



**Luen Wong Group Holdings Limited**

**聯旺集團控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8217

**ANNUAL REPORT**

**2016**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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*This report, for which the directors (the “Directors”) of Luen Wong Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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; 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. Wong Che Kwo (*Chairman*)  
Mr. Wong Wing Wah  
Mr. Chiu Chi Wang  
Mr. Wong Tak Ming

#### Independent Non-Executive Directors

Mr. Liu Yan Chee James  
Mr. Wong Chi Kan  
Mr. Tai Hin Henry

### COMPANY SECRETARY

Mr. Woo Yuen Fai

### AUDIT COMMITTEE

Mr. Liu Yan Chee James (*Chairman*)  
Mr. Wong Chi Kan  
Mr. Tai Hin Henry

### REMUNERATION COMMITTEE

Mr. Wong Chi Kan (*Chairman*)  
Mr. Wong Wing Wah  
Mr. Liu Yan Chee James

### NOMINATION COMMITTEE

Mr. Wong Che Kwo (*Chairman*)  
Mr. Wong Chi Kan  
Mr. Tai Hin Henry

### REGISTERED OFFICE

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1505, 15/F  
Delta House  
3 On Yiu Street  
Shatin  
New Territories  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-04  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

### COMPLIANCE ADVISER

TC Capital International Limited

### COMPLIANCE OFFICER

Mr. Wong Wing Wah

### AUDITORS

Grant Thornton Hong Kong Limited

### PRINCIPAL BANKERS

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

### WEBSITE ADDRESS

[www.luenwong.hk](http://www.luenwong.hk)

### STOCK CODE

8217

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Luen Wong Group Holdings 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 2016 (the "Reporting Period").

### LISTING ON THE GEM BOARD OF THE STOCK EXCHANGE

The shares of the Company (the "Shares") were successfully listed (the "Listing") on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), on 12 April 2016 which marked a significant milestone for our Group. On behalf of the Board, I would like to thank the professional parties and our staff involved in the Listing. The net proceeds raised allow for the expansion of our Group through acquisition of additional site equipment and further strengthening our manpower. I believe the public listing status will also enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image. I also believe that our internal control and corporate governance practices have been further enhanced following the Listing.

### RESULTS

The total revenue of our Group increased by approximately HK\$43,055,000 or 15.8% from approximately HK\$271,949,000 for the year ended 31 March 2015 to approximately HK\$315,004,000 for the Reporting Period. Such increase was mainly attributable to one of our major projects that commenced in September 2015 which contributed approximately 35.7% towards the total revenue of our Group.

Although our Group's profits attributable to equity holders decreased by approximately HK\$9,688,000 or 53.6% from approximately HK\$18,079,000 for the year ended 31 March 2015 to approximately HK\$8,391,000 for the Reporting Period, the decrease in profits attributable to equity holders was mainly due to the non-recurring Listing expenses of approximately HK\$10,286,000 (2015: HK\$Nil) incurred during the Reporting Period. Excluding the aforementioned non-recurring expenses, our Group's profits attributable to equity holders would have been approximately HK\$18,677,000 for the Reporting Period.

### PROSPECTS

Looking forward, our Group is confident about the outlook and the prospects of the civil engineering construction market and will keep on focusing on competing for sizeable civil engineering projects in Hong Kong. With the Listing of the Company in 2016, more resources will be available through acquisition of additional site equipment and further strengthening our manpower to our Group for expanding our scale of operation.

# CHAIRMAN'S STATEMENT

## APPRECIATION

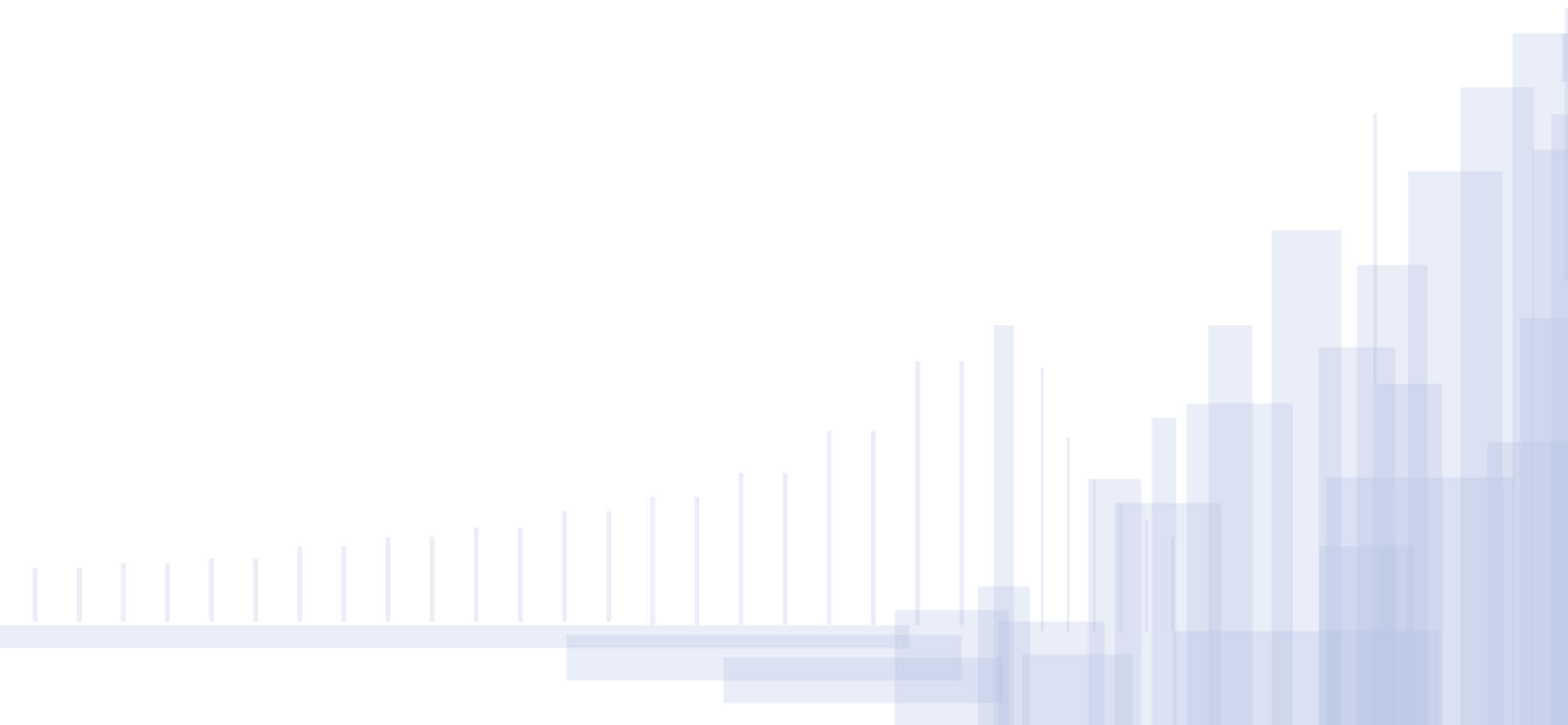
On behalf of the Board, I wish to take this opportunity to thank our dedicated employees for their continued loyalty, diligence and contributions throughout the year. I would also like to express my sincere gratitude to our shareholders, business partners, customers, suppliers and subcontractors for their continued support to our Group.

**Luen Wong Group Holdings Limited**

**Wong Che Kwo**

*Chairman*

Hong Kong, 27 June 2016



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Our Group has over 16 years of experience in providing civil engineering works as a subcontractor in Hong Kong. The civil engineering works undertaken by our Group are mainly related to (i) roads and drainage works (including construction and improvement of local road, carriageway with junction improvement and the associated footpaths, planting areas, drains, sewers, water mains and utilities diversion); (ii) structural works (including construction of reinforced concrete structures for bridges and retaining walls); and (iii) site formation works (including excavation and/or filling works for forming a new site or achieving designed formation level for later development).

As at 31 March 2016, we had 16 contracts on hand with a total contract sum of approximately HK\$1,354,483,000. During the Reporting Period, we have completed 7 contracts with a total contract sum of approximately HK\$233,597,000; whilst we have been awarded 8 new contracts with a total contract sum of approximately HK\$945,998,000.

## OUTLOOK

In the 2016-17 Budget Speech, the Government reiterated its commitment to infrastructure and announced to spend an estimated HK\$85.8 billion on public infrastructure. It is expected that the Government will continue their support on the construction industry by executing the infrastructure development plans, in particular the Ten Major Infrastructure Projects initiated by the Government in 2007. These infrastructure projects including the construction of a three-runway system for the Hong Kong International Airport, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge. These constructions, will as a result, continue to drive the growth of the construction market, and in particular the civil engineering construction market.

As to our Group, we are confident about the outlook and the prospects of the civil engineering construction market, and by investing heavily on site equipment and manpower in the coming years, we are hoping to be more competitive and able to compete for more sizeable and profitable civil engineering projects.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, all of our Group's revenue was generated from the provision of civil engineering works which amounted to approximately HK\$315,004,000 (2015: approximately HK\$271,949,000), representing an increase of approximately HK\$43,055,000 or 15.8% from the previous year. Such increase was mainly attributable to the commencement of a major project with contract sum of approximately HK\$455,319,000 which contributed approximately 35.7% towards the total revenue of our Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross Profit and Gross Profit Margin

Our Group's gross profit slightly increased by approximately HK\$136,000 or 0.5% from approximately HK\$25,600,000 for the year ended 31 March 2015 to approximately HK\$25,736,000 for the Reporting Period. Our Group's gross profit margin decreased from 9.4% for the year ended 31 March 2015 to 8.2% for the Reporting Period, representing a decrease of approximately 1.2 percentage points. Such decrease was mainly attributable to the significant revenue contribution of a major project with contract sum of HK\$455,319,000 which has a lower gross profit margin compared to other projects.

Our gross profit margin varied substantially from project to project and is mainly attributable to our pricing, which is determined based on a cost-plus pricing model in general with mark-up determined on a project-by-project basis and such mark-up is determined based on the following factors:

#### *Contract value of the project*

We would normally set a tender price based on a relatively lower mark-up for projects with a larger contract value due to the larger absolute amounts of revenue and gross profit (being the contract sum less the expected costs of sales) expected to be derived from a project with a larger contract value.

#### *Nature and complexity of civil engineering works*

When preparing our tender price, we consider, among other factors, (i) the amount of project management; (ii) the level of difficulty; (iii) the amount of uncertainties; (iv) the types and amount of works to be performed using different techniques; (v) the types and amount of resources such as labour skills, construction materials and supplies and site equipment; and (vi) the quality, safety and environmental standards. We would also take into account the likelihood of any material deviation of actual costs from our estimated costs having regard to the estimated subcontracting charges, staff costs, construction materials and supplies costs, rental of site equipment costs and other costs of sales.

#### *Competition*

The level of competition for each construction project is subject to factors beyond our control, including, among others, the number of contractors invited to bid for the construction project, our competitors' capacity and the nature and complexity of the works involved. If the level of competition of a particular construction project is low or if our competitors' tender prices are relatively high, which is due to their own commercial decisions, we may be able awarded the construction project even if our tender price is not particularly competitive.

#### *Cost control*

While we may obtain preliminary quotations from our subcontractors when preparing our tender prices, the final agreed prices with our subcontractors are subject to further negotiations after we are successfully awarded with a tender and after we obtain more specific information regarding the works and the site conditions. Such further negotiations with our subcontractors may result in higher or lower gross profit margins.



## MANAGEMENT DISCUSSION AND ANALYSIS

We enter into contra charge arrangements with some of our customers for, among others, the purchase of construction materials and supplies and site equipment rental and hence any increase in these costs are borne by our customers. The prices of construction materials and supplies and site equipment rental and other costs of sales that are not covered by contra charge arrangements are determined by reference to quotations of suppliers as agreed by us and our suppliers on an order-by-order basis. While we price in the estimated future price trend of these costs of sales when preparing our tender proposals, material deviation of the actual costs from our estimated costs may arise, which would result in higher or lower gross profit margins.

Due to, among others, the factors stated above, our gross profit margin varied substantially from project to project.

### Other Income

Other income of our Group increased by approximately HK\$2,020,000 from approximately HK\$346,000 for the year ended 31 March 2015 to approximately HK\$2,366,000 for the Reporting Period. The increase mainly arose from the gain on disposal of investment property of approximately HK\$1,792,000 during the Reporting Period.

### Administrative Expenses

Administrative expenses of our Group increased by approximately HK\$11,702,000 from approximately HK\$3,772,000 for the year ended 31 March 2015 to approximately HK\$15,474,000 for the Reporting Period. Administrative expenses consist primarily of staff costs and Directors' emoluments, depreciation, rental expenses, Listing expenses and other administrative expenses. The increase was attributable to the non-recurring Listing expenses of approximately HK\$10,286,000 and increase in staff costs due to the addition of administrative staff.

### Finance Costs

Finance costs for our Group increased by approximately HK\$96,000 or 20.4% from approximately HK\$471,000 for the year ended 31 March 2015 to approximately HK\$567,000 for the Reporting Period. The increase was mainly attributable to a drawdown of a bank loan in the principal amount of HK\$4,000,000 in March 2015 and an addition of three hire purchase and lease agreements were entered into during the Reporting Period.

### Income Tax Expense

Income tax expense for our Group had slightly increased by approximately HK\$46,000 or 1.3% from approximately HK\$3,624,000 for the year ended 31 March 2015 to approximately HK\$3,670,000 for the Reporting Period. The increase was mainly due to slightly increase in profit before income tax when excluding the effect of Listing expenses of approximately HK\$10,286,000 during the Reporting Period, which is a non-deductible expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Profit and total comprehensive income for the year attributable to equity holders of the Company**

Profit and total comprehensive income for the year attributable to equity holders of the Company decreased by approximately HK\$9,688,000 or 53.6% from approximately HK\$18,079,000 for the year ended 31 March 2015 to approximately HK\$8,391,000 for the Reporting Period.

Such decrease was primarily attributable to the Listing expenses incurred by our Group for its listing exercise during the Reporting Period. Excluding the non-recurring Listing expenses of our Group of approximately HK\$10,286,000, profit and total comprehensive income for the Reporting Period would reach approximately HK\$18,677,000, representing an increase of approximately HK\$598,000 or 3.3% compared to the year ended 31 March 2015.

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

Cash and bank balances are denominated in Hong Kong dollar. The current ratio of our Group as at 31 March 2016 was 1.2 times as compared to that of 0.8 times as at 31 March 2015. The increase was mainly due to the repayment of bank loans and finance lease liabilities with the cash generated from operations.

The total interest bearing debts of our Group, including bank borrowings, bank overdraft and finance lease liabilities, decreased from approximately HK\$22,051,000 as at 31 March 2015 to approximately HK\$13,444,000 as at 31 March 2016. All borrowings were denominated in Hong Kong dollar and were repayable within 5 years. Our Group did not carry out any hedging for its floating borrowings.

As at 31 March 2016, our Group had general banking facilities amounted to HK\$13,000,000 (2015: HK\$13,000,000) comprising term loan facilities of HK\$7,000,000 and a bank overdraft facility of HK\$6,000,000. As at 31 March 2016, our Group had bank term loans with outstanding balance of approximately HK\$5,069,000 (2015: approximately HK\$6,404,000) and utilised a bank overdraft of approximately HK\$4,546,000 (2015: approximately HK\$5,482,000). As at 31 March 2016, the general banking facilities were secured by a pledge of the land and building of our Group, a property owned by two of the Controlling Shareholders (as defined below) and their unlimited personal guarantees. The said property owned by the two Controlling Shareholders and the unlimited personal guarantees given by the two of Controlling Shareholders were released and replaced by a corporate guarantee given by the Company upon Listing. As at 31 March 2015, our Group also had a mortgage loan with an outstanding balance of HK\$7,054,000 which had been fully repaid during the Reporting Period.

As at 31 March 2016, the finance lease liabilities amounted to approximately HK\$3,829,000 (2015: approximately HK\$3,111,000), were secured by the personal guarantees given by one of the Controlling Shareholders, and such guarantees have released upon Listing.

## MANAGEMENT DISCUSSION AND ANALYSIS

The gearing ratio, calculated based on all interest-bearing borrowings and obligations under finance leases divided by total equity at the end of the year and multiplied by 100%, stood at approximately 49.6% as at 31 March 2016 (2015: approximately 265.5%). With available bank balances and cash and bank credit facilities, our Group has sufficient liquidity to satisfy its funding requirements.

For the purpose of this annual report (excluding auditors' report), Controlling Shareholder has the meaning ascribed to it under the GEM Listing Rules and is referring to Blooming Union Investments Limited ("Blooming Union"), Mr. Wong Che Kwo and Mr. Wong Wing Wah.

### CAPITAL STRUCTURE

As at 31 March 2016, the share capital and total equity attributable to equity holders of the Company amounted to approximately HK\$100 and HK\$27,095,000 respectively. As the Company was incorporated on 16 October 2015, there was no share capital and total equity attributable to equity holders of the Company was approximately HK\$8,304,000 as at 31 March 2015.

### COMMITMENTS

As at 31 March 2016, there was no capital commitment for our Group (2015: HK\$Nil).

### CONTINGENT LIABILITIES

As at 31 March 2016, our Group did not have any material contingent liabilities (2015: HK\$Nil).

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Apart from the reorganisation in relation to the Listing, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group during Reporting Period. Saved as disclosed in the prospectus of the Company dated 31 March 2016 (the "Prospectus"), our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries and affiliated companies as at 31 March 2016.

### EXPOSURE TO EXCHANGE RATE FLUCTUATION

Our Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of our Group were denominated in Hong Kong dollar. As no monetary assets were denominated in foreign currencies, our Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHARGE OVER OUR GROUP'S ASSETS

The total interest bearing debts of our Group, including bank borrowings, bank overdraft and finance lease liabilities amounted to approximately HK\$13,444,000 as at 31 March 2016.

As at 31 March 2016, our Group had general banking facilities amounted to HK\$13,000,000 (2015: HK\$13,000,000), comprising term loan facilities of HK\$7,000,000 and a bank overdraft facility of HK\$6,000,000. As at 31 March 2016, our Group had bank term loans with outstanding balance of approximately HK\$5,069,000 (2015: approximately HK\$6,404,000) and utilised a bank overdraft of approximately HK\$4,546,000 (2015: approximately HK\$5,482,000). As at 31 March 2016, the general banking facilities were secured by a pledge of the land and building of our Group, a property owned by two of the Controlling Shareholders and their unlimited personal guarantees. The said property owned by the two Controlling Shareholders and the unlimited personal guarantees given by the two Controlling Shareholders were released and replaced by corporate guarantee given by the Company upon Listing.

As at 31 March 2016, the finance lease liabilities amounted to approximately HK\$3,829,000 (2015: approximately HK\$3,111,000), were secured by the personal guarantees given by one of the Controlling Shareholders, and such guarantees have released upon Listing.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, our Group had approximately 230 employees (2015: 176 employees). The total staff costs incurred, including Directors' emoluments, of our Group were approximately HK\$67,942,000 for the Reporting Period (2015: approximately HK\$58,048,000). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve our Group. Furthermore, we offer other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

### FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Reporting Period (2015: HK\$Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The period from 21 March 2016, being the latest practicable date as defined in the Prospectus (the "LPD") to 31 March 2016 (the "Relevant Period") was relatively short and no proceeds was available during the Relevant Period because the Company was not listed until 12 April 2016 ("the Listing Date"). During the Relevant Period, our Group was in its preliminary stage of implementing its business objectives and strategies. An analysis comparing the business objectives set out in the Prospectus with our Group's actual business progress for the period from the LPD to the date of this report is set out below:

#### Business objectives up to 30 September 2016

Acquisition of additional site equipment

- Purchase three hydraulic truck cranes, three motor vehicles and three generators for use in our projects
- Evaluate the effectiveness and efficiency of site equipment and obtain quotation for new site equipment

Further strengthening our manpower

- Recruit three crane operators, two engineers and one project manager, one foreman and one administrative staff
- Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses

#### Actual Business Progress up to the date of this report

Our Group has used approximately HK\$17,222,000 for purchasing four hydraulic truck cranes, three motor vehicles and two generators for use in our projects.

Our Group is in the process of looking for the best quote for the remaining site equipment to be purchased and will continue monitoring the effectiveness and efficiency of the site equipment on hand.

Our Group recruited three crane operators, one engineer, one project manager, one foreman and one administrative staff to cope with the business development with staff costs of approximately HK\$385,000. Our Group is in the process of recruiting more experienced and high caliber staff to fill the remaining roles.

Our Group sponsored our existing and newly recruited staff to attend various training courses organised by third parties.

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS OBTAINED FROM THE LISTING AND CHANGE IN USE OF PROCEEDS

Our Group intends to apply the net proceeds to (i) acquire additional site equipment; (ii) further strengthening our manpower; (iii) early repayment of bank loans and finance lease; and (iv) our Group's general working capital. As the Company was not yet listed during the Reporting Period, no proceeds were received and used. As at the date of this report, approximately HK\$17,222,000 had been used to acquire additional site equipment, approximately HK\$385,000 had been used to strengthen our manpower; approximately HK\$2,516,000 had been used to early repay of bank loans and finance lease and approximately HK\$3,318,000 of our Group's general working capital had been used.

We refer to the announcement of the Company dated 21 June 2016 regarding a change in use of proceeds. The Board resolved to change the use of net proceeds from the Placing by acquiring four (one large and three small) hydraulic truck cranes instead of three (large) hydraulic truck cranes. The Board noted from the 2016-17 Budget released by the Government on 1 April 2016 that most of the projects of the Highways Department that are in the planning stage or under investigation and preliminary design stage are expected to be carried out in urban areas. Large hydraulic truck cranes are not as suitable for use in smaller construction sites with limited space, such as in urban areas, while smaller hydraulic truck crane are suitable for use in most construction sites and hence, provides greater flexibility. Having considered the above reason, the Board considers that acquiring the proposed composition of one large and three small hydraulic truck cranes would be more suitable as most of the upcoming projects of the Highways Department are expected to be carried out in urban areas.

The Board considers that the change in the use of net proceeds would meet the needs of our Group more efficiently and enhance the flexibility of our Group and is in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. WONG Che Kwo** (黃智果先生), aged 57, is the co-founder of our Group. He is also the executive Director and the Chairman of the Board and is primarily responsible for formulation of overall business development strategy and overall management and major business decisions of our Group. He is one of our Controlling Shareholders and also a director of Hop Fung Construction & Engineering Company Limited (“Hop Fung”), Luen Hing Construction & Eng. Limited (“Luen Hing”) and Super Pioneer Trading Limited (“Super Pioneer”).

He has over 30 years of experience in civil engineering construction industry in Hong Kong. Prior to establishing our Group, from May 1982 to June 1983, he worked as a construction worker in a civil engineering construction contractor in Hong Kong where he started to gain exposure to project execution of civil engineering construction. In 1983, he started the business of civil engineering works as a sole proprietorship where he continued to extend his expertise and experience in civil engineering works as a subcontractor focusing on road and drainage works. In November 1998, he co-founded Luen Hing with Mr. Wong Wing Wah, the executive Director and Chief Executive Officer, in order to capture the growing business opportunities for civil engineering construction works in Hong Kong. He is the father-in-law of Mr. Chiu Chi Wang who is an executive Director.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

**Mr. WONG Wing Wah** (黃永華先生), aged 58, is the co-founder of our Group. He is also an executive Director and the Chief Executive Officer and is primarily responsible for formulation of overall business development strategy, execution of daily management and administration of our business and operations and monitoring occupational health, safety and environmental compliance. He is one of our Controlling Shareholders and also a director of Hop Fung, Luen Hing and Super Pioneer.

He has over 19 years of experience in civil engineering construction industry in Hong Kong. Prior to joining our Group, in February 1996, he worked for Luen Hing Civil Eng Co., a sole proprietorship established by Mr. Wong Che Kwo, and commenced his career in the civil engineering construction industry. In November 1998, he co-founded Luen Hing with Mr. Wong Che Kwo in order to capture the growing business opportunities for civil engineering construction works in Hong Kong.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. WONG Tak Ming** (黃德明先生), aged 55, is an executive Director. He has over 25 years of experience in civil engineering construction industry in Hong Kong. He is primarily responsible for overseeing execution of daily management of site operations of our Group. He joined our Group as a site superintendent in June 1999 and was promoted to site agent in May 2003. He was further promoted to construction manager in January 2011.

Prior to joining our Group, his working experience includes:

<b>Name of companies</b>	<b>Principal business activity</b>	<b>Position</b>	<b>Period of service</b>
Shun Yip Construction Co., Ltd	Construction	Site foreman	May 1992 – May 1993
Tobishima Corporation	Construction	Foreman	June 1993 – October 1994
Yiu Kee Engineering Co. Ltd	Construction	Site supervisor	November 1994 – May 1995
Tobishima Corporation	Construction	General foreman	September 1996 – March 1998
Kin Lee Ko Construction Co. Ltd	Construction	Site agent	March 1998 – June 1998
Chun Wo Construction & Engineering Co., Ltd	Construction	General foreman	July 1998 – June 1999

He has completed the training courses conducted by the Occupational Safety & Health Council on Basic Safety Management, Construction Safety and Basic Occupational Health in October 1992. He was also awarded a certificate for Safety & Health Supervisor (Construction) in January 1993.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. CHIU Chi Wang** (趙智宏先生), aged 32, is an executive Director. He joined our Group as a trainee engineer in November 2012. He was promoted to engineer in March 2015 and he is responsible for overseeing the engineering and technical aspects of various projects of our Group. Prior to joining our Group, he worked as a police constable from January 2007 to November 2012. He graduated from Rosaryhill School in July 2004. He completed the Standard Criminal Investigation Course in September 2012 and also completed a Diploma in Civil Engineering in February 2016 which is a part-time course offered by the Hong Kong Institute of Vocational Education. He is the son-in-law of Mr. Wong Che Kwo who is an executive Director and the Chairman of our Board.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. WONG Chi Kan** (黃智瑾先生), aged 30, is an independent non-executive Director. He has over 5 years of experience in auditing and accounting. He has served as an assistant financial controller in a company principally engaged in provision of financial public relations services, since March 2016. He worked as an accounting manager in a company listed on GEM of the Stock Exchange which principally engaged in sale of biodegradable food containers and disposable industrial packaging for consumer products) between March 2015 and March 2016. He served for certain sizeable CPA firms in Hong Kong from November 2010 to February 2015. Mr. Wong obtained a Bachelor of Commerce degree and a master's degree in Professional Accounting from the University of New South Wales in May 2009 and August 2010 respectively. He is also a fellow member of the Certified Practising Accountants Australia since March 2014 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. LIU Yan Chee James** (劉恩賜先生), aged 45, is an independent non-executive Director. He has more than 20 years of experience in finance and accounting. He has been a director of Special Fine Investment and Management Limited, a company principally engaged in fund management business, since January 2014.

Mr. Liu's previous working experience primarily includes:

<b>Name of companies</b>	<b>Principal business activity</b>	<b>Position</b>	<b>Period of service</b>
Tung Shing (Brokers) Group	Investment banking	Sales Director and Head of Institutional Sales	September 2011 – October 2015
KGI Asia Limited	Investment banking	Sales Director	October 2007 – September 2011
Enlighten Securities Limited	Investment banking	Sales Director	November 2003 – October 2007
Sun Hung Kai Investment Services Limited	Investment banking	Sales Director	Mid-2001 – October 2003
Vickers Ballas, Hong Kong Limited	Investment banking	Sales Director	March 1997 – mid-2001
Sun Hung Kai Investment Services Limited	Investment banking	Account Manager	July 1995 – March 1997

Mr. Liu graduated from Dalhousie University in Canada with a Bachelor of Commerce in February 1994.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. TAI Hin Henry** (戴騫先生), aged 30, is an independent non-executive Director. He has over 6 years of experience in auditing and accounting. He has been an accounting manager of Rich Gain Construction Development Company Limited, a construction company in Hong Kong, since August 2014. From May 2009 to July 2014, he worked as an audit senior in Louis Leung and Partners CPA Limited. He also worked at New Time Trading Company, a company principally engaged in the trading of jewellery and jade, as a sales executive during the period from September 2007 to April 2009. He graduated from the London School of Economics and Political Science, University of London with a Bachelor of Science majoring in Accounting and Finance in June 2007. He has completed the CPA Qualification Programme of the Hong Kong Institute of Certified Public Accountants in August 2015.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

### Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information in relation to the Directors that is required to be disclosed pursuant to Rules 17.50(2) of the GEM Listing Rules as at the date of this report.

## SENIOR MANAGEMENT

**Ms. CHAN Yin Wa Cecilia** (陳彥燁女士), aged 27, is the financial controller of our Group. She joined our Group in August 2015 and is responsible for overseeing the financial operations of our Group. She graduated from the University of Queensland in Australia in December 2009 with a Bachelor of Commerce majoring in Accounting and Finance. She is a fellow member of the Certified Practising Accountants Australia. Prior to joining our Group, from December 2010 to March 2015, she worked at Wong Brothers & Co. where she was promoted from a trainee accountant to an accountant.

**Mr. LO Shek Kwong** (羅錫光先生), aged 64, is a quantity surveyor manager of our Group. He has over 25 years of experience in quantity surveying, contractual administration and construction project management. He is responsible for overseeing all quantity surveying function of our projects. He first joined our Group as a quantity surveyor manager in June 2005. In January 2007, he left our Group and joined Leighton-China State-John Holland Joint Venture as a quantity surveyor manager until he re-joined our Group in May 2009 as a quantity surveyor manager. Prior to joining our Group, from December 1982 to October 2002, He worked in the quantity surveying department of various construction companies such as Sang Lee Construction Co., Ltd, Leighton Contractors (Asia) Ltd., Shui On-China Harbour Joint Venture, K.E.C. Joint Venture headed by Kumagai Gumi Co., Ltd (Hong Kong) and China Overseas (Hong Kong) Limited which he was responsible for the quantity surveying functions of various major construction projects.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

He obtained an Ordinary Certificate in Building Technology in July 1974 and a Higher Certificate in Building Technology in November 1976 from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). He also obtained a Certificate in Quality Assurance in June 2004 from Seneca College, Canada.

**Mr. WONG Ka Chun Jeffery** (王嘉俊先生), aged 39, is a site agent of our Group. He has over 14 years of experience in civil engineering construction industry in Hong Kong. He joined our Group as an engineer in June 2004 and was promoted to a site agent in September 2009. He is responsible for monitoring work progress of our projects and supervising workmanship and quality. Prior to joining our Group, from September 2003 to May 2004, he worked as an assistant engineer at China Overseas (Hong Kong) Limited, a company principally engaged in property and construction businesses. He worked as an assistant engineer at HK Construction – AMEC – China Railway – China Everbright Joint Venture from March 2001 to September 2003. Mr. Wong graduated from the McMaster University in Canada in June 2001 with a Bachelor of Engineering.

### COMPANY SECRETARY

**Mr. Woo Yuen Fai** (胡遠輝先生), aged 33, was appointed as the company secretary of the Company on 24 March 2016. He has more than 9 years of experience in auditing and finance. He is the company secretary of Chun Sing Engineering Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2277) and is principally engaged in the foundation and substructure construction business. He was also a financial controller of the said listing company from August 2014 to May 2016. From September 2006 to August 2014, he worked in the assurance and business advisory department of SHINEWING (HK) CPA Limited, a certified public accounting firm. He obtained his bachelor's degree of business administration (honors) in accountancy and law from the City University of Hong Kong in November 2006 and is a member of the Hong Kong Institute of Certified Public Accountants.

## CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) of the GEM Listing Rule, the Board is pleased to present hereby the corporate governance report of the Company for the Reporting Period.

The Directors and the management of our Group recognise the significance of sound corporate governance to the long-term and continuing development of our Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the Shareholders.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company was listed on 12 April 2016, the Company was not required to comply with the requirements set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules during the Reporting Period. Having said that, save as disclosed below, the Directors consider that since the Listing Date and up to the date of this report, the Company has complied with all the applicable code provisions set out in the CG Code.

Under code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Since the Company was not listed during the Reporting Period, the Company did not maintain a directors and officers liability insurance during the year. Upon Listing, the Company sought to buy directors and officers liability insurance for the Directors. However, as the process of negotiation took some time, the said insurance was not bought until 25 April 2016. As such, the Company had not maintained directors and officers liability insurance for the Directors from the Listing Date to 24 April 2016. However, starting from 25 April 2016, the Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

### BOARD OF DIRECTORS

#### Responsibilities of the Board

The key responsibilities of the Board include formulation of our Group’s overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of our Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Functions

The Board is responsible for, among others, performing the corporate governance duties as set out in paragraph D.3.1 of the CG Code, which include:

- (a) to develop and review our Group's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- (e) to review our Group's compliance with the CG Code and disclosure in the corporate governance report.

### COMPOSITION OF THE BOARD

Our Board currently consists of seven Directors, comprising four executive Directors, namely Mr. Wong Che Kwo, Mr. Wong Wing Wah, Mr. Wong Tak Ming and Mr. Chiu Chi Wang and three independent non-executive Directors, namely Mr. Wong Chi Kan, Mr. Liu Yan Chee, James and Mr. Tai Hin, Henry.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of our Group. In designing the Board's composition, 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. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

## CORPORATE GOVERNANCE REPORT

### Relationships between members of the Board

Mr. Chiu Chi Wang is the son-in-law of Mr. Wong Che Kwo. They are the executive directors with the meaning ascribed thereto under the GEM Listing Rules. The biographical details of each of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this report.

Save as disclosed above, the Directors have no financial, business, family or other material or relevant relationship with each other.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established to ensure a balance of power and authority.

Mr. Wong Che Kwo serves as the Chairman of the Company and is responsible for overall business development strategy and overall management and major business decisions of our Group. Mr. Wong Wing Wah serves as the Chief Executive Officer of the Company and is responsible for general management and day-to-day operation of our Group.

### BOARD MEETINGS

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting. During the Reporting Period, the Company held a board meeting to consider and approve the relevant resolutions in relation to the Listing. As the Company was listed on 12 April 2016, the Company was not required to comply with the code provision A1.1 of the CG Code. A Board meeting was scheduled on 27 June 2016, which is the first Board meeting of the Company since the Listing Date.

### CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the “Code of Conduct”). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct from the Listing Date up to the date of this report.

## CORPORATE GOVERNANCE REPORT

### APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company established its nomination committee on 24 March 2016. The nomination committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of our Group. Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the Director giving to the other not less than three months' notice in writing in accordance with the terms of the agreement. Each independent non-executive Directors was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least one month's notice in writing.

In accordance with Article 108(a) of the Articles of Association of the Company, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), 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. Mr. Chiu Chi Wang, Mr. Wong Chi Kan and Mr. Liu Yan Chee James will retire from office as Directors at the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer themselves for re-election.



## CORPORATE GOVERNANCE REPORT

### CONTINUOUS PROFESSIONAL DEVELOPMENT

Our Group acknowledges the importance of continuing professional development for the Directors for better corporate governance and internal control system. In this regard and in compliance with code provision A.6.5 of the CG Code, our Group has provided funding to all Directors to participate in continuous professional development organised in the form of in-house training and seminars to keep them refreshed of their knowledge and skills and understanding of our Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the GEM Listing Rules and corporate governance practices.

Pursuant to the code provision A.6.5 of the CG Code, during the year ended 31 March 2016, all Directors had participated in continuous professional development in the following manner:

<b>Name of Director</b>	<b>Attending training on Director's responsibilities provided by the Company's legal consultant</b>	<b>Reading materials issued during the training session</b>
<b>Executive Directors</b>		
Mr. Wong Che Kwo	√	√
Mr. Wong Wing Wah	√	√
Mr. Wong Tak Ming	√	√
Mr. Chiu Chi Wang	√	√
<b>Independent non-executive Directors</b>		
Mr. Wong Chi Kan	√	√
Mr. Liu Yan Chee James	√	√
Mr. Tai Hin Henry	√	√

### BOARD COMMITTEES

Our Group has established three committees, namely audit committee, remuneration committee and nomination committee on 24 March 2016 in compliance with the GEM Listing Rules and to assist the Board to discharge its duties. The relevant terms of reference of each of the three committees can be found on our Group's website ([www.luenwong.hk](http://www.luenwong.hk)) and the website of the Stock Exchange.

## CORPORATE GOVERNANCE REPORT

### AUDIT COMMITTEE

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The audit committee consists of three members, namely Mr. Liu Yan Chee James, Mr. Wong Chi Kan and Mr. Tai Hin Henry, all being independent non-executive Directors. Mr. Liu Yan Chee James currently serves as the chairman of the audit committee.

The committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal audits.

With reference to the terms of reference, the primary responsibilities of the audit committee, among others, are as follow:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to develop and implement policy on engaging an external auditors to supply non-audit services;
- (d) to monitor the integrity of financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them;
- (e) to discuss the internal control system with management of our Group to ensure that the management of our Group has performed its duty to have an effective internal control system; and
- (f) to develop and review our Group's policies and practices on corporate governance and make recommendations to the Board and monitor our Group's policies and practices on compliance with legal and regulatory requirements.

The members of the audit committee should meet at least twice a year. Due to the fact that the Company was listed on 12 April 2016, the audit committee had not held any meeting during the Reporting Period. The first meeting of the audit committee was scheduled on 27 June 2016.

Our Group's audited annual results in respect of the year ended 31 March 2016 have been reviewed by the audit committee. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditors during the year ended 31 March 2016.

## CORPORATE GOVERNANCE REPORT

### REMUNERATION COMMITTEE

A remuneration committee has been established with its terms of reference in compliance with paragraph B.1.2 of the CG Code. The remuneration committee consists of three members, namely Mr. Wong Wing Wah, the executive Director and Chief Executive Officer, Mr. Wong Chi Kan and Mr. Liu Yan Chee James, being the independent non-executive Directors. Mr. Wong Chi Kan currently serves as the chairman of the remuneration committee.

The remuneration committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of remuneration committee, the primary duties, among others, are as follow:

- (a) to formulate remuneration policy for the approval of the Board;
- (b) to make recommendations to the Board on our Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (d) to determine, with delegated responsibility or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of our Group;
- (e) to make recommendations to the Board on the remuneration of non-executive Directors;
- (f) to review and approve compensation payable to executive Directors and senior management of our Group for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to consider the performance bonus for executive Directors, senior management and general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendations to the Board.

The members of the remuneration committee should meet at least once a year. Due to the fact that the Company was listed on 12 April 2016, the remuneration committee had not held any meeting during the Reporting Period. The first meeting of the remuneration committee was scheduled on 27 June 2016.

## CORPORATE GOVERNANCE REPORT

### NOMINATION COMMITTEE

A nomination committee has been established with its terms of reference in compliance with paragraph A.5.2 of the CG Code. The nomination committee of our Group comprises Mr. Wong Che Kwo, the executive Director and Chairman, Mr. Wong Chi Kan and Mr. Tai Hin Henry, the independent non-executive Directors. Mr. Wong Che Kwo currently serves as the chairman of the nomination committee.

The nomination committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of nomination committee, the primary duties, among others, are as follow:

- (a) to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;
- (b) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Group's corporate strategy;
- (c) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (d) to receive nominations from Shareholders or Directors when such are tendered and to make recommendations to the Board on the candidacy of the nominees, having regard to the Board's compositional requirements and suitability of the nominees;
- (e) to assess the independence of independent non-executive Directors and review the independent non-executive Directors' confirmations on their independence; and make disclosure of its review results in the corporate governance report;
- (f) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of our Group; and
- (g) regularly review the contribution required from a Director to perform his/her responsibilities to our Group, and whether he/she is spending sufficient time performing them.

The members of the nomination committee should meet at least once a year. Due to the fact that the Company was listed on 12 April 2016, nomination committee meeting had not held any meeting during the Reporting Period. The first meeting of the nomination committee was scheduled on 27 June 2016.

## CORPORATE GOVERNANCE REPORT

### AUDITORS' REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the external auditors' work performed.

For the Reporting Period, the remuneration paid or payable to the external auditors of the Company in respect of the statutory audit services and non-audit services for our Group are as follows:

	<b>Fees paid/payable</b> <i>HK\$'000</i>
Statutory audit services	450
Non-audit services for acting as reporting accountants for the Listing	1,900

### COMPANY SECRETARY

Mr. Woo Yuen Fai was appointed as the company secretary of the Company on 24 March 2016. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information. During the Reporting Period, Mr. Woo Yuen Fai has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

### COMPLIANCE OFFICER

Mr. Wong Wing Wah, an executive Director, Chief Executive Officer and one of the Controlling Shareholders of our Group, was appointed as the compliance officer of the Company on 24 March 2016. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information.

### INTERNAL CONTROLS

The Board acknowledges its responsibility for the effectiveness of our Group's internal control and risk management system, which is designed to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

Our Group has in place an effective internal control system which encompasses sound control environment, appropriate segregation of duties, well defined policies and procedures, close monitoring and is reviewed and enhanced by the management at regular intervals.

## CORPORATE GOVERNANCE REPORT

Our Group is committed to maintaining and upholding good corporate governance practice and internal control system. Our Group has engaged, CT Partners Consultants Limited to review the effectiveness of our Group's internal control system and the results were summarised and reported to the audit committee and the Board. In respect of the Reporting Period, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect Shareholders were identified.

### **DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of our Group that give a true and fair view of the state of affairs, results and cash flows of our Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 March 2016, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditors' report by external auditors, Grant Thornton Hong Kong Limited, about their reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditors' report on pages 45 to 46 of this report.

### **SHAREHOLDERS' RIGHTS**

The AGM is an opportunity for the Board and the Shareholders to communicate directly and exchange views concerning the affairs and overall performance of our Group, and its future developments.

At the AGM, the Directors (including the independent non-executive Directors) are available to attend to questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address the queries of the Shareholders concerning the audit procedures and the auditors' report.

The first AGM of the Company is being schedule on Friday, 5 August 2016, the notice of which shall be sent to the Shareholders in accordance with the Articles of Association of the Company, the GEM Listing Rules and other applicable laws and regulations.

## CORPORATE GOVERNANCE REPORT

### **PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS**

The following procedures for the Shareholders to convene an extraordinary general meeting are subject to the Article 64 of the Articles of Association of the Company, and the applicable legislation and regulation, in particular the GEM Listing Rules:

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition . If within 21 days of such deposit, the Board fails to proceed to convene such meeting, 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 use this same method to put forward proposals for the general meeting.

## CORPORATE GOVERNANCE REPORT

### PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this report).

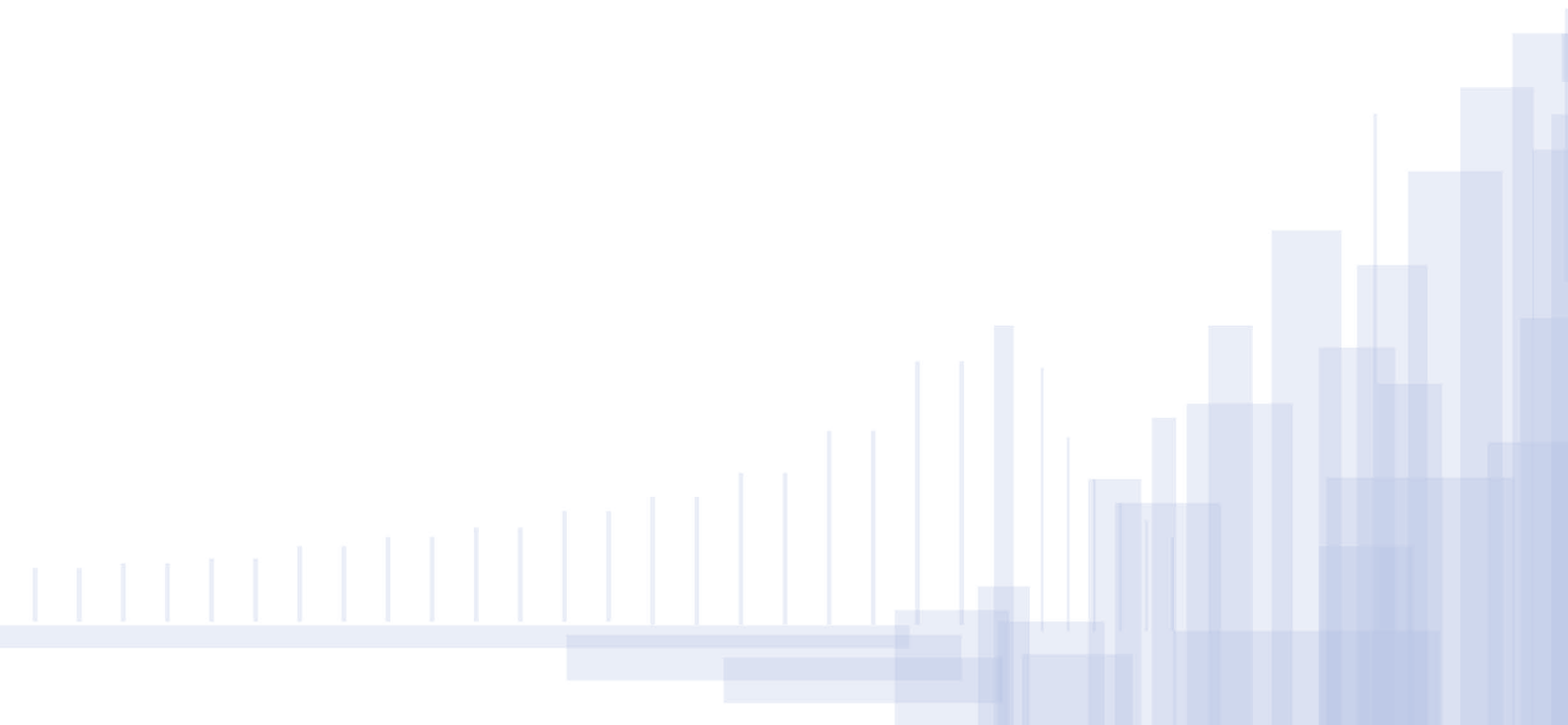
Should there are any enquiries and concerns from Shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit 1505, 15/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong, by post for the attention of the Board and/or the Company Secretary. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

### Investor Relations

The Company has established a range of communication channels between itself and its Shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at [www.luenwong.hk](http://www.luenwong.hk) and meetings with investors and Shareholders. News update of our Group's business development and operation are also available on the Company's website.

### Significant Changes in Constitutional Documents

Save for the adoption of the amended and restated Memorandum and Articles of Association of the Company for the purpose of the listing of the Shares on the GEM of the Stock Exchange, during the Reporting Period, there had been no significant changes in the constitutional documents of the Company.





## DIRECTORS' REPORT

The Directors hereby present their report and the audited consolidated financial statements for the Reporting Period.

### CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015.

The Company completed the corporate reorganisation (the "Reorganisation") on 22 February 2016 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group.

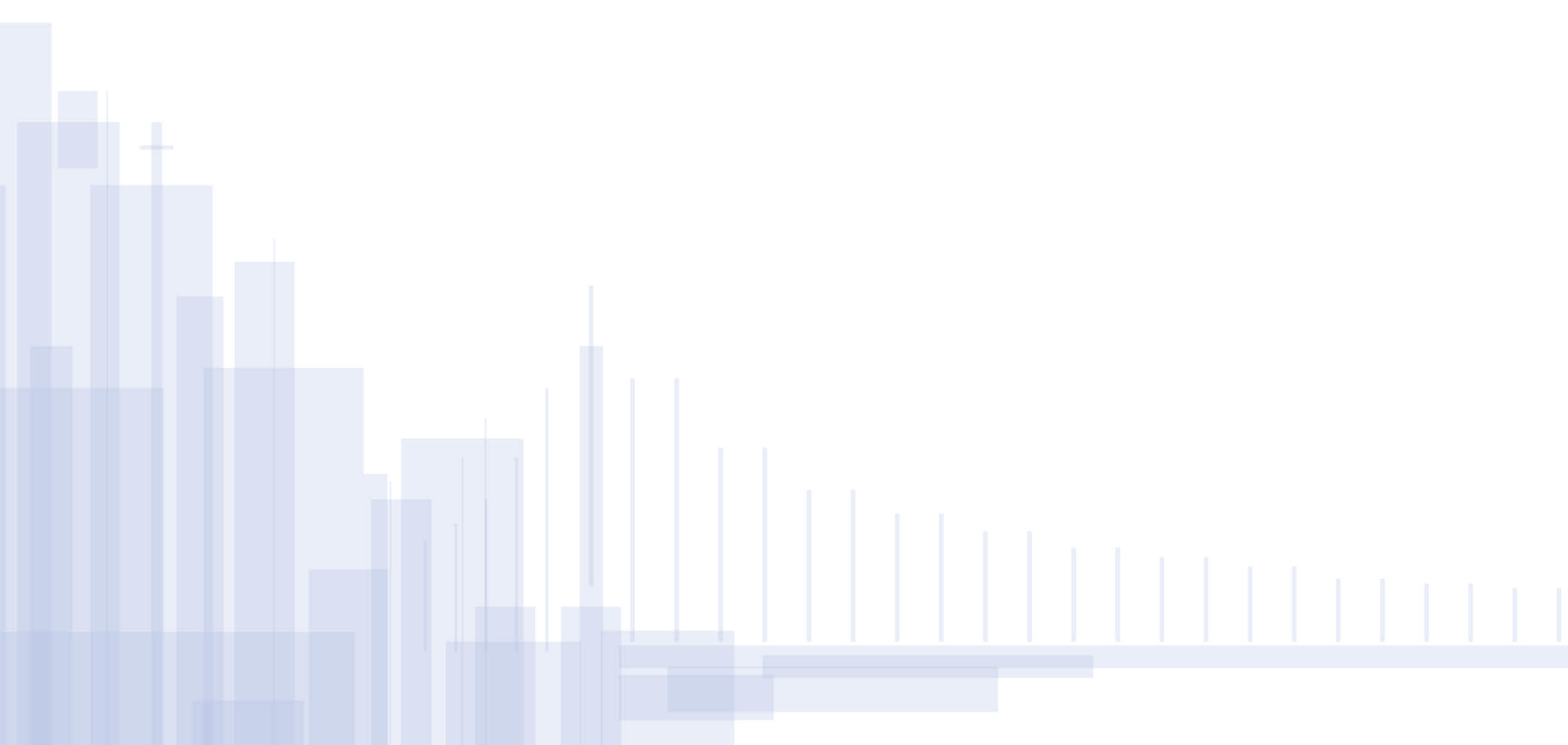
Details of the Reorganisation are set out in paragraph headed "Reorganisation" in the section headed "History and Development" in the Prospectus. The Shares were listed on GEM of the Stock Exchange on 12 April 2016 by way of placing.

### PRINCIPAL ACTIVITIES

Our Group is principally engaged in the provision of civil engineering works. The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 17 to the consolidated financial statements of this report. There were no significant changes in the nature of our Group's principal activities during the Reporting Period.

### BUSINESS REVIEW

Detailed business review is set out in the section of "Management Discussion and Analysis" in this report. A discussion of the principal risks and uncertainties, environmental policies of our Group, compliance with laws and regulations by our Group are illustrated in this Directors' report.



## DIRECTORS' REPORT

### PRINCIPAL RISK AND UNCERTAINTIES

Our 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 our Group's business. The following are the key risks and uncertainties identified by our Group.

#### **Concentrated customer base and any decrease in the number of projects with our five largest customers would adversely affect our operations and financial results**

A significant portion of our revenue was derived from a small number of customers. Our five largest customers' revenue contribution for the Reporting Period was approximately 98.3% (2015: 96.0%) of our total revenue, while our largest customer accounted for approximately 45.0% (2015: 53.1%) of our revenue. Our service contracts for all civil engineering construction works are entered into on a project-by-project basis. As such, there is no assurance that we will be able to retain our customers upon expiry of the contract period or that they will maintain their current level of business with us in the future. If we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial conditions and operating results will be materially and adversely affected. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

#### **Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect our Group's profitability or result in substantial loss**

Our Group needs to estimate the project duration and costs involved in order to determine a tender price. There is no assurance that tenders submitted by us contain no mistake and error in the form of inaccurate estimation, oversight of important tender terms, inadvertent typographical error and errors in calculations. Further, the actual amount of time and costs involved in completing the construction projects may be adversely affected by many factors, including shortage and cost escalation of labour and materials, difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers, accidents and threatened claims and material disputes with main contractors, subcontractors and suppliers. Any material inaccurate estimation in the time and costs involved may adversely affect the profit margin and results of operations of our Group.

## DIRECTORS' REPORT

### ENVIRONMENTAL POLICY

Our Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong. The laws and regulations which have a significant impact on our Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong).

In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal.

During the year ended 31 March 2016, our Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

### COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the Reporting Period.

### RESULTS

The results of our Group for the Reporting Period are set out in the consolidated statement of comprehensive income on page 47 of this report.

### FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the Reporting Period (2015: HK\$Nil).

## DIRECTORS' REPORT

### ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on Friday, 5 August 2016 at Suite 3003, Courtyard by Marriott, 1 On Ping Street, Shatin, New Territories, Hong Kong. For the purpose of determining entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Wednesday, 3 August 2016 to Friday, 5 August 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Tuesday, 2 August 2016.

### PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of our Group during the Reporting Period are set out in note 16 to the consolidated financial statements of this report.

### SHARE CAPITAL

Movements of the share capital of the Company during the Reporting Period are set out in note 26 to the consolidated financial statements of this report.

### DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2016, the Company did not have any distributable reserves, as determined under Hong Kong Financial Reporting Standards, available for distribution to our Shareholders.

### EQUITY-LINKED AGREEMENTS

Save for the share option scheme (the "Share Option Scheme") as set out below, no equity-linked agreements were entered into by our Group, or existed during the Reporting Period.

### SHARE OPTION SCHEME

The Share Option Scheme of the Company has been adopted by way of shareholder's written resolution passed on 24 March 2016 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the businesses of our Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules and are summarised below:

## DIRECTORS' REPORT

The total number of 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 at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial Shareholders or independent non-executive Directors or any of their respective associates (including a discretionary trust whose discretionary objects include substantial Shareholders, independent non-executive directors, or any of their respective associates) in any 12-month period in excess of 0.1 % of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i. e 24 March 2016) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

There is no option outstanding, granted, exercised, cancelled and lapsed from the date of adoption of the Share Option Scheme to 31 March 2016.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Shares were listed on the GEM of the Stock Exchange on 12 April 2016. As the Shares had not yet been listed on the GEM of the Stock Exchange as at 31 March 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the date of this report.

## DIRECTORS' REPORT

### KEY RELATIONSHIPS

#### Employees

Our Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve our Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

#### Customers

A majority of our five largest customers have long-standing business relationship with us for over ten years and we will therefore endeavor to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future. Our Group's experience as a quality subcontractor in handling civil engineering projects also give business advantage to our customers to ensure projects are executive in accordance with their quality standard.

#### Suppliers and subcontractors

Our Group encompasses working relationships with suppliers and subcontractors to meet our customers' needs in an effective and efficient manner. Our Group has set up an approved list of suppliers and we select our suppliers from the list based on their prices, quality, past performances and timeliness of delivery.

Subject to our capacity, resources level, types of civil engineering works, cost effectiveness, complexity of the projects and customers' requirement, we may subcontract our works to other subcontractors. We maintain an internal list of approved subcontractors and carefully evaluate the performance of our subcontractors and select them based on their background, technical capability, experience, fee quotation, service quality, labour resources, timeliness of delivery, reputation and safety performance.

### MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the Reporting Period, our largest customer accounted for approximately 45.0% (2015: 53.1%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 98.3% (2015: 96.0%).

For the Reporting Period, our largest supplier accounted for approximately 41.4% (2015: 50.6%) of our total purchases incurred (excluding subcontracting charges incurred), while the percentage of our total purchases incurred (excluding subcontracting charges incurred) attributable to our five largest suppliers in aggregate was approximately 66.1% (2015: 67.5%).

For the Reporting Period, our largest subcontractor amounted to approximately 19.0% (2015: 17.7%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 53.1% (2015: 53.3%).

## DIRECTORS' REPORT

None of the Directors, their close associates, or any Shareholders who or which, to the knowledge of the Directors, owned more than 5% of the issued Shares have any interest in any of the five largest customers, suppliers and subcontractors during the year ended 31 March 2016.

### DIRECTORS

The Directors during the year and up to the date of this report were as follows:

#### Executive Directors

Mr. Wong Che Kwo ( <i>Chairman</i> )	(appointed on 16 October 2015)
Mr. Wong Wing Wah	(appointed on 16 October 2015)
Mr. Wong Tak Ming	(appointed on 16 November 2015)
Mr. Chiu Chi Wang	(appointed on 16 November 2015)

#### Independent Non-executive Directors

Mr. Wong Chi Kan	(appointed on 24 March 2016)
Mr. Liu Yan Chee James	(appointed on 24 March 2016)
Mr. Tai Hin Henry	(appointed on 24 March 2016)

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

Information regarding Directors' emoluments is set out in note 12 to the consolidated financial statements of this report.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the independent non-executive Directors.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the Director giving to the other not less than three months' notice in writing in accordance with the terms of the agreement. Each independent non-executive Directors was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least one month's notice in writing.

None of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by our Group within one year without payment compensation, other than the statutory compensation.

## DIRECTORS' REPORT

### INDEMNITY OF DIRECTORS

Since the Company was not listed during the Reporting Period, the Company did not maintain a directors and officers liability insurance during the year. However, starting from 25 April 2016, the Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

### DIRECTORS' INTERESTS IN CONTRACTS

Apart from the contracts relating to the reorganisation of our Group in relation to the Listing and save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to our Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected to the Director had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

### CONTROLLING SHAREHOLDERS' INTEREST

Apart from the contracts relating to the reorganisation of our Group in relation to the Listing and save as disclosed in this report, no contracts of significance were entered into between the Company or any of its subsidiaries and any 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 any Controlling Shareholders or any of its subsidiaries.

### EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of our Group are set out in note 12 to the consolidated financial statements in this report.

### EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the Share Option Scheme.



## DIRECTORS' REPORT

### COMPETING INTERESTS

The Directors confirm that none of the Controlling Shareholders or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the Reporting Period and up to the date of this report.

### DEED OF NON-COMPETITION

The deed of non-competition dated 24 March 2016 has been entered into by the Controlling Shareholders in favour of the Company. Pursuant to which the Controlling Shareholders have undertaken, jointly and severally, to the Company that they would not, and that their close associates and/or companies controlled by the Controlling Shareholders would not, directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with the existing core business of our Group. Details of the non-competition deed are set out in the paragraph headed "Non-Competition Undertakings" in the section headed "Relationship with our Controlling Shareholders" of the Prospectus.

## DIRECTORS' REPORT

### DISCLOSURE OF INTERESTS

#### A. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As the Shares were listed on the GEM of the Stock Exchange on the 12th April 2016, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance ("SFO") as at 31 March 2016.

Immediately after the Listing, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM of the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors, to be notified to the Company and the Stock Exchange, will be as follows:

##### (i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of shareholding
Wong Che Kwo	Interest of a controlled corporation (Note)	936,000,000	75%
Wong Wing Wah	Interest of a controlled corporation (Note)	936,000,000	75%

##### (ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/interested	Percentage of shareholding
Wong Che Kwo	Blooming Union	Beneficial owner	1	50%
Wong Wing Wah	Blooming Union	Beneficial owner	1	50%

Note: These shares are held by Blooming Union, the entire issued share capital of which is legally and beneficially owned as to 50% by Mr. Wong Che Kwo and 50% by Mr. Wong Wing Wah. Therefore, Mr. Wong Che Kwo and Mr. Wong Wing Wah are deemed or taken to be interested in all the Shares held by Blooming Union for the purpose of the SFO.

## DIRECTORS' REPORT

### B. SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Shares were listed on the GEM of the Stock Exchange on 12 April 2016, the Company was not required to keep any register under Part XV of the SFO as at 31 March 2016.

So far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), immediately after the Listing, will have interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of shareholding
Blooming Union	Beneficial owner	936,000,000	75%
Law Oi Ling	Interest of spouse ( <i>Note 1</i> )	936,000,000	75%
Lai Siu Kuen	Interest of spouse ( <i>Note 2</i> )	936,000,000	75%

*Note:*

1. Ms. Law Oi Ling, the spouse of Mr. Wong Che Kwo, is deemed, or taken to be, interested in all Shares in which Mr. Wong Che Kwo is interested for the purpose of the SFO.
2. Ms. Lai Siu Kuen, the spouse of Mr. Wong Wing Wah, is deemed, or taken to be, interested in all Shares in which Mr. Wong Wing Wah is interested for the purpose of the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

## DIRECTORS' REPORT

### INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Group has appointed TC Capital International Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the compliance adviser agreement entered into between the Company and our compliance adviser dated on 31 March 2016, neither our compliance advisor nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules.

### CONNECTED TRANSACTIONS

For the Reporting Period, our Group rented site equipment, amounted to approximately HK\$633,000 (2015: HK\$772,000), from Hop Fung Crane Company on normal commercial terms and in the ordinary course of our business. Hop Fung Crane Company is owned by Ms. Law Oi Ling, the spouse of Mr. Wong Che Kwo (the executive Director and one of the Controlling Shareholders). Such rental arrangement with Hop Fung Crane Company has been completed and ceased.

Pursuant to an agreement entered into among Mr. Wong Che Kwo, Mr. Wong Wing Wah, Luen Hing and Hop Fung, Mr. Wong Che Kwo and Mr Wong Wing Wah (as owners of the Property (as defined below)) granted a licence to use workshop 17, 13/F, New Commerce Centre, 19 On Sum Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong (the "Property") to Luen Hing and Hop Fung for office use up to 31 October 2015. Although the consideration for such licence was HK\$Nil, Luen Hing and Hop Fung were jointly required to pay the management fee and rates of the Property on behalf of the owner. For the Reporting Period, the aggregate amount of management fee and rates paid by our Group for the Property was amounted to approximately HK\$18,000 (2015: HK\$18,000). Such licence arrangement in relation to the Property had been completed and ceased.

During the Reporting Period, Mr. Wong Wing Wah (the executive Director and one of Controlling Shareholders) had advanced a loan amounted to HK\$10,000,000 to Luen Hing as a general working capital for a term of one month. An interest expense of HK\$80,000 was paid to Mr. Wong Wing Wah for such loan, which had been fully repaid during the Reporting Period.

The related party transactions entered into by our Group are set out in note 31 to the consolidated financial statements to this report.

The related party transactions do not constitute connected transactions of the Company for Reporting Period. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

### CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 20 to 31 of this report.

## DIRECTORS' REPORT

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% as required under the GEM Listing Rules as at the date of this report.

### DONATIONS

During the Reporting Period, our Group did not make charitable and other donations (2015: HK\$Nil).

### AUDITORS

The consolidated financial statements for the Reporting Period have been audited by Grant Thornton Hong Kong Limited ("Grant Thornton"). Grant Thornton shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment as auditors of the Company will be proposed at the forthcoming AGM. There is no change in auditors since the date of the Listing.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or in existence during the Reporting Period.

### PRE-EMPTIVE RIGHTS

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

### EVENTS AFTER THE REPORTING PERIOD

On 12 April 2016, the Shares were successfully listed on the GEM of the Stock Exchange with stock code 8217. Save as disclosed, there is no significant event after the reporting period of our Group.

On behalf of the Board  
**Luen Wong Group Holdings Limited**  
**Wong Che Kwo**  
*Chairman and Executive Director*

Hong Kong, 27 June 2016

## INDEPENDENT AUDITORS' REPORT



### **To the members of Luen Wong Group Holdings Limited**

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

We have audited the consolidated financial statements of Luen Wong Group Holdings Limited (the "Company") and its subsidiaries set out on pages 47 to 95, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITORS' REPORT

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Grant Thornton Hong Kong Limited**

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

27 June 2016

Shaw Chi Kit

Practising Certificate No.: P04834

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Revenue</b>	5	<b>315,004</b>	271,949
Cost of sales		<b>(289,268)</b>	(246,349)
<b>Gross profit</b>		<b>25,736</b>	25,600
Other income	7	<b>2,366</b>	346
Administrative and other operating expenses		<b>(15,474)</b>	(3,772)
<b>Profit from operations</b>		<b>12,628</b>	22,174
Finance costs	8	<b>(567)</b>	(471)
<b>Profit before income tax</b>	9	<b>12,061</b>	21,703
Income tax expense	10	<b>(3,670)</b>	(3,624)
<b>Profit and total comprehensive income for the year attributable to equity holders of the Company</b>		<b>8,391</b>	18,079
		<b><i>HK cents</i></b>	<i>HK cents</i>
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted	14	<b>0.81</b>	1.74

The notes on pages 52 to 95 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment property	15	–	11,140
Property, plant and equipment	16	<b>13,700</b>	11,833
		<b>13,700</b>	22,973
<b>Current assets</b>			
Amount due from a director	18(a)	–	523
Amounts due from customers for contract work	19	<b>20,200</b>	9,474
Trade and other receivables	20	<b>63,638</b>	54,215
Cash and bank balances	21	<b>13,826</b>	5,900
		<b>97,664</b>	70,112
<b>Current liabilities</b>			
Trade and other payables	22	<b>46,988</b>	19,717
Amounts due to customers for contract work	19	<b>19,747</b>	39,980
Amounts due to directors	18(b)	<b>76</b>	2,689
Obligations under finance leases	23	<b>1,614</b>	1,199
Bank loans and overdraft	24	<b>9,615</b>	18,940
Tax payable		<b>2,577</b>	–
		<b>80,617</b>	82,525
<b>Net current assets/(liabilities)</b>		<b>17,047</b>	(12,413)
<b>Total assets less current liabilities</b>		<b>30,747</b>	10,560
<b>Non-current liabilities</b>			
Obligations under finance leases	23	<b>2,215</b>	1,912
Deferred tax liabilities	25	<b>1,437</b>	344
		<b>3,652</b>	2,256
<b>Net assets</b>		<b>27,095</b>	8,304
<b>CAPITAL AND RESERVES</b>			
Share capital	26	–	–
Reserves		<b>27,095</b>	8,304
<b>Total equity attributable to equity holders of the Company</b>		<b>27,095</b>	8,304

**Wong Che Kwo**  
Director

**Wong Wing Wah**  
Director

The notes on pages 52 to 95 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	(Capital deficiency)/Total equity attributable to equity holders of the Company				
	Share capital <i>HK\$'000</i> (note 26)	Other reserve <i>HK\$'000</i> (note 27)	Capital reserve <i>HK\$'000</i> (note 27)	(Accumulated losses)/ Retained earnings <i>HK\$'000</i>	(Capital deficiency)/ Total equity <i>HK\$'000</i>
<b>Balance as at 1 April 2014</b>	–	–	3,820	(13,595)	(9,775)
Profit and total comprehensive income for the year	–	–	–	18,079	18,079
<b>Balance as at 31 March 2015 and 1 April 2015</b>	–	–	3,820	4,484	8,304
Profit and total comprehensive income for the year	–	–	–	8,391	8,391
Issuance of share capital upon incorporation	–	–	–	–	–
Increase in issuance of ordinary shares	–	–	–	–	–
Loan capitalisation	–	10,400	–	–	10,400
<b>Balance as at 31 March 2016</b>	<b>–</b>	<b>10,400</b>	<b>3,820</b>	<b>12,875</b>	<b>27,095</b>

The notes on pages 52 to 95 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

Note	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	12,061	21,703
Adjustments for:		
Depreciation	3,099	3,264
(Gain)/Loss on disposal of property, plant and equipment	(191)	306
Gain on disposal of investment property	(1,792)	–
Finance costs	567	471
	<b>13,744</b>	25,744
Operating profit before working capital changes	<b>(9,423)</b>	(18,939)
Increase in trade and other receivables		
Increase in amounts due from customers for contract work	(10,726)	(1,919)
Decrease/(Increase) in amount due from a director	523	(523)
Increase/(Decrease) in trade and other payables	27,271	(4,224)
(Decrease)/Increase in amounts due to customers for contract work	(20,233)	89
Increase/(Decrease) in amounts due to directors	7,787	(3,915)
	<b>8,943</b>	(3,687)
<i>Net cash generated from/(used in) operating activities</i>		
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	509	719
Proceeds from disposal of investment property	12,700	–
Purchases of property, plant and equipment	(2,636)	(510)
	<b>10,573</b>	209
<i>Net cash generated from investing activities</i>		

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from financing activities</b>			
Proceeds from new bank loans		–	4,000
Interest paid		(377)	(302)
Interest element of finance leases		(190)	(169)
Loan from a director		10,000	–
Repayment to a director		(10,000)	–
Repayments of bank loans		(8,389)	(1,078)
Repayments of capital element of finance leases		(1,698)	(1,974)
<i>Net cash (used in)/generated from financing activities</i>		<b>(10,654)</b>	477
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>8,862</b>	(3,001)
Cash and cash equivalents at the beginning of the year		<b>418</b>	3,419
<b>Cash and cash equivalents at the end of the year</b>	21	<b>9,280</b>	418

The notes on pages 52 to 95 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

### 1.1 General information

Luen Wong Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015. The address of the Company’s registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit 1505, 15/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong respectively.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the provision of civil engineering works and investment holding.

The Company’s immediate and ultimate holding company is Blooming Union Investments Limited (“Blooming Union”), a company incorporated and domiciled in the British Virgin Islands (“BVI”). As at 31 March 2016, the directors consider the ultimate controlling shareholders of the Company to be Mr. Wong Che Kwo and Mr. Wong Wing Wah (collectively referred to as the “Controlling Shareholders”).

The Company’s shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 April 2016.

The consolidated financial statements for the year ended 31 March 2016 were approved for issue by the board of directors on 27 June 2016.

### 1.2 Basis of presentation

Prior to the incorporation of the Company and completion of a group reorganisation (the “Reorganisation”) of the Company in connection with the listing of its shares on the Stock Exchange on 22 February 2016, the Group’s business was carried out by Luen Hing Construction & Eng. Limited (“Luen Hing”) and Hop Fung Construction & Engineering Company Limited (“Hop Fung”) which were under the common control of the Controlling Shareholders.

Pursuant to the Reorganisation, which was completed by interspersing the Company and Super Pioneer Trading Limited (“Super Pioneer”) between Luen Hing and Hop Fung and the Controlling Shareholders, the Company became the holding company of the companies now comprising the Company and its subsidiaries on 22 February 2016.

Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in the section headed “History and Development” in the Company’s prospectus dated 31 March 2016. The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION (Continued)

### 1.2 Basis of presentation (Continued)

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2016 and 2015 which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the years ended 31 March 2016 and 2015, or since their respective dates of incorporation/establishment, where it is a shorter period.

The consolidated statement of financial position as at 31 March 2015 has been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at that date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These consolidated financial statements on pages 47 to 95 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“HK\$’000”), except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Basis of consolidation

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit 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 and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to the profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Basis of consolidation (Continued)

In the Company's statement of financial position, subsidiary is carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The result of subsidiary is accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

### 2.3 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### 2.4 Investment property

Investment property is land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it was held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and impairment losses. Depreciation is provided to write-off the cost of investment property using the straight-line method over their estimated useful life of 25 years or over the lease term, if shorter.

Gain or loss arising from the sale of an investment property is included in the profit or loss in the period in which they arise.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is provided to write-off the cost less their residual values over their estimated useful lives, using the straight-line method, at the rates per annum as follows:

Land and building	5%
Furniture and equipment	10%
Site equipment	10%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

### 2.6 Financial assets

The Group's accounting policies for financial assets other than investment in a subsidiary are set out below.

Financial assets of the Group are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Financial assets (Continued)

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

#### *Impairment of financial assets*

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Financial assets (Continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than trade and retention monies receivables that are stated at amortised cost, are written-off against the corresponding assets directly. Where the recovery of trade and retention monies receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and retention monies receivables is remote, the amount considered irrecoverable is written-off against trade and retention monies receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written-off directly are recognised in the profit or loss.

### 2.7 Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or a combination of assets where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2.14.

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Construction contracts (Continued)

Construction contracts in progress at the reporting date are recorded in the consolidated statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented as “Amounts due from customers for contract work” (as an asset) or “Amounts due to customers for contract work” (as a liability). Progress billings not yet paid by customers are included in the consolidated statement of financial position under “Trade and other receivables”. Amounts received before the related work is performed are included under “Trade and other payables”.

### 2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdraft which is repayable on demand and form an integral part of the Group’s cash management.

### 2.9 Financial liabilities

The Group’s financial liabilities include trade and other payables, bank loans and overdraft, amounts due to directors and finance lease liabilities. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are expensed when incurred. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

#### *Trade and other payables and amounts due to directors*

Trade and other payables and amounts due to directors are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

#### *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Financial liabilities (Continued)

#### *Finance lease liabilities*

Finance lease liabilities are measured at initial value less the capital element of lease repayments (note 2.11).

### 2.10 Impairment of non-financial assets

Investment property, property, plant and equipment and the Company's investment in a subsidiary are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 2.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Leases (Continued)

#### *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to the profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

#### *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to the profit or loss in the accounting period in which they are incurred.

#### *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in the profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### 2.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

### 2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

#### *Contract revenue*

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by customers) issued by the customers.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customers or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Revenue recognition (Continued)

#### *Rental income*

Rental income is recognised in the profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the profit or loss as an integral part of the aggregate net lease payments receivable.

### 2.15 Employee benefits

#### *Retirement benefits*

Retirement benefits to employees are provided through defined contribution plans.

The Group operates defined contribution retirement benefit plans for its employees, the assets of which are held separately from those of the Group in independently administered funds. The Group's contributions are made based on specified percentages of the employees' basic salaries.

The Group's contributions under the plans are recognised as an expense in the profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

#### *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

### 2.16 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 2.18 Fair value measurements

For financial reporting, fair value measurement is categorised into Level 1, 2 and 3 of the three level fair value hierarchy as defined under the HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

Level 3 valuations: Fair value measured using significant unobservable inputs.

### 2.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker ("CODM") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Related parties

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
  - (i) has control or joint control over of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
  
- (b) the party is an entity and if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (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) the entity and the Group 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;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 3. ADOPTION OF NEW AND AMENDED HKFRSs

### *Amended HKFRSs that are effective for annual periods beginning on 1 April 2015*

In the current year, the Group has applied the following amended HKFRSs issued by the HKICPA which are relevant to and effective for these consolidated financial statements for the annual period beginning on 1 April 2015:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of these amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

### *Issued but not yet effective HKFRSs*

At the date of authorisation of these consolidated financial statements, the following new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the financial year beginning on 1 April 2015, and have not been early adopted by the Group:

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Construction contracts*

As explained in note 2.7 and 2.14, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificate issued by the customer. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management based on the quotations from time to time provided by the major contractors, suppliers or vendors involved and other direct costs to be incurred with reference to their past experience. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken.

Management exercised their judgements and estimations based on contract costs and revenues with reference to the latest available information, which includes detailed contract sum. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depends on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.2 Critical judgements in applying the Group's accounting policies

#### *Depreciation*

Investment property (note 15) and property, plant and equipment (note 16) are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the investment property and property, plant and equipment regularly in order to determine the amount of depreciation to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation for future periods is adjusted if there are significant changes from previous estimates.

#### *Impairment of trade receivables*

The Group evaluates whether there is any objective evidence that trade receivables (note 20) are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make the required payments. The Group based on the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience to assess the financial conditions of the debtors. If the financial condition of the debtors were to deteriorate, actual impairment would be higher than the amount estimated.

## 5. REVENUE

Revenue represents the consideration received and receivable from the provision of civil engineering works.

## 6. SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the provision of civil engineering works. This operating segment has been identified on the basis of internal management reports reviewed by the CODM, being the executive directors of the Company. The CODM mainly reviews revenue derived from the provision of civil engineering works. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly other than the entity-wide disclosure, no segment analysis is presented.

### (a) Geographical information

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 6. SEGMENT INFORMATION (Continued)

### (b) Major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer 1	141,723	144,349
Customer 2	35,035	61,682
Customer 3	90,040	36,300

## 7. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	191	–
Gain on disposal of investment property	1,792	–
Rental income	105	298
Sundry income	278	48
	<b>2,366</b>	<b>346</b>

## 8. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Finance charges on obligations under finance leases	190	169
Interests on bank loans and overdraft wholly repayable within five years	297	302
Interest on loan from a director	80	–
	<b>567</b>	<b>471</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Auditors' remuneration	<b>561</b>	24
Depreciation:		
– own assets	<b>1,549</b>	1,628
– leased assets	<b>1,318</b>	1,079
Depreciation of investment property	<b>232</b>	557
(Gain)/Loss on disposal of property, plant and equipment, net	<b>(191)</b>	306
Gain on disposal of investment property	<b>(1,792)</b>	–
Site equipment rental costs (included in cost of sales)	<b>39,301</b>	33,811
Operating lease charges in respect of premises and office equipment	<b>252</b>	227
Subcontracting charges (included in cost of sales)	<b>71,908</b>	59,971
Rental income less direct outgoings	<b>(78)</b>	(248)

## 10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>Current tax</b>		
– Hong Kong profits tax	<b>2,577</b>	–
– Deferred tax (note 25)	<b>1,093</b>	3,624
Income tax expense	<b>3,670</b>	3,624



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 10. INCOME TAX EXPENSE (Continued)

Reconciliation between income tax expense and accounting profit at applicable tax rate:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before income tax	<b>12,061</b>	21,703
Tax on profit before income tax at 16.5% (2015: 16.5%)	<b>1,990</b>	3,580
Tax effects on:		
Non-deductible expenses	<b>1,827</b>	76
Non-taxable income	<b>(132)</b>	–
Utilisation of previously unrecognised tax losses	<b>(15)</b>	(32)
Income tax expense	<b>3,670</b>	3,624

### 11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries, wages and other benefits	<b>55,281</b>	59,880
Contributions to defined contribution retirement plans	<b>2,084</b>	2,262
	<b>57,365</b>	62,142

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

Directors' emoluments, disclosed pursuant to the GEM Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Other emoluments				Total HK\$'000
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
<b>Year ended 31 March 2016</b>					
<b>Executive directors</b>					
Mr. Wong Che Kwo (note a)	-	1,080	500	18	1,598
Mr. Wong Wing Wah (note a)	-	1,080	500	18	1,598
Mr. Chiu Chi Wang (note b)	-	400	66	18	484
Mr. Wong Tak Ming (note b)	-	632	178	18	828
<b>Independent non-executive directors</b>					
Mr. Wong Chi Kan (note c)	-	-	-	-	-
Mr. Liu Yan Chee James (note c)	-	-	-	-	-
Mr. Tai Hin Henry (note c)	-	-	-	-	-
	-	3,192	1,244	72	4,508
<b>Year ended 31 March 2015</b>					
<b>Executive directors</b>					
Mr. Wong Che Kwo (note a)	-	900	500	18	1,418
Mr. Wong Wing Wah (note a)	-	900	500	18	1,418
Mr. Chiu Chi Wang (note b)	-	362	45	18	425
Mr. Wong Tak Ming (note b)	-	591	64	18	673
	-	2,753	1,109	72	3,934

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (a) Directors' emoluments (Continued)

Note:

- (a) Appointed on 16 October 2015. The emoluments disclosed above represent the emoluments paid in the capacity as a director of a subsidiary.
- (b) Appointed on 16 November 2015. The emoluments disclosed above represent the emoluments paid in the capacity as an employee of a subsidiary.
- (c) Appointed on 24 March 2016.

No emoluments were paid by the Group to the directors or as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2015: Nil). There were no directors have waived or agreed to waive any emoluments during the year (2015: Nil).

### (b) Five highest paid individuals

The five highest paid individuals of the Group during the year include three directors (2015: three) whose emoluments are disclosed above. Details of the emoluments of the remaining two (2015: two) highest paid individuals are as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Salaries, wages and other benefits	<b>1,053</b>	1,073
Discretionary bonuses	<b>340</b>	166
Contributions to defined contribution retirement plans	<b>36</b>	35
	<b>1,429</b>	1,274

The emoluments of the remaining two (2015: two) highest paid individuals are within the following bands:

	<b>2016</b> <b>Number of individuals</b>	2015 Number of individuals
HK\$Nil to HK\$1,000,000	<b>2</b>	2

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 13. DIVIDENDS

No dividend was declared or paid by the Group during the year to its equity holders (2015: Nil).

## 14. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to equity holders of the Company and 1,040,000,000 ordinary shares for the years ended 31 March 2016 and 2015, which have been adjusted retrospectively on the assumption that the Reorganisation and the Capitalisation Issue (note 26 (iv)) had been effective on 1 April 2014.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	<b>8,391</b>	18,079

There were no dilutive potential ordinary shares during both years and therefore, diluted earnings per share equals to basic earnings per share.

## 15. INVESTMENT PROPERTY

	<i>HK\$'000</i>
<b>Costs</b>	
As at 1 April 2014, 31 March 2015 and 1 April 2015	13,925
Disposal	(13,925)
<b>As at 31 March 2016</b>	–
<b>Accumulated depreciation</b>	
As at 1 April 2014	2,228
Charge for the year	557
As at 31 March 2015 and 1 April 2015	2,785
Charge for the year	232
Written back on disposal	(3,017)
<b>As at 31 March 2016</b>	–
<b>Net book amount</b>	
<b>As at 31 March 2016</b>	–
As at 31 March 2015	11,140

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 15. INVESTMENT PROPERTY (Continued)

As at 31 March 2015, the Group's investment property was located in Hong Kong, held under medium lease and was pledged to the bank as security for bank mortgage loan granted to the Group (note 24).

As at 31 March 2015, the fair value of the investment property was approximately HK\$12,450,000 which was determined by Ascent Partners Valuation Service Limited, an independent professional qualified valuer who has recent relevant experience in the location and category of the Group's investment property being valued, where comparison based on prices realised on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

Set out below are information about the fair value of investment property as at 31 March 2015 categorised under Level 3 of the three-level fair value hierarchy as defined under HKFRS 13.

Valuation technique	Significant unobservable input	Range of unobservable inputs	Relationship of significant inputs to fair value
Direct comparison method	Discount on quality of the investment property	HK\$12,537 to HK\$14,057 per square feet	An increase in percentage of market unit sale per square feet would results in an increase in fair value of the investment property by the same percentage, and vice versa.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 16. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Furniture and equipment HK\$'000	Site equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>As at 1 April 2014</b>					
Cost	1,608	943	12,903	13,614	29,068
Accumulated depreciation	(563)	(523)	(5,004)	(9,256)	(15,346)
Net book amount	1,045	420	7,899	4,358	13,722
<b>Year ended 31 March 2015</b>					
Opening net book amount	1,045	420	7,899	4,358	13,722
Additions	–	84	410	1,349	1,843
Disposals	–	(188)	–	(837)	(1,025)
Charge for the year	(81)	(66)	(1,181)	(1,379)	(2,707)
Closing net book amount	964	250	7,128	3,491	11,833
<b>As at 31 March 2015 and 1 April 2015</b>					
Cost	1,608	678	13,078	12,088	27,452
Accumulated depreciation	(644)	(428)	(5,950)	(8,597)	(15,619)
Net book amount	964	250	7,128	3,491	11,833
<b>Year ended 31 March 2016</b>					
Opening net book amount	964	250	7,128	3,491	11,833
Additions	–	1,025	1,105	2,922	5,052
Disposals	–	–	(307)	(11)	(318)
Charge for the year	(81)	(102)	(1,128)	(1,556)	(2,867)
<b>Closing net book amount</b>	<b>883</b>	<b>1,173</b>	<b>6,798</b>	<b>4,846</b>	<b>13,700</b>
<b>As at 31 March 2016</b>					
Cost	1,608	1,693	13,064	14,681	31,046
Accumulated depreciation	(725)	(520)	(6,266)	(9,835)	(17,346)
<b>Net book value</b>	<b>883</b>	<b>1,173</b>	<b>6,798</b>	<b>4,846</b>	<b>13,700</b>

As at 31 March 2016 and 2015, the Group's land and building was located in Hong Kong, held under long term lease and was pledged to the bank as security of bank term loans and overdraft granted to the Group (note 24).

As at 31 March 2016, the Group's motor vehicles with net book amount of HK\$4,328,000 (2015: HK\$3,223,000) were held under finance leases (note 23).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 17. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2016 are as follows:

Name of company	Place of incorporation and operation	Type of legal entity	Particulars of issued and paid up capital	Equity interest held by the Company	Principal activity
Super Pioneer	BVI	Limited liability company	5 ordinary shares of US\$1 each	100%# (2015: N/A)	Investment holding
Luen Hing	Hong Kong	Limited liability company	9,280,000 ordinary shares	100% (2015: 100%)	Provision of civil engineering works
Hop Fung	Hong Kong	Limited liability company	4,940,000 ordinary shares	100% (2015: 100%)	Provision of civil engineering works

# Super Pioneer was incorporated on 1 July 2015 and the issued capital was held by the Company directly.

## 18. AMOUNTS DUE FROM/TO A DIRECTOR/DIRECTORS

The amounts are unsecured, interest free and have no fixed terms of repayment.

### (a) Amount due from a director

Name of director	Maximum outstanding during the year ended 31 March 2016		As at 31 March 2015	As at 1 April 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Wong Wing Wah	733	–	523	–

### (b) Amounts due to directors

Name of director	2016	2015
	HK\$'000	HK\$'000
Mr. Wong Che Kwo	9	2,689
Mr. Wong Wing Wah	67	–
	<b>76</b>	<b>2,689</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 19. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	<b>562,807</b>	822,298
Less: progress billings	<b>(562,354)</b>	(852,804)
	<b>453</b>	(30,506)
Recognised and included in the consolidated statement of financial position as:		
– Amounts due from customers for contract work	<b>20,200</b>	9,474
– Amounts due to customers for contract work	<b>(19,747)</b>	(39,980)
	<b>453</b>	(30,506)

All amounts due from/to customers for contract work are expected to be recovered/settled within one year.

## 20. TRADE AND OTHER RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<b>35,861</b>	33,832
Retention monies receivables	<b>26,523</b>	19,217
Other receivables, deposits and prepayments	<b>1,254</b>	1,166
	<b>63,638</b>	54,215

The ageing analysis of trade receivables based on invoice date is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	<b>27,748</b>	14,383
31 – 60 days	<b>6,689</b>	19,449
Over 90 days	<b>1,424</b>	–
	<b>35,861</b>	33,832

The Group usually grants customers a credit period of 45 days (2015: 45 days).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 20. TRADE AND OTHER RECEIVABLES (Continued)

At the end of the reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no impairment has been recognised during the year and as at 31 March 2016 (2015: Nil).

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

The ageing analysis of trade receivables that were past due but not impaired is as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<b>31,907</b>	30,318
Less than 30 days past due	<b>2,530</b>	3,514
31 – 60 days past due	<b>745</b>	–
61 – 90 days past due	<b>500</b>	–
Over 90 days past due	<b>179</b>	–
	<b>35,861</b>	33,832

Trade receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Trade receivables which were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believe that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

As at 31 March 2016, the retentions held by customers for contract works included in retention monies receivables under current assets of the Group was HK\$26,523,000 (2015: HK\$19,217,000), of which HK\$12,202,000 (2015: HK\$11,757,000) are expected to be recovered after more than one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 21. CASH AND CASH EQUIVALENTS

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Cash and bank balances presented in the consolidated statement of financial position	<b>13,826</b>	5,900
Less: bank overdraft (note 24)	<b>(4,546)</b>	(5,482)
Cash and cash equivalents presented in the consolidated statement of cash flows	<b>9,280</b>	418

Cash in banks earn interests at floating rates based on daily bank deposit rates.

## 22. TRADE AND OTHER PAYABLES

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Trade payables	<b>32,305</b>	10,114
Retention monies payables	<b>6,103</b>	3,278
Accruals and other payables	<b>8,580</b>	6,325
	<b>46,988</b>	19,717

The ageing analysis of trade payables based on invoice date is as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
0 – 30 days	<b>19,597</b>	6,894
31 – 60 days	<b>12,288</b>	2,646
61 – 90 days	<b>420</b>	69
Over 90 days	<b>–</b>	505
	<b>32,305</b>	10,114

The Group is granted by its suppliers a credit period ranging from 0 to 30 days (2015: 0 to 30 days).

As at 31 March 2016, the retentions held by the Group for contract works included in retention monies payables under current liabilities of the Group was HK\$6,103,000 (2015: HK\$3,278,000), of which HK\$2,384,000 (2015: HK\$1,719,000) are expected to be payable after more than one year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 23. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2016, the Group had obligations under finance leases repayable as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Total minimum lease payments</b>		
Within one year	<b>1,747</b>	1,314
After one year but within two years	<b>1,516</b>	1,001
After two years but within five years	<b>782</b>	1,008
	<b>4,045</b>	3,323
Future finance charges on finance leases	<b>(216)</b>	(212)
Present value of finance lease liabilities	<b>3,829</b>	3,111
<b>Present value of minimum lease payments</b>		
Within one year	<b>1,614</b>	1,199
After one year but within two years	<b>1,451</b>	937
After two years but within five years	<b>764</b>	975
	<b>3,829</b>	3,111

As at 31 March 2016, the finance lease liabilities were secured by the personal guarantees given by one of the Controlling Shareholders. As at 31 March 2015, the finance lease liabilities were secured by the personal guarantees given by the Controlling Shareholders.

Subsequent to the reporting date, the personal guarantees given by one of the Controlling Shareholders have been released.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 24. BANK LOANS AND OVERDRAFT

As at 31 March 2016, the secured bank loans and overdraft were repayable as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Within one year or on demand	<b>9,615</b>	18,940

As at 31 March 2016, the bank loans and overdraft were secured as follow:

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Secured term loans (note i)	<b>5,069</b>	6,404
Secured bank overdraft (note i)	<b>4,546</b>	5,482
Secured mortgage loan (note ii)	–	7,054
	<b>9,615</b>	18,940

Note:

- (i) As at 31 March 2016, the bank term loans bear interests on a floating basis. The effective interest rates of bank term loans were 3.23% to 3.99% (2015: 3.25% to 4.00%) per annum.

As at 31 March 2016, the bank overdraft bears interest on a floating basis. The effective interest rate of bank overdraft was 5.5% (2015: 5.5%) per annum.

The bank term loans and overdraft were secured by the land and building of the Group, a property owned by the Controlling Shareholders and their unlimited personal guarantees.

In addition, as at 31 March 2016, the bank term loan of HK\$3,263,000 (2015: HK\$4,000,000) (the "HKMC Loan") was secured by the guarantee given by the Hong Kong Mortgage Corporation Limited and unlimited personal guarantees given by the Controlling Shareholders. Pursuant to terms as set out in the loan agreement, Luen Hing, as the borrower, should not have its shares listed on the Main Board or the GEM of the Stock Exchange or any similar exchanges in or outside Hong Kong.

Subsequent to the reporting date, the property owned by the Controlling Shareholders and the unlimited personal guarantees given by the Controlling Shareholders in respect of the bank term loans and overdraft have been released and replaced by a corporate guarantee given by the Company. In addition, the above HKMC Loan has been fully repaid.

- (ii) As at 31 March 2015, the mortgage loan bore interest on a floating basis. The effective interest rate was 0.92% per annum and was secured by the investment property of the Group.

As at 31 March 2016 and 2015, the bank term loans and mortgage loan were classified as current liabilities because the corresponding loan agreements include a clause that the banks have the overriding right to call the loan at any time regardless any other terms and maturity as set out in the loan agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 25. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% (2015: 16.5%) in Hong Kong.

The movements in deferred tax assets/(liabilities) during the year are as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
At the beginning of the year	<b>(344)</b>	3,280
Charged to the profit or loss	<b>(1,093)</b>	(3,624)
At the end of the year	<b>(1,437)</b>	(344)

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	<b>Accelerated tax depreciation HK\$'000</b>	<b>Tