Chain Management

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

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

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

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

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

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

During the Reporting Period, the Group has approximately 60 key suppliers/subcontractors (45 from HK, 10 from the PRC and 5 from other regions) which are slightly less than prior year. The Group will continue narrowing down the suppliers/subcontractors to ensure they were favourable to the Group, both financially and environmentally, and the Group does not foresee its source of supplies to be a potential threat to its project operations.

During the Reporting Period, we did not experience any significant problems with the products provided by our suppliers, any material limitations in the supply nor any shortage of any products. We believe that our supply chain management and procedures ensure the safety and quality of our supply chain.

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.

(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.

During the Reporting Period, there were no cases initiated against us, nor any complaints received, regarding any breach of relevant privacy laws, regulations and policies in any jurisdiction in which we operate. We will continue to target for zero cases to be initiated or complaints received in the future.

(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 was not aware of any incident of customer complaint claiming material compensation, or any investigation by any government authorities in relation to such complaint, that could have a material adverse impact on our business.

(v) *Safety, Fire and Hygiene*

One major condition imposed by applicable laws and regulations in respect of our operations includes compliance of relevant safety, hygiene and fire requirements. The Group is responsible to ensure compliance of these requirements by conducting checks and inspections of its office regularly. For example, fire escape corridors shall be kept clear from obstruction. Fire extinguishers and other equipment shall be kept at the correct location and that they are accessible and remain free from obstruction. Fire and evacuation drills are conducted annually.

During the Reporting Period, the Group was not aware of any safety issues proposed by the Fire Services Department of Hong Kong.

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, there were no complaints of corruption against the Group or its staff during the Reporting Period, and we will continue to target and are confident to achieve a similar result in the future.

Whistle-blowing Policy

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.

With the continuous expansion of our business, we will further improve our anti-corruption mechanism, carry on the education on fighting corruption and strengthen our cooperation with external stakeholders such as the suppliers, subcontractors, partners and government agencies, aiming to continuously improve our internal control to stop any violation.

During the Reporting Period, we did not spot any violations related to corruption, bribery, extortion, fraud, and money laundering, which had a significant impact on the Group. The Group has not found any significant risks and issues.

B8 Community Investment

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

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.

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Wang Lun (汪倫), aged 43, was appointed as an executive Director and General Manager of the Company with effect from 14 October 2022 and was re-designated as the Chairman of the Company with effect from 23 December 2022.

Mr. Wang is currently the chairman of Xiamen Jinbang Investment Holding Group Co., Ltd (廈門近幫投資控股集團有限公司) and has over 20 years of work experience in the corporate financial management, corporate risk control, asset management and operations areas. Mr. Wang has worked for private equity funds, securities, trust and asset management companies and is familiar with the financial policies, laws and regulations.

Mr. Shu Zhongwen (舒中文), aged 50, was appointed as the chief executive officer and an executive director of the Company with effect from 1 December 2022. Mr. Shu has more than 20 years of working experience in corporate and project management.

Mr. Shu was appointed as an executive Director of China Greenfresh Group Company Limited (a company previously listed on the Main Board of the Stock Exchange, stock code: 6183) between 5 June 2020 and 31 December 2020, while Mr. Shu was appointed as the Chairman between 31 December 2020 and 25 June 2021. Mr. Shu was an executive director of Kiu Hung International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 381) from 25 October 2018 to 28 June 2019. Mr. Shu was a vice president of Jingdezhen Jingdong Ceramics Company Limited from August 2010 to July 2016. Mr. Shu has been working as an executive president of Huge Profit International (HK) Holdings Limited since July 2016 and managing director of Shenzhen Shensen Supply Chain Management Co., Ltd (深圳申森供應鏈管理有限公司) since 2021. Mr. Shu graduated from Jiangxi University of Science and Technology in 2007.

Mr. Ng Wan Lok (吳蘊樂), aged 55, 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.

Ms. Wong Wing Hung (王詠紅), aged 49, was appointed as an executive Director on 8 June 2016, was re-designated as the chief executive officer of the Company between 5 October 2022 and 1 December 2022 while she was also re-designated as the chairman of the Company between 5 October 2022 and 23 December 2022. Ms. Wong is also the compliance officer of the Company and 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.

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

Mr. Wang Xinliang (汪興亮), aged 48, 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.

Non-executive Director

Ms. Chen Xiaodan (陳曉丹), aged 37, was appointed as a non-executive Director of the Company with effect from 14 October 2022.

Ms. Chen completed an undergraduate program in administrative management from Central South University in 2016. She participated in merger and acquisition funds in an assets management company for more than 7 years. Before joining the Group, Ms. Chen worked in several corporations. During her career of over ten years, Ms. Chen held various leadership positions in management and market research aspects, and has rich knowledge and in-depth understanding in Asian and international brands. Ms. Chen was appointed as a non-executive Director of China Green (Holdings) Limited (a company listed on the Main Board of the Stock Exchange, stock code: 904) between 1 June 2021 and 30 September 2022. Ms. Chen was also appointed as the general manager of Shenzhen Shensen Supply Chain Management Co., Ltd (深圳申森供應鏈管理有限公司) since June 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS

Independent non-executive Directors

Mr. Ma Meng (馬萌), aged 39, 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 35, 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.

Ms. Yuen Wai Man (袁慧敏), aged 51, was appointed as an independent non-executive Director and a member of the Nomination Committee of the Company with effect from 13 December 2022. Ms. Yuen was also appointed as the Chairman of the Audit Committee and Remuneration Committee of the Company with effect from 23 December 2022.

Ms. Yuen graduated from The University of Hong Kong with a Bachelor Degree in Business Administration in 1994. She is the fellow member of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants, and also the overseas member of The Chinese Institute of Certified Public Accountants. Ms. Yuen (i) has been an independent non-executive director of Solomon Worldwide Holdings Limited (Stock Code: 8133), a company listed on the GEM of the Stock Exchange since April 2022; (ii) has been an independent non-executive director of China Eco-Farming Limited (Stock Code: 8166), a company listed on the GEM of the Stock Exchange since September 2016; (iii) was appointed as an independent non-executive director of Chinese Strategic Holdings Limited (Stock Code: 8089), a company listed on the GEM of the Stock Exchange from July 2008 to June 2021; (iv) was appointed as an independent non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145), a company listed on the Main Board of the Stock Exchange, for the period from November 2012 to October 2017; and (v) was appointed as an independent non-executive director of hmvod Limited (Stock Code: 8103), a company listed on the GEM of the Stock Exchange from 3 April 2014 to 30 December 2014.

Ms. Yuen is currently the managing director of W.M. Yuen CPA Limited and she has accumulated extensive working experience in accounting and auditing area for over 25 years.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Cheung Hiu Fung (張曉峯), aged 30, was appointed as an independent non-executive Director and member of the Audit Committee of the Company with effect from 23 December 2022.

Mr. Cheung obtained his Master of Business Administration Degree from The University of Chichester, United Kingdom. Mr. Cheung started his career in writing financial analysis and holding financial seminar as a finance columnist on various social media and newspaper in Hong Kong since January 2015, and founded Bofung Company Limited in July 2017. His financial investment course had over thousand of students. He is also a writer and published his own financial analysis book "財技x盤路倍升股全攻略" in Hong Kong and Taiwan, with more than 2,000 copies sold.

Mr. Cheung was appointed as an independent non-executive director of Simplicity Holding Limited (Stock Code: 8367), a company listed on the GEM of the Stock Exchange since 31 March 2023. Mr. Cheung was appointed as an executive director of Goldway Education Group Limited (Stock Code: 8160), a company listed on the GEM of the Stock Exchange between April 2021 and September 2022 while he was also its chairman of the Board between January 2022 and September 2022.

SENIOR MANAGEMENT

Senior management includes Mr. Shu Zhongwen, Mr. Ng Wan Lok and Ms. Wong Wing Hung, all are executive Directors of the Company. Please refer to the section headed "Biographical details of Directors" in this annual report for their biographies.

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 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the Company together with its subsidiaries (the "Group") are principally engaged in design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains. 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 engineering, procurement and construction management ("EPCM") services of commercial and residential buildings and infrastructures in China; 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" 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 2023, 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 2023 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 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 73 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 2023 (2022: 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, is set out on page 154 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 March 2023 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 2023 in the share capital of the Company are set out in note 22 to the consolidated financial statements.

RESERVES

As at 31 March 2023, 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$19,080,000 (2022: approximately HK$12,257,000). Movement in reserves of Company during the year ended 31 March 2023 are set out on page 145 of this annual report.

BANK BORROWINGS

Details of bank borrowings during the year ended 31 March 2023 are set out in note 21 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.

The exercise 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.

The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible participants thereunder for their contribution or would be contributions to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants include any Directors, employees (whether full time or part time) or consultants to the Group.

On 27 April 2022, a total of 130,000,000 share options were granted to the Directors, employees and consultants under the Share Option Scheme. Please refer to the Company's announcement dated 27 April 2022 for further details. The maximum number of Shares to be issued upon the exercise of share options that may be granted under the Share Option Scheme is 130,000,000 Shares. Details of share options held by the eligible participants and movements in such holdings during the year ended 31 March 2023 are as follow:

Category/Name of Grantee *(Note (a))*	Date of Grant of share options	Exercise period of share options	Exercise price of per share as at the date of grant of share options	Weighted average closing price of share before the date of exercise of options	Number of share options: Balance as at 1 April 2022	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Adjustment *(Note (b))*	Outstanding as at 31 March 2023
(1) Directors											
Executive Directors											
Wang Lun	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shu Zhongwen	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wong Wing Hung	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	HK$0.0268	–	6,500,000	(6,500,000)	–	–	–	–
Ng Wan Lok	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	HK$0.0268	–	6,500,000	(6,500,000)	–	–	–	–
Wang Xinliang	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive Director											
Chen Xiaodan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors											
Ma Meng	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Li Ruyi	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Yuen Wai Man	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cheung Hiu Fung	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sub-total						13,000,000	(13,000,000)	–	–	–	–
(2) Employees – In Aggregate											
Employees	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	HK$0.0692	–	21,000,000	(6,000,000)	–	–	(13,500,000)	1,500,000
Sub-total						21,000,000	(6,000,000)	–	–	(13,500,000)	1,500,000
(3) Consultants *(Note (c))*											
Yang Qing	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	HK$0.0692	–	15,000,000	(15,000,000)	–	–	–	–
Wang Kun	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	HK$0.0692	–	15,000,000	(15,000,000)	–	–	–	–
So Siu Ngan, Amy	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	HK$0.0692	–	15,000,000	(15,000,000)	–	–	–	–
Liang Yukun	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	HK$0.0692	–	3,000,000	(3,000,000)	–	–	–	–
Yuen Chun Hung	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	HK$0.0692	–	3,000,000	(3,000,000)	–	–	–	–
Ho Kai Cheung Derek	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	–	–	27,000,000	–	–	–	(24,300,000)	2,700,000
Lee Thomson	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	–	–	13,000,000	–	–	–	(11,700,000)	1,300,000
Lee Kun Yin	27 April 2022	27/04/2022 to 26/04/2032	HK$0.0342	–	–	5,000,000	–	–	–	(4,500,000)	500,000
Sub-total						96,000,000	(51,000,000)	–	–	(40,500,000)	4,500,000
Total						130,000,000	(70,000,000)	–	–	(54,000,000)	6,000,000

Notes:

(a) Consideration of HK$1 was paid by each of the grantees on their acceptance of the share options granted.

(b) As a result of the Share Consolidation which became effective on 1 February 2023, the exercise price per share and the number of outstanding share options granted on 27 April 2022 were adjusted from HK$0.034 to HK$0.34 and from 130,000,000 to 13,000,000 respectively.

(c) Consultants of the Group assist the Group in formulating business development plans and expanding its business development by referring customers, business partners, investment opportunities and business opportunities to the Group. Share options were granted to the consultants of the Group as incentives to them for helping the Group to expand its business network, acquire and explore new business projects and opportunities.

Save as disclosed above, no share options were granted or exercised or cancelled or lapsed during the year ended 31 March 2023. The total number of share options available for grant under the Share Option Scheme as at 1 April 2022 and 31 March 2023 were 130,000,000 and Nil respectively. As at the date of this annual report, the total number of share options available for grant under the Share Option Scheme is Nil.

As at the date of this annual report, the total number of share options granted and outstanding under the Share Option Scheme is 6,000,000, representing 3.07% of the issued share capital of the Company. The total number of shares that may be issued in respect of options granted under all schemes of the Company during the financial year ended 31 March 2023 divided by the weighted average number of shares of the relevant class in issue for the year was 3.6%.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 32 to the consolidated financial statements.

The closing price of the shares immediately before the date on which the options were granted (i.e. 27 April 2022) was HK$0.034 per share. The fair value of options at the respective dates of grant and the accounting standard and policy adopted for the fair value of the options is disclosed in note 33 of the consolidated financial statements.

The share options outstanding as at 31 March 2023 had an exercise price of HK$0.342 (after share consolidation) and a remaining contractual life of 9.10 years. The weighted average share price at the time of exercising the options during the year was HK$0.52.

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 2023.

DISCLOSURE OF INTERESTS

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

As at 31 March 2023, none of the Directors nor chief executive of the Company has any interest and short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 March 2023, 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 Limited	Beneficial owner *(Note 1)*	61,779,000	Long position	31.63%
Mr. Nam Ho Kwan	Interest in controlled corporation *(Note 1)*	61,779,000	Long position	31.63%
Prudential Brokerage Limited	Person having security interest in shares *(Note 1)*	61,779,000	Long position	31.63%
Ms. Chen Mingxia	Beneficial owner	24,375,000	Long position	12.48%
Zhuiri Law and Business International Holding Group Limited	Beneficial owner *(Note 2)*	15,600,000	Long position	7.99%
Ms. Li Dongyan	Interest in controlled corporation *(Note 2)*	15,600,000	Long position	7.99%
Mr. Sung Chenglei	Beneficial owner	10,400,000	Long position	5.32%

Notes:

As at 31 March 2023:

1. Harmony Asia International Limited is a company incorporated in Samoa which is wholly-owned by Mr. Nam Ho Kwan, a former executive Director, the chairman of the Board, and chief executive officer of the Company who resigned from such positions with effect from 5 October 2022. Therefore, Mr. Nam is deemed to be interested in all Shares held by Harmony Asia International Limited by virtue of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

2. Zhuiri Law and Business International Holding Group Limited ("Zhuiri Law") is wholly owned by Ms. Li Dongyan. By virtue of the SFO, Ms. Li Dongyan is deemed to be interested in 7.99% of the issued share capital of the Company held by Zhuiri Law.

Save as disclosed above, as at 31 March 2023, 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 2023, so far as the Company is aware, the aggregate revenue attributable to our five largest customers and the largest customer accounted for approximately 88% (2022: 87%) and 25.4% (2022: 60.1%) respectively, of the Group's total revenue for the year ended 31 March 2023.

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 90% (2022: 92%) of the Group's total costs of services for the year ended 31 March 2023 and the purchase from the largest supplier included therein amounted to approximately 58% (2022: 60%).

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 93% (2022: 92%) of the Group's total costs of services for the year ended 31 March 2023 and the sub-contracting fee paid to the largest subcontractor included therein amounted to approximately 27% (2022: 25%).

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 2023.

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. Wang Lun (Appointed on 14 October 2022 and re-designated as chairman on 23 December 2022)
Mr. Shu Zhongwen (Appointed as CEO on 1 December 2022)
Ms. Wong Wing Hung (Re-designated as Chairman and CEO on 5 October 2022, resigned as CEO on 1 December 2022 and resigned as chairman on 23 December 2022)
Mr. Ng Wan Lok
Mr. Wang Xinliang
Mr. Nam Ho Kwan (Resigned as Chairman and CEO on 5 October 2022)
M. Lin Hann Ruey (Appointed on 13 December 2022 and resigned on 4 April 2023)
Mr. Jiang Jianguo (Appointed on 4 April 2023 and resigned on 24 April 2023)

Non-executive Director
Ms. Chen Xiaodan (Appointed on 14 October 2022)

Independent non-executive Directors
Mr. Ma Meng
Ms. Li Ruyi
Ms. Yuen Wai Man (Appointed on 13 December 2022)
Mr. Cheung Hiu Fung (Appointed on 23 December 2022)
Mr. Ng Jeffrey Kam Tsun (Resigned on 23 December 2022)

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND CHANGES IN INFORMATION OF DIRECTORS

Updated biographical details of the Directors are set out on pages 49 to 52 of this annual report.

DIRECTORS' SERVICES CONTRACTS

Service contracts of the 2 executive Directors, namely Mr. Ng Wan Lok and Ms. Wong Wing Hung with the Company have been renewed for another term of 3 years between 26 May 2023 and 25 May 2026 on the same terms and conditions.

Service contracts of the 3 executive Directors, namely Mr. Wang Xinliang, Mr. Wang Lun and Mr. Zhu Zhongwen with the Company have no fixed terms, with effective date being 3 January 2022, 14 October 2022 and 1 December 2022 respectively.

Service contract of the non-executive Director, namely Ms. Chen Xiaodan with the Company has no fixed terms, with effective date being 14 October 2022.

Each of the independent non-executive Directors has entered into an service contract with the Company for a fixed term of three years.

The service contracts and appointment letters may be terminated in accordance with the terms of the individual service agreement, and is subject to termination provisions therein and retirement and re-election at the AGM in accordance with the articles of association of the Company (the "Articles") or any other applicable laws from time to time whereby he or she shall vacate his office.

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.

In accordance with Article 84 of the Articles, Mr. Wang Lun, Mr. Shu Zhongwen, Ms. Chen Xiaodan, Ms. Yuen Wai Man and Mr. Cheung Hiu Fung 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 otherwise disclosed 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 2023.

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

The remuneration of Directors is recommended by the Remuneration Committee of the Company and approved by the Board, based on the job responsibilities, the prevailing market conditions of the industry and the Company's remuneration policy, operating performance and profitability.

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.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in notes to the consolidated financial statements.

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 2023.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Harmony Asia International Limited has been fully complied and enforced for the year ended 31 March 2023. 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.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials. For further details, please refer to the "Environmental, Social and Governance Report" section of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company not any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

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 2023, the Group had fully utilised the net proceeds from the Listing.

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.

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.

CONNECTED TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2023 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 2023.

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 four members who are independent non-executive Directors of the Company, namely Ms. Yuen Wai Man, Mr. Ma Meng, Mr. Li Ruyi and Mr. Cheung Hiu Fung. 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 2023 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.

AUDITOR

The consolidated financial statements for the year ended 31 March 2023 have been audited by CCTH CPA Limited ("CCTH"). CCTH shall retire in the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCTH as auditor of the Company and authorise the Directors to fix their remuneration will be proposed at the said general meeting.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions as set out in the CG Code contained in Appendix 15 to the GEM Listing Rules during the Year, except for the deviation as disclosed under the section headed "Compliance with the Corporate Governance Code" on page 11 of this annual report. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 12 to 27 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

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.

DEBENTURES

The Company announced its proposal to issue Bonds to investors which/who are Independent Third Parties. The Bonds will be privately placed and none of the Bonds will be offered to the public in Hong Kong or be placed to connected persons of the Company. As at the date of this annual report, the Company is yet to issue any bonds. For further details, please refer to the announcement dated 20 January 2023.

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 2023.

CHARITABLE DONATIONS

During the year ended 31 March 2023, the Group has not made any charitable and other donations (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

Save for the information disclosed in note 36 to the consolidated financial statements in this annual report and the Company's proposed Rights Issue on the basis of one Rights Share for every two existing Shares held on the Record Date at the Subscription Price of HK$0.20 per Rights Share, to raise up to HK$19,534,000 before expenses by way of issuing up to 97,670,000 Rights Shares, the Board is not aware of any significant event subsequent to 31 March 2023 which would materially affect the Group's operating and financial performance.

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, 29 September 2023, the register of members of the Company will be closed from Tuesday, 26 September 2023 to Friday, 29 September 2023, 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, 25 September 2023.

OUTLOOK

The Company will continue to develop and grow while aiming to improve its financial position, business operation and industry reputation in order to create long-term value for shareholders.

On behalf of the Board

Hao Bai International (Cayman) Limited
Wang Lun
Chairman
Hong Kong, 30 June 2023

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 73 to 153, which comprise the consolidated statement of financial position as at 31 March 2023, 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 2023, 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$33,164,000 for the years ended 31 March 2023 and the Group's net current liabilities as at 31 March 2023 amounted to approximately HK$7,214,000. 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.

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 2023 amounted to HK$13,496,000. 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 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 key audit procedures, among others, included: – understanding of the Group's internal controls over the recognition of revenue and cost over construction contract; – evaluating the estimation of revenue and profit recognised on construction contract, on a sample basis, by: – agreeing the total contract sum of the contracts and budgeted costs to respective construction contracts or other correspondences and approved budgets; – understanding the process of estimating the total contract costs by discussing with the project managers of the Group who are responsible for the budgeting of projects; – evaluating the reasonableness of their total estimated contract costs, taking into account of factors including the profit margin, contract costs of similar projects from the Group and comparing the latest quotation by the major subcontractors/suppliers/vendors to the budgeted contract costs and actual contract costs;

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	– evaluating the reasonableness of percentage of completion by discussing with the project managers of the Group for the projects status of the projects and performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences; – checking to the completion status specified in external surveyor's reports or main contractor's project managers' evaluation reports to the value of construction works as recognised by the Group; – checking the calculation of percentage of completion and contract revenue; and – assessing the appropriateness of the basis of deriving the contract assets/liabilities for contract works by agreeing the amount of contract costs to supporting documents such as supplier invoices, and progress billings to invoices issued to customers, on a sample basis.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade debtors and contract assets (including retention receivables)	
Refer to notes 17 and 18 to the consolidated financial statements	
The Group had trade debtors and contract assets (including retention receivables) with the carrying amounts of HK$14,407,000 and HK$59,928,000 respectively at 31 March 2023. Impairment loss on trade debtors and contract assets amounted to HK$5,008,000 and HK$3,475,000 respectively were recognised in profit or loss in respect of the current year ended 31 March 2023. Management has performed impairment assessment of the trade debtors and contract assets based on information including ageing of the trade debtors and contract assets 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 debtors 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 key audit procedures, among others, included: – understanding the management's basis of assessment in relation to impairment of trade debtors and contract assets; – assessing the reasonableness of impairment recognised by examining the information used by management to form such judgements, such as checking the accuracy of the ageing analysis of trade debtors to sales invoices; – send audit confirmations to confirm the existence and valuation of significant balances of trade debtors and contract assets; – for individually assessed expected credit losses, assessing the estimated loss rates with reference to the individual customers' reputation and financial capability and checking the settlement history and changes in the forward-looking information; and – testing subsequent settlements of trade debtors and contract assets on a sample basis, to cash receipt and bank remittance.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and fair value of contingent consideration receivable	
Refer to Note 15 and Note 16 to the consolidated financial statements	
We identified the impairment assessment of goodwill and fair value of contingent consideration receivable as a key audit matter due to significant judgements and estimations exercised by the Group's management in impairment assessment of goodwill and assessing the fair value of contingent consideration receivable. As at 31 March 2023, the Group's goodwill amounted to approximately HK$3,870,000 relating to the acquisition of City Key Group Limited and its subsidiaries during the year ended 31 March 2023, which are subject to impairment assessment in accordance with Hong Kong Accounting Standard 36 "impairment of assets" issued by the HKICPA. As at 31 March 2023, the Group's contingent consideration receivable amounted to approximately HK$4,138,000 relating to the acquisition of City Key Group Limited and its subsidiaries during the year ended 31 March 2023. We considered the impairment of goodwill and fair value of contingent consideration receivable to be a key audit matter because management's impairment review assessment of the relevant cash generated units ("CGUs") and fair value determination of the contingent consideration receivable involved significant judgements and estimates.	Our procedures in relation to impairment assessment of goodwill and fair value determination of contingent consideration receivable included: – Assessing the competence, capabilities and objectivity of independent professional valuer that was appointed by the management to assist the management to determine the recoverable amounts of the relevant CGUs and fair value of contingent consideration receivable; – Checking the calculations and assessing the assumptions and methodologies used by the independent professional valuer and management; – Performing arithmetical checking on the business valuations of the CGUs and fair value calculation of contingent consideration receivable performed by the external professional valuer; and – Challenging the reasonableness of key assumptions and inputs used in the valuation based on our knowledge of the business and industry.

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.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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, 30 June 2023

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 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	4	**15,596**	6,458
Cost of services		**(12,109)**	(4,843)
Gross profit		**3,487**	1,615
Other income	5	**19**	182
Administrative expenses		**(36,260)**	(31,510)
Finance costs	6	**(409)**	(717)
Loss before income tax	7	**(33,163)**	(30,430)
Income tax expense	10	**(1)**	–
Loss for the year		**(33,164)**	(30,430)
Other comprehensive income		**–**	–
Total comprehensive expenses for the year		**(33,164)**	(30,430)
Loss for the year attributable to:			
– Owners of the Company		**(33,207)**	(30,430)
– Non-controlling interests		**43**	–
		(33,164)	(30,430)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(33,207)**	(30,430)
– Non-controlling interests		**43**	–
		(33,164)	(30,430)
			(restated)
Loss per share			
Basic *(HK cents)*	11	**(20)**	(23)
Diluted *(HK cents)*	11	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	13	**28**	143
Right-of-use assets	14	**64**	322
Goodwill	15	**3,870**	–
Contingent consideration receivable	16	**4,138**	–
		8,100	465
Current assets			
Contract assets	17	**59,928**	66,654
Trade and other debtors, deposits and prepayments	18	**15,634**	5,886
Pledged and restricted bank deposits	19	**228**	228
Bank balances and cash	19	**248**	107
		76,038	72,875
Current liabilities			
Contract liabilities	17	**20,615**	1,288
Trade and other creditors and accrued expenses	20	**55,001**	44,357
Bank borrowings – due within one year	21	**6,662**	9,181
Lease liabilities		**42**	293
Bank overdrafts – secured	19	**932**	1,153
		83,252	56,272
Net current (liabilities)/assets		**(7,214)**	16,603
Total assets less current liabilities		**886**	17,068
NET ASSETS		**886**	17,068

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	22	**19,534**	13,000
Reserves		**(18,746)**	4,068
Equity attributable to owners of the Company		**788**	17,068
Non-controlling interests		**98**	–
TOTAL EQUITY		**886**	17,068

These consolidated financial statements on pages 73 to 153 were approved and authorised for issue by the Board of Directors on 30 June 2023 and signed on its behalf by

Mr. Wang Lun
Director

Mr. Shu Zhongwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Share Capital	Share Premium	Share option Reserve	Other Reserve	Accumulated Losses	Subtotal	Non-Controlling Interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 22)							
At 1 April 2021	13,000	81,096	–	(16,790)	(29,808)	47,498	–	47,498
Loss for the year and total comprehensive expenses for the year	–	–	–	–	(30,430)	(30,430)	–	(30,430)
At 31 March 2022	13,000	81,096	–	(16,790)	(60,238)	17,068	–	17,068
At 1 April 2022	**13,000**	**81,096**	**–**	**(16,790)**	**(60,238)**	**17,068**	**–**	**17,068**
							–	
Issue of shares	**5,834**	**7,193**	**–**	**–**	**–**	**13,027**	**–**	**13,027**
Issue of new share upon exercise of share option	**700**	**1,554**	**(1,554)**	**–**	**–**	**700**	**–**	**700**
Non-controlling interests arisen from acquisition of a subsidiary *(note 33)*	**–**	**–**	**–**	**–**	**–**	**–**	**55**	**55**
Recognition of equity-settled share-based payments	**–**	**–**	**3,570**	**–**	**–**	**3,570**	**–**	**3,570**
Share issue expenses	**–**	**(370)**	**–**	**–**	**–**	**(370)**	**–**	**(370)**
Loss for the year and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(33,207)**	**(33,207)**	**43**	**(33,164)**
At 31 March 2023	**19,534**	**89,473**	**2,016**	**(16,790)**	**(93,445)**	**788**	**98**	**886**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES			
Cash generated (used in)/from operations	24(a)	(17,997)	17,405
Income tax paid		–	–
Net cash generated (used in)/from operating activities		(17,997)	17,405
INVESTING ACTIVITIES			
Interest received		3	9
Release of pledged and restricted bank deposits		–	17,437
Net cash generated from investing activities		3	17,446
FINANCING ACTIVITIES			
Issue share capital		5,074	–
New bank borrowings raised		–	1,000
Repayment of bank borrowings		(2,519)	(20,079)
Issue share expenses		(370)	–
Process from issue of shares arising from exercise share option		700	–
Repayment of lease liabilities		(261)	(355)
Amount due to a director		16,129	(7,804)
Interest paid		(399)	(717)
Net cash used in financing activities		18,354	(27,955)
Net increase in cash and cash equivalents		360	6,896
Cash and cash equivalents at the beginning of the year		(1,046)	(7,942)
Effect of foreign exchange rate changes, net		2	–
Cash and cash equivalents at the end of the year		(684)	(1,046)
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		248	107
Bank overdrafts		(932)	(1,153)
Cash and cash equivalents at the end of the year	19	(684)	(1,046)

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 design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains.

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.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020

The application of the 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 April 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

(b) New and revised 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.

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$33,164,000 and for the year ended 31 March 2023. In addition, at 31 March 2023, the Group's net current liabilities amount to approximately HK$7,214,000. These condition indicate that a material uncertainty exist 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$21,162,000 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;

(iv) the Group will continue to negotiate with banks for renewing banking facilities. Based on the latest communications with the banks, directors of the Company are not aware of any intention of the banks to withdraw their bank facilities or require early repayment of the loans, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationships the Group has with the banks;

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Going concern (continued)

(v) the Group will consider other financing arrangements and fund-raising alternatives with a view to increasing the Group's capitalisation/equity and to support the continuing growth of the Company. For example, proposed issue of bonds and proposed rights issue on the basis of 1 rights share for every 2 existing shares held on the Record Date at the Subscription Price of HK$0.20 per Rights Share, to raise up to HK$19,534,000 before expenses by way of issuing up to 97,670,000 Rights Shares. Please refer to the announcements dated 20 January 2023, 29 May 2023 and 14 June 2023 respectively for further information; and

(vi) directors of the Company will continue to implement stronger measures aiming at improving the working capital and cash flows of the Group, including closely monitoring incurrence of other operating expenses.

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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of preparation of consolidated financial statements (continued)

Basis of measurement *(continued)*

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

- Level 3 inputs are unobservable inputs for the asset or liability.

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.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets or financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes ("HKAS 12") and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the noncontrolling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Consultancy services income is recognised on the basis of direct measurements of the value to the customer of services transferred to date to the remaining services promised under contract.

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.

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;

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.

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.

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.

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;

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

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The amendments had no impact on the consolidated financial statements of the Group as the Group does not have COVID-19-related rent concession.

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.

Employee benefits

Short term employee benefits

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

Defined contribution plans

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

Related parties

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

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

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of the holding company of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Segment reporting

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

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

Critical accounting estimates and judgements

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

Key sources of estimation uncertainty

Management contracting services

The Group recognises revenue and associated attributable profit from management contracting services based on the latest available budgets of those construction contracts with reference to the overall performance and the percentage of completion of construction works of each construction contract which requires management's best estimation and 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements (continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 15.

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.

Fair value measurements and valuation processes

Certain of the Group's financial assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the fair value of the asset or liability is estimated by reference to the valuation performed by professional valuers or fund managers.

Information about the valuation techniques and inputs used in determining the fair value of various financial assets are disclosed in note 27.

3. SEGMENT INFORMATION

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

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

Management contracting services:	provision of design, procurement and installation services of the water circulation systems
Consultancy services:	provision of consultancy services on water circulation systems and engineering, procurement and construction management ("EPCM") services of commercial and residential buildings and infrastructures in China

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2 to the consolidated financial statements.

Segment profit represents the profit earned by each reportable and operating segment without allocation of other income, administrative expenses, listing expenses, finance costs and income tax expenses.

This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

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

The liabilities of the Group are allocated to reportable and operating segments except for bank borrowings and bank overdrafts.

3. SEGMENT INFORMATION (continued)

The segment information for the reportable and operating segments for the years ended 31 March 2023 and 2022 is as follows:

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Total *HK$'000*
Year ended 31 March 2023			
Revenue from external customers and segment revenue	**13,496**	**2,100**	**15,596**
Segment profits	**3,364**	**123**	**3,487**
Other income			**19**
Administrative expenses			**(36,260)**
Finance costs			**(409)**
(Loss) before income tax			**(33,163)**
Year ended 31 March 2022			
Revenue from external customers and segment revenue	6,458	–	6,458
Segment profits	1,615	–	1,615
Other income			152
Administrative expenses			(31,653)
Finance costs			(544)
(Loss) before income tax			(30,430)

3. SEGMENT INFORMATION (continued)

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

	Management contracting services *HK$'000*	**Consultancy services** *HK$'000*	**Total** *HK$'000*
At 31 March 2023			
Segment assets	**71,185**	**3,242**	**74,427**
Pledged and restricted bank deposits			**228**
Bank balances and cash			**248**
Other debtors, deposits and prepayments			**1,227**
Goodwill			**3,870**
Contingent consideration receivable			**4,138**
Consolidated assets			**84,138**
Liabilities			
Segment liabilities	**59,814**	**3,055**	**62,869**
Bank borrowings			**6,662**
Bank overdrafts			**932**
Other creditors and accrued expenses			**12,789**
Consolidated liabilities			**83,252**
At 31 March 2022			
Segment assets	72,513	–	72,513
Pledged and restricted bank deposits			228
Bank balances and cash			107
Other debtors, deposits and prepayments			492
Consolidated assets			73,340
Liabilities			
Segment liabilities	38,295	–	38,295
Bank borrowings			9,181
Bank overdrafts			1,153
Other creditors and accrued expenses			7,643
Consolidated liabilities			56,272

3. SEGMENT INFORMATION (continued)

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

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**13,496**	6,225
Mainland China	**2,100**	233
	15,596	6,458

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

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**92**	465
Mainland China	**8,008**	–
	8,100	465

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:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**3,968**	3,911
Customer B	**–**	235
Customer C	**9,763**	1,484

4. REVENUE

	2023 **HK$'000**	2022 *HK$'000*
Revenue from management contracting services	**13,496**	6,458
Revenue from consultancy services	**2,100**	–
	15,596	6,458

All revenue generated by the Group for the years ended 31 March 2023 and 2022 was from contracts with customers within HKFRS15, recognised over time.

5. OTHER INCOME

	2023 **HK$'000**	2022 *HK$'000*
Bank interest income	**–**	9
Gain on redemption of financial assets at FVTPL	**–**	30
Sundry income	**19**	143
	19	182

6. FINANCE COSTS

	2023 **HK$'000**	2022 *HK$'000*
Interest on bank borrowings	**378**	544
Interest on bank overdrafts	**21**	159
Interest on lease liabilities	**10**	14
Total interest expenses on financial liabilities not at fair value through profit and loss	**409**	717

7. LOSS BEFORE INCOME TAX

This is stated after charging:

	2023 **HK$'000**	2022 *HK$'000*
Staff costs and related expenses (including director's remuneration)		
Directors' emoluments *(Note 8)*	**3,308**	3,698
Other staff's salaries, allowances and other benefits	**435**	3,131
Contributions to defined contribution plans#	**99**	96
	3,842	6,925
Less: Amount included in cost of services	**–**	(928)
	3,842	5,997

\# 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.

7. LOSS BEFORE INCOME TAX (continued)

	2023 HK$'000	2022 HK$'000
Other items		
Auditors' remuneration	**400**	360
Contract costs relating to management contracting services recognised as expenses*	**11,140**	4,843
Depreciation of property, plant and equipment	**115**	128
Depreciation of right-of-use asset	**258**	324
Share-based payments	**3,570**	–
Written-off of contract assets	**14,905**	9,632
Loss allowance of trade debtors	**5,008**	5,161
Loss allowance of contract assets	**3,475**	7,099

* Contract costs included approximately HK$1,608,000 (2022: approximately HK$898,000) and approximately HK$5,113,000 (2022: HK$3,178,000) relating to the consumables goods and staff cost respectively which the staff cost is also included in the amount disclosed separately above.

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

Year ended 31 March 2023

	Directors' fees *HK$'000*	Salaries, allowances and other benefits *HK$'000*	Discretionary bonus *HK$'000*	Contributions to defined contribution plans *HK$'000*	Sub-total *HK$'000*	Share-based payments *HK$'000*	Total *HK$'000*
Executive directors:							
Mr. Wang Lun (Appointed on 14 October 2022 and re-designated as chairman on 23 December 2022)	–	84	–	–	84	–	84
Mr. Shu Zhongwen (Appointed on 1 December 2022)	–	157	–	3	160	–	160
Ms. Wong Wing Hung	–	571	–	18	589	179	768
Mr. Ng Wan Lok	–	618	–	18	636	179	815
Mr. Wang Xinliang	–	58	–	2	60	–	60
Mr. Nam Ho Kwan (Resigned on 5 October 2022)	–	720	–	9	729	–	729
Mr. Lin Hann Ruey (Appointed on 13 December 2022 and resigned on 4 April 2023)	–	36	–	–	36	–	36
Non-executive Director:							
Ms. Chen Xiaodan (Appointed on 14 October 2022)	–	84	–	–	84	–	84
Independent non-executive directors:							
Mr. Ma Meng	148	–	–	8	156	–	156
Ms. Li Ruyi	148	–	–	8	156	–	156
Ms. Yuen Wai Man (Appointed on 13 December 2022)	36	–	–	–	36	–	36
Mr. Cheung Hiu Fung (Appointed on 23 December 2022)	33	–	–	–	33	–	33
Mr. Ng Jeffrey Kam Tsun (Resigned on 23 December 2022)	185	–	–	6	191	–	191
	550	2,328	–	72	2,950	358	3,308

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

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 *(Chairman)*	–	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

During the years ended 31 March 2023 and 2022, 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.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 March 2023 and 2022 is as follows:

	Number of individuals	
	2023	2022
Director	**4**	4
Non-director	**1**	1
	5	5

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

	2023	2022
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**205**	544
Contributions to defined contribution plans	**11**	18
	216	562

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

	2023	2022
Not exceeding HK$1,000,000	**1**	1

During the years ended 31 March 2023 and 2022, 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.

10. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**–**	–
Macau Complementary Tax	**–**	–
China tax	**1**	–
Total income tax expenses for the year	**1**	–

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 2023 and 2022.

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% (2022: 12%) on the taxable income above Macau Pataca ("MOP") 600,000.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% of the profit assessable to tax for both of the years presented.

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

The Group has unused estimated tax losses of approximately HK$78,010,000 (2022: approximately HK$54,507,000) 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 (2022: 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$60,990,000 (2022: approximately HK$54,368,000) due to the unpredictability of future profit streams.

Reconciliation of income tax expense

	2023	2022
	HK$'000	*HK$'000*
Loss before income tax	**(33,163)**	(30,430)
Tax at the applicable tax rate	**(5,469)**	(5,021)
Non-deductible expenses	**(18,033)**	74
Tax exempt revenue	**–**	(1)
Unrecognised tax losses	**23,503**	4,948
Income tax expense	**1**	–

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:

	2023	2022
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company, used in basic and diluted loss per share calculation	**(33,207)**	(30,430)
	Number of shares	
		(restated)
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**166,616,493**	130,000,000
Loss per share, basic and diluted *(HK cents)*	**(20)**	(23)

The computation of diluted loss per share does not assume the exercise of the Company's share options outstanding because the exercise prices of those share options were higher than the average market prices for shares of the Company for the year ended 31 March 2023.

Diluted loss per share for the year ended 31 March 2023 is not presented as there was no other potential shares is issue for the year except for the share option outstanding.

As further detailed in note 23, the effect of the share consideration has been adjusted to the weighted average number of ordinary shares for the purpose of calculation for basis and diluted loss per share as if it was conducted on 1 April 2021.

12. DIVIDENDS

The directors of the Company did not declare or propose any dividend for the year ended 31 March 2023 (2022: HK$Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount – Year ended 31 March 2022					
At 1 April 2021	107	88	76	–	271
Depreciation	(47)	(39)	(42)	–	(128)
At 31 March 2022	60	49	34	–	143
Reconciliation of carrying amount – Year ended 31 March 2023					
At 1 April 2022	**60**	**49**	**34**	**–**	**143**
Depreciation	**(47)**	**(39)**	**(29)**	**–**	**(115)**
At 31 March 2023	**13**	**10**	**5**	**–**	**28**
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
At 31 March 2023					
Cost	**60**	**49**	**34**	**–**	**143**
Accumulated depreciation	**(47)**	**(39)**	**(29)**	**–**	**(115)**
Net book value	**13**	**10**	**5**	**–**	**28**

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	HK$'000
Reconciliation of carrying amount – year ended 31 March 2022	
At 1 April 2021	131
Additions	515
Depreciation	(324)
At 31 March 2022	322
Reconciliation of carrying amount – year ended 31 March 2023	
At 1 April 2022	**322**
Additions	**–**
Depreciation	**258**
At 31 March 2023	**64**
At 31 March 2022	
Cost	646
Accumulated depreciation	(324)
Net carrying amount	322
At 31 March 2023	
Cost	**322**
Accumulated depreciation	**(258)**
Net carrying amount	**64**

Lease liabilities

	2023 ***HK$'000***	2022 *HK$'000*
Current portion	**42**	293

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

Extension and termination options

The lease contracts of office premise, contain an extension and termination option. The option aim to provide flexibility to the Group in managing the leased asset. The extension option of the leases of office premise 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 2023 and 2022, all the lease contracts contain an extension or termination option, in which the total lease payment made amounted to approximately HK$333,250 and HK$561,000 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$333,250 and HK$561,000 for the years ended 31 March 2023 and 2022 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 2023 and 2022, the Group was committed to approximately HK$Nil and HK$Nil for short-term leases respectively.

15. GOODWILL

	2023	2022
	HK$'000	*HK$'000*
COST		
At the beginning of the year	**–**	–
Arising from acquisition of subsidiaries *(Note 33)*	**3,870**	–
Impairment of goodwill	**–**	–
At the end of the year	**3,870**	–

15. GOODWILL (continued)

Impairment testing on goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit ("CGUs") that is expected to benefit from that business combination.

Goodwill arose from the acquisition of City Key Group Limited and its subsidiaries ("City Key Group") which was completed in 8 April 2022. The CGUs to which the goodwill was allocated represents City Key Group which, through its PRC subsidiaries, is principally engaging in the development, leasing and management of properties located in the PRC.

The Company engaged a valuer, Weisi Limited ("the valuer") to conduct a valuation, according to Hong Kong Accounting Standard 36, "Impairment of Assets" ("HKAS 36") on the fair value of the cash generating unit ("CGUs") as at 31 March 2023.

The carrying amount of goodwill as at 31 March 2023 was HK$3,870,000. The recoverable amounts of the CGUs at each subsequent reporting date are determined based on fair value using the market approach with reference to recent market comparable. By adopting this approach, valuation multiples are derived from market prices and financial data of listed companies having the business and business model similar to those of the City Key Group and its subsidiaries being valued. The valuation multiples derived from the adopted listed companies are then applied to the financial data of the City Key Group and its subsidiaries, with appropriate adjustments wherever necessary, to arrive at its fair value. Commonly used multiple is Price-to-Earrings (P/E) ratio. In the opinion of the directors, the fair value of the CGUs is measured at a level 3 fair value hierarchy.

Since sufficient market data on public companies with similar business and business model are available for the analysis and estimation of an appropriate valuation multiple for the company being valued, we believe it is appropriate to use this method in this valuation exercise with average PE with risk premium adjustment.

After certain adjustments, we have adopted a market PE multiple and applied to the projected yearly net profit of the the City Key Group and its subsidiaries.

Key assumptions adopted in the preparation for fair value calculations are as follows:

Adjusted PE	6.815
DLOM adjustment	25%

For the year ended 31 March 2023, the directors consider it appropriate not to recognize impairment loss for goodwill based recoverable amounts of CGUs.

15. GOODWILL (continued)

Impairment testing on goodwill (continued)

The following table demonstrates the sensitivity at the end of the reporting period to the reasonably possible change in the DLOM adjustment and adjusted PE of the goodwill:

	Sensitivity of fair value to the input	
	HK$	*HK$*
	Decrease	**Increase**
If strengthens/weakens against PE by 5%	(204,000)	204,000
	Increase	**Decrease**
If strengthens/weakens against DLOM by 5%	102,000	(51,000)

16. CONTINGENT CONSIDERATION RECEIVABLE

The fair value of the contingent consideration receivable represented the profit guarantee in relation to the adjustments to the consideration from the acquisition of City Key Group Limited and its subsidiary ("City Key Group") from acquisition date. Contingent consideration receivable is measured at fair value at the end of the reporting period.

The movement of the fair value of contingent consideration receivable is as follow:

	2023	2022
	HK$'000	*HK$'000*
At fair value:		
At beginning of the year	**–**	–
Arising from acquisition of a subsidiary	**4,080**	–
Change in fair value	**58**	–
At end of the year	**4,138**	–

Notes:

a) Adjustment to the consideration

Pursuant to the sale and purchase agreement entered in relation to the acquisition of the City Key Group Limited, the Vendor irrevocably and unconditionally warrant and guarantee to the Company that, "during the Guarantee Period, the aggregate audited net profit after tax of Jiayou (Beijing) will not be less than RMB27,000,000 (the "Guaranteed Profit").

Where the Guaranteed Profit is not achieved during the Guarantee Period (i.e. the Guaranteed Profit is less than the actual profit of Jiayou (Beijing) for the three years ending 31 December 2024 (the "Actual Profit"), the compensation amount which shall be paid from the Vendor to the Company is calculated based on the below formula:

Compensation = (Guaranteed Profit – Actual Profit) x 1.9

The Company and the Vendor agrees that the maximum amount of compensation shall not be more than the Consideration, being HK$8,008,000. The Company shall not need to pay to the Vendor if the Actual Profit is higher than the Guaranteed Profit during the Guarantee Period.

16. CONTINGENT CONSIDERATION RECEIVABLE (continued)

Notes: (continued)

b) In considering the Contingent Consideration Receivable Value of the Company, initially, we have adopted Market Approach (same basis as above paragraphs: Selection of Valuation Approach and Methodology) to arrive at the Business Enterprise Value ("BEV") of the Company as at the date of valuation, then we adopted the consideration of the Company ("the Consideration") as at the date of acquisition and then subtracts the BEV which gives the figure of Goodwill of the Company as at the date of valuation. The balance of Consideration and Goodwill of the Company is then the Contingent Consideration Receivable Value of the Company.

After certain adjustments, we have adopted a market PE multiple and applied to the projected yearly net profit of the the City Key Group and its subsidiaries.

Key assumptions adopted in the preparation for fair value calculations are as follows:

Adjusted PE	6.815
DLOM adjustment	25%

The following table demonstrates the sensitivity at the end of the reporting period to the reasonably possible change in the DLOM adjustment and adjusted PE of the goodwill:

	Sensitivity of fair value to the input	
	HK$	*HK$*
	Increase	**Decrease**
If strengthens/weakens against PE by 5%	204,000	(204,000)
	Decrease	**Increase**
If strengthens/weakens against DLOM by 5%	(102,000)	51,000

17. CONTRACT ASSETS/CONTRACT LIABILITIES

	2023 *HK$'000*	2022 *HK$'000*
Contract assets and contract liabilities arising from management contracting services as follows:		
Contract assets (including retention receivables) gross amount	**78,308**	88,832
Less: Written-off of contract assets *(Note i)*	**(14,905)**	(9,632)
Loss allowance of contract assets *(Note ii)*	**(3,475)**	(12,546)
	59,928	66,654
Contract liabilities	**(20,615)**	(1,288)

Notes:

(i) At 31 March 2023, the written-off of approximately HK$14,905,000 (2022: HK$9,632,000) 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.

17. CONTRACT ASSETS/CONTRACT LIABILITIES (continued)

Notes: (continued)

(ii) At 31 March 2023, 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$16,021,000 (2022: HK$12,546,000) 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$9,769,000 (2022: approximately HK$6,997,000), which represented the retention receivables. The remaining contract assets and liabilities are expected to be recovered within 12 months.

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:

	2023	2022
	HK$'000	*HK$'000*
Contract assets		
At beginning of the year	**66,654**	85,354
Transferred to trade debtors	**(14,020)**	–
Recognition of revenue	**25,674**	3,478
Written-off	**(14,905)**	(9,632)
Loss allowance	**(3,475)**	(12,546)
At end of the year	**59,928**	66,654

	2023	2022
	HK$'000	*HK$'000*
Contract liabilities		
At beginning of the year	**(1,288)**	(3,138)
Receipt of advances or recognition of receivables	**(20,027)**	–
Recognition of revenue	**700**	1,850
At end of the year	**(20,615)**	(1,288)

The expected timing of the revenue recognition of the performance obligations that are unsatisfied (or partially unsatisfied) at 31 March 2023 and 2022 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:

	2023	2022
	HK$'000	*HK$'000*
On demand or within one year	**60**	–
After one year	**9,709**	6,997
	9,769	6,997

18. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	**2023**	2022
		HK$'000	*HK$'000*
Trade debtors		**25,102**	11,082
Less: Loss allowance		**(10,695)**	(5,687)
	18(a)	**14,407**	5,395
Pledged deposits to an insurance company	*18(b)*	**158**	158
Other debtors, deposits and prepayments		**1,069**	333
		15,634	5,886

(a) Trade debtors mainly arise from management contracting business and consultancy services. 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:

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**140**	1,495
31 to 60 days	**5,253**	–
Over 60 days	**9,014**	3,900
	14,407	5,395

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:

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**–**	–
31 to 60 days	**–**	–
61 to 365 days	**–**	–
More than one year	**9,014**	3,900
	9,014	3,900

(b) Pledged deposits of approximately HK$158,000 (2022: 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% (2022: 0.2%) per annum.

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

	Note	**2023** **HK$'000**	2022 HK$'000
Pledged bank deposits	19(a)	**–**	–
Restricted bank deposits	19(b)	**228**	228
Bank balances and cash		**248**	107
Bank overdrafts	19(d)	**(932)**	(1,153)
		(456)	(818)
Less: Pledged and restricted bank deposits		**(228)**	(228)
Cash and cash equivalents	19(d)	**(684)**	(1,046)
Represented by:			
Bank balances and cash		**248**	107
Bank overdrafts		**(932)**	(1,153)
		(684)	(1,046)

(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 2023.

(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 2023 (2022: 0.2%) per annum.

(c) The bank overdrafts carry interest rates ranging from 0.25% to 1.5% over the prime rate (2022: 0.25% to 1.5%) per annum and are secured by the pledged bank deposit of approximately HK$Nil (2022: HK$Nil).

(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:

	2023 **HK$'000**	2022 HK$'000
Renminbi ("RMB")	**11**	7
MOP	**51**	51
US$	**4**	5

20. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

	Note	2023 HK$'000	2022 HK$'000
Trade creditors	20(a)	**16,018**	13,681
Salary payables		**5,821**	4,858
Other creditors and accrued expenses		**12,000**	20,785
Amount due to a director	20(b)	**21,162**	5,033
		55,001	44,357

(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:

	2023 HK$'000	2022 HK$'000
Within 30 days	**237**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 365 days	**1,731**	–
Over one year	**14,050**	13,681
	16,018	13,681

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

21. BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Secured	**1,474**	3,275
Unsecured	**5,188**	5,906
	6,662	9,181

21. BANK BORROWINGS (continued)

The bank borrowings are repayable as follows:

	2023 HK$'000	2022 HK$'000
On demand or within one year	**6,662**	9,181
More than five years	**–**	–
	6,662	9,181
Less: Amount due within one year shown under current liabilities	**(6,662)**	(9,181)
Amount due after one year shown under non-current liabilities	**–**	–

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:

	2023 HK$'000	2022 HK$'000
Within one year	**1,553**	2,533
Within a period of more than one year but not exceeding two years	**1,613**	1,517
Within a period of more than two years but not exceeding five years	**2,230**	3,311
Over five years	**1,266**	1,820
	6,662	9,181

Except for bank borrowings of approximately HK$Nil (2022: HK$Nil) 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% (2022: 2.75% to 5.75%) per annum based on prime rate or London Interbank Offered Rate ("LIBOR").

At 31 March 2023, bank borrowing amounting to approximately HK$6,662,000.

22. SHARE CAPITAL

		Number of Shares		Share Capital	
		2023	2022	**2023**	2022
	Notes			***HK$'000***	*HK$'000*
Authorised:					
Ordinary shares of HK$0.1 (2022: HK$0.01) each					
At the beginning and at the end of the year	*1*	**2,000,000,000**	2,000,000,000	**200,000**	20,000
Issued and fully paid:					
Ordinary shares of HK$0.1 (2022: HK$0.01) each					
At the beginning of the year		**1,300,000,000**	1,300,000,000	**130,000**	13,000
Placing of shares	*2*	**260,000,000**	–	**26,000**	–
Shares issued under share option scheme	*3*	**57,000,000**	–	**5,700**	–
Shares issued under share option scheme	*4*	**13,000,000**	–	**1,300**	–
Placing of shares under general mandate	*5*	**323,400,000**	–	**32,340**	–
Share consolidation	*6*	**(1,758,060,000)**	–	**(175,806)**	–
At the end of the year		**195,340,000**	1,300,000,000	**195,340**	13,000

Notes:

1. On 1 February 2023, every ten issued and unissued ordinary shares of HK$0.01 each (the "Existing Shares") in the share capital of the Company was consolidated into one share of HK$0.10 each (each a "Consolidated Share") (as detailed in the circular of the Company dated 5 January 2023).

   On 1 February 2023, decrease in the authorised share capital of the Company from HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each (equivalent to 200,000,000 Consolidated Shares of HK$0.10 each) to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 (equivalent to 1,000,000,000 Consolidated Shares of HK$0.10 each).

2. On 22 March 2022 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Mr. Song Chenglei, pursuant to which the Company agreed to purchase and the Vendor agreed to sell the Sale Share at a consideration of HK$8.0 million. Upon Completion on 8 April 2022, the Target Company becomes a wholly-owned subsidiary of the Company and the financial results of the Target Group are consolidated into the financial statements of the Group. The Company allotted and issued 260,000,000 Consideration Shares to the Vendor or its nominee(s) at the Issue Price of HK$0.0308.

3. 130,000,000 share options were granted on 27 April 2022. 57,000,000 of share options were exercised by employees and consultants on 13 July 2022 with an exercise price of HK$0.0342 per share.

4. 13,000,000 of share options were exercised by 2 executive directors on 18 November 2022 with an exercise price of HK$0.0342 per share.

5. On 12 January 2023, all the 323,400,000 Placing Shares were successfully placed by the Placing Agent to not less than six Placees at the Placing Price of HK$0.024 per Placing Share pursuant to the terms and conditions of the Placing Agreement.

6. On 1 February 2023, every ten issued and unissued ordinary shares of HK$0.01 each (the "Existing Shares") in the share capital of the Company was consolidated into one share of HK$0.10 each (each a "Share Consolidated"). 1,758,060,000 shares were cancelled by way of Share Consolidation.

23. SHARE OPTION SCHEME

A summary of the 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.

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.

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.

24. OTHER CASH FLOW INFORMATION

(a) Cash generated from/used in operations

	2023	2022
	HK$'000	*HK$'000*
Loss before income tax	**(33,163)**	(30,430)
Depreciation	**373**	452
Interest expenses	**409**	717
Share base payment	**3,570**	–
Proceeds on redemption of financial assets at FVTPL	**–**	2,670
Gain on redemption of financial assets at FVTPL	**–**	(30)
Written-off of contract assets	**14,905**	9,632
Loss allowance of trade debtor	**5,008**	5,161
Loss allowance of contract assets	**3,475**	7,099
Interest income	**(3)**	(9)
Change in working capital:		
Contract assets/liabilities	**7,674**	119
Trade and other debtors, deposits and prepayments	**(14,755)**	56
Trade and other creditors and accrued expenses	**(5,490)**	21,968
Cash generated (used in)/from operations	**(17,997)**	17,405

(b) Major non-cash transaction

During the year ended 31 March 2023, 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$Nil (2022: HK$515,000).

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

	2023	2022
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**2,328**	3,301
Directors' fees	**550**	317
Share-based payments	**358**	–
Contributions to defined contribution plans	**72**	80
	3,308	3,698

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

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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

At 31 March 2023

	Financial assets at amortised cost *HK$'000*	Financial assets at FVPL *HK$'000*	Total *HK$'000*
Financial assets			
Trade and other debtors	15,634	–	15,634
Pledged and restricted bank deposits	228	–	228
Bank balances and cash	248	–	248
Total	16,110	–	16,110

	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Financial liabilities		
Trade and other creditors	55,001	55,001
Bank borrowings	6,662	6,662
Bank overdrafts	932	932
Lease liabilities	42	42
Total	62,637	62,637

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

At 31 March 2022

	Financial assets at amortised cost HK$'000	Financial assets at FVPL HK$'000	Total HK$'000
Financial assets			
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 HK$'000	Total HK$'000
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

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's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. 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$14,905,000 (2022: HK$9,632,000), the remaining receivable and contract assets balances (excluding those for which provision for expected credit losses amounted to HK$41,620,000 (2022: HK$18,233,000) 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 2023, the Group had a concentration of credit risk as approximately 69% (2022: approximately 69%) of the total trade debtors and contract assets was due from the Group's largest trade debtor and customer and approximately 88% (2022: approximately 88%) 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.

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 2023 is summarised as below.

At 31 March 2023

	Expected loss rate	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*	**Credit-impaired**
Trade debtors					
Not past due	**1%**	**143**	**(2)**	**141**	**No**
Within 30 days overdue	**1%**	**5,315**	**(62)**	**5,253**	**No**
30 days to one year overdue	**2%**	**2,412**	**(53)**	**2,359**	**No**
One to two years overdue	**61%**	**17,232**	**(10,578)**	**6,654**	**Yes**
More than two years overdue	**–**	**–**	**–**	**–**	**–**
		25,102	**(10,695)**	**14,407**	
Contract assets	**23%**	**78,308**	**(18,380)**	**59,928**	**No**

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	62%	9,112	(5,681)	3,431	Yes
More than two years overdue	–	–	–	–	–
		11,082	(5,687)	5,395	
Contract assets	16%	79,200	(12,546)	66,654	No

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$14,905,000 (2022: HK$9,632,000), the Group recognised an impairment loss of approximately HK$10,695,000 (2022: HK$5,681,000) and HK$30,926,000 (2022: HK$12,546,000) 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:

	2023 ***HK$'000***	2022 *HK$'000*
Trade debtors		
At the beginning of the year	**5,687**	526
Increase in allowance	**5,008**	5,161
At the end of the year	**10,695**	5,687

	2023 ***HK$'000***	2022 *HK$'000*
Contract assets		
At the beginning of the year	**12,546**	5,447
Increase in written-off	**14,905**	–
Increase in allowance	**3,475**	7,099
At the end of the year	**30,926**	12,546

The Group does not hold any collateral over the trade debtors and contract assets at 31 March 2023 (2022: 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.

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:

	2023	2022
	HK$'000	*HK$'000*
Assets		
RMB	**11**	7
MOP	**51**	51
US$	**4**	5
Liabilities		
US$	**–**	–

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% (2022: 0.5%) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2023 would increase/decrease by approximately HK$33,000 (2022: approximately HK$47,000).

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.

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.

At 31 March 2023

	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
Trade and other creditors and accrued expenses	–	55,001	–	–	–	55,001	55,001
Bank overdrafts	12.00	1,044	–	–	–	1,044	932
Bank borrowings	3.70	397	1,213	3,985	1,313	6,908	6,662
		56,442	1,213	3,985	1,313	62,953	62,595

At 31 March 2022

	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
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
		54,691	–	–	–	54,691	54,691

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.

	2023	2022
	HK$'000	*HK$'000*
On demand or within 90 days	**383**	1,475
91 days to 1 year	**1,170**	1,058
1 to 5 years	**3,843**	4,828
Over 5 years	**1,266**	1,820
	6,662	9,181

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	
	2023	2022
	HK$'000	*HK$'000*
Assets measured at fair value		
Financial assets at FVTPL		
– contingent consideration receivable	**4,138**	–

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

	Level 3	
	2023	2022
	HK$'000	*HK$'000*
At beginning of the year	**–**	–
Arising from acquisition date	**4,080**	–
Change in fair value	**58**	–
Transferred out on redemption	**–**	–
At end of the year	**4,138**	–

During the years ended 31 March 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

The fair value of contingent consideration receivable was determined with reference to Market Approach (same basis as above paragraphs: Selection of Valuation Approach and Methodology) to arrive at the Business Enterprise Value ("BEV") of the Company as at the date of valuation, then we adopted the consideration of the Company ("the Consideration") as at the date of acquisition and then subtracts the BEV which gives the figure of Goodwill of the Company as at the date of valuation. The balance of Consideration and Goodwill of the Company is then the Contingent Consideration Receivable Value of the Company.

(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 2023 and 2022.

28. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) cash and cash equivalents; (ii) debts; and (iii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, raise new debt financing or sell assets to reduce debt.

The Group also monitors its capital structure on the basis of gearing ratio. There have been no changes in the Group's approach to capital management during the years ended 31 March 2023 and 2022.

The externally imposed capital requirements for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float at least 25% of the shares. The Group receives a report from the share registrars showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

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:

	2023	2022
	HK$'000	*HK$'000*
Pledged and restricted bank deposits	**228**	228
Pledged deposits to an insurance company	**–**	–
Payment for a life insurance policy	**–**	–
	228	228

30. PERFORMANCE BONDS

	2023	2022
	HK$'000	*HK$'000*
Indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services	**226**	226

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 2023 and 2022, no customers called any performance bond. Typically, the estimated consideration is not constrained for revenue recognition.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Investments in subsidiaries		**31,408**	23,400
Current assets			
Deposit paid		**113**	113
Amounts due from subsidiaries		**7,093**	1,744
Bank balances and cash		**–**	–
		7,206	1,857
NET ASSETS		**38,614**	25,257
Capital and reserves			
Share capital	*22*	**19,534**	13,000
Reserves	*34(a)*	**19,080**	12,257
TOTAL EQUITY		**38,614**	25,257

This Company's statement of financial position was approved and authorised for issue by the Board of Directors on 30 June 2023 and signed on its behalf by:

Mr. Wang Lun
Director

Mr. Shu Zhongwen
Director

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

Movements of the reserves

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
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
At 1 April 2022	**81,096**	**–**	**(68,839)**	**12,257**
Issue of share	**7,193**	**–**	**–**	**7,193**
Issue of new share upon exercise of share option	**1,554**	**(1,554)**	**–**	**–**
Recognition of equity-settled share based payment	**–**	**3,570**	**–**	**3,570**
Share option expenses	**(370)**	**–**	**–**	**(370)**
Loss for the year and total comprehensive expense for the year	**–**	**–**	**(3,570)**	**(3,570)**
At 31 March 2023	**89,473**	**2,016**	**(72,409)**	**19,080**

32. SHARE-BASED PAYMENTS

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 purpose of the Share Option Scheme is to provide incentives or rewards to the eligible participants thereunder for their contribution or would be contributions to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants include any Directors, employees (whether full time or part time) or consultants to the Group.

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

32. SHARE-BASED PAYMENTS (continued)

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

The exercise 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.

There is no performance target which must be achieved before any of the options can be exercised.

On 27 April 2022, a total of 130,000,000 share options were granted to the directors, employees and consultants of the Company under the Share Option Scheme.

Set out below are summaries of options granted under Share Option Scheme:

	Average exercise price per share option	**2023** *Number of options*	2022 *Number of options*
At the beginning of year		**–**	–
Granted during the year	HK$0.0342	**130,000,000**	–
Exercised during the year	HK$0.0342	**(70,000,000)**	–
Effect due to share consolidation		**(54,000,000)**	–
At the end of year	HK$0.342	**6,000,000**	–

No options were expired during the year.

The share options outstanding as at 31 March 2023 had an exercise price of HK$0.342 and a remaining contractual life of 9.1 years. The weighted average share price at the time of exercise of options during the year was HK$0.52.

32. SHARE-BASED PAYMENTS (continued)

Fair value of options granted

The fair value of options granted is being calculated by an external qualified valuer by using Black-Scholes Option Pricing Model. The followings are the inputs used in this model for the options granted during the year ended 31 March 2023:

Black-Scholes Option Value

Input Data	
Stock Price on 27/4/2022 (S)	0.034
Exercise Price of Option (K)	0.0342
Number of periods to Exercise in years (T-t)	10
Compounded Risk-Free Interest Rate (r)	2,826%
Standard Deviation (annualized σ)	77.263%

Output Data	
Present Value of Exercise Price	0.0258
σ*(T-t)^0.5	2.4433
d1	1.3349
d2	-1.1084
Delta N(d1) Normal Cumulative Density Function	0.9090
N(d2)*PV(EX)	0.0035
Value of Call	0.0275
Number of shares to be converted	130,000,000
Value of conversion rights	3,570,000

Per the report prepared by the Company's external qualified valuer, the fair value of 130,000,000 share options as of 27 April 2022 (i.e. date of grant) is HK$3,570,000.

Expected volatility was determined by using the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on the directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

33. ACQUISITION OF SUBSIDIARIES

On 8 April 2022, the Group acquired 100% of the issued share capital of City Key Group Limited and its subsidiary (collectively known as City Key Group) for a consideration of HK$8,008,000. It was financed by allotting and issuing 260,000,000 consideration shares of the Company to the Vendor (Mr. Song Chenglei) at the issue price of HK$0.0308. On 8 April 2022, City Key Group Limited holds 51% effective interest of Jiayou (Beijing) Commercial and Trading Limited ("Jiayou") while Jiayou is a direct subsidiary of City Key Group Limited. Upon Completion, City Key Group Limited became a wholly owned subsidiary of the Company and its financial results were consolidated into the financial statement of the Group. Jiayou is principally engaged in provision of engineering, procurement and construction management ("EPCM") services of commercial and residential infrastructures in the PRC.

Pursuant to the Sale and Purchase Agreement, the Vendor irrevocably and unconditionally warrant and guarantee to the Company that, during the Guarantee Period, the aggregate audited net profit after tax of Jiayou will not be less than RMB27,000,000. Please refer to the announcements dated 22 March 2022, 31 March 2022. 4 April 2022 and 11 April 2022 for further information.

City Key Group was acquired to create synergy effect with the Group's existing businesses, broaden its source of income and further strengthens the development of the Group's products and services. The acquisition also represents a valuable business opportunity to expand the Group's business scales, which allows the Group to diversify its businesses further in China.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Jiayou for the period from the acquisition date.

Consideration transferred	*HK$'000*
Consideration Shares (260,000,000 at the issue price of HK$0.0308)	8,008

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition	
Cash and cash equivalents	–
Trade receivables	1,057
Trade payable	(878)
Tax payable	(66)
	113

The trade receivables acquired at fair value of HK$1,057,000 at the date of acquisition had gross contractual amount of HK$1,057,000. No contractual cash flows from the receivables are expected to be irrecoverable.

33. ACQUISITION OF SUBSIDIARIES (continued)

Impact of acquisition on the results of the Group

Included in the revenue and loss for the year ended 31 March 2023 is revenue and profit of RMB1,841,000 and of RMB45,000 respectively attributable to City Key Group Limited and its subsidiaries.

Had the acquisition of City Key Group Limited and its subsidiaries been effected at the beginning of the year ended 31 March 2023, the revenue of the Group for that year would have been RMB1,841,000, and the loss for that year would have been RMB45,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 March 2023, nor is it intended to be a projection of future results.

The fair value of the trade receivables at the date of acquisition is similar to the carrying amount.

Non-controlling interests

The non-controlling interest (49%) in Jiayou recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Jiayou.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	8,008
Plus: non-controlling interests (49% in Jiayou)	55
Contingent consideration receivable	(4,080)
Less: Net assets acquired	(113)
Goodwill arising on acquisition	3,870

Goodwill arose in the acquisition of City Key Group as the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of widen source of revenue and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the above acquisition is not expected to be deductible for tax purposes.

Net cash inflow on acquisition of City Key Group

	HK$'000
Cash and cash equivalent acquired	–
Less: Cash transferred	–
	–

34. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Share premium arises from the issue of shares at a price greater than the par value of the shares and can be utilised for future bonus issue.

(ii) Share option reserve

Share option reserve arises on the grant of share option to eligible participants under the Scheme. Further information about share-based payments is set out in note 32.

(iii) Other reserve

Other reserve represents the Group's aggregate amount of the issued share capital of the entities 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.

35. 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 2023	2022	Principal activities and place of operation
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
City Key Group Limited	BVI, 28 February 2022	US$1	**100%**	N/A	Investment holding, Hong Kong
Xin Fu Zheng Rading Limited	Hong Kong, 12 March 2018	HK$10,000	**100%**	N/A	Investment holding, Hong Kong
Shenzhenshi Xing Fu Zheng Information Consulting Co., Ltd.	PRC, 26 February 2019	HK$10,000,000	**100%**	N/A	Investment holding, China
Jiayou (Beijing) Commercial and Trading Limited	PRC, 30 July 2021	RMB50,000,000	**51%**	N/A	Provision of engineering, procurement and construction management services of commercial and residential infrastructures in China

35. 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
			2023	2022	
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
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.

36. EVENTS AFTER THE REPORTING DATE

(a) Appointment and Resignation of Executive Directors

On 4 April 2023, Mr. Jiang Jianguo was appointed as an executive Director and Mr. Lin Hann Ruey resigned as an executive Director of the Company. Please refer to the announcement dated 4 April 2023 for further details.

(b) Resignation of Executive Director

On 24 April 2023, Mr. Jiang Jianguo resigned as an executive Director of the Company. Please refer to the announcement dated 24 April 2023 for further details.

(c) Proposed Rights Issues

On 29 May 2023, the Company proposed to conduct the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK$0.20 per Rights Share, to raise up to HK$19,534,000 before expenses by way of issuing up to 97,670,000 Rights Shares (assuming no change in the number of issued Shares on or before the Record Date) up to the date of annual of these consolidated financial statements, the Rights issue is planned to be completed by 21 August 2023.

FINANCIAL SUMMARY

For the five years ended 31 March 2019, 2020, 2021, 2022 and 2023

RESULTS

	For the year ended 31 March				
	2023	2022	2021	2020	2019
Consolidated results	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**15,596**	6,458	26,594	87,111	135,469
Gross profit	**3,487**	1,615	2,359	7,199	26,106
(Loss)/profit before income tax	**(33,163)**	(30,430)	(28,935)	(21,747)	3,727
(Loss)/profit and total comprehensive (expense)/income for the year	**(33,207)**	(30,430)	(28,935)	(21,907)	2,982

ASSETS AND LIABILITIES

	As at 31 March				
	2023	2022	2021	2020	2019
Consolidated assets and liabilities	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**84,138**	73,340	117,602	155,105	188,010
Total liabilities	**(83,252)**	(56,272)	(70,104)	(78,672)	(89,670)
Net assets	**886**	17,068	47,498	76,433	98,340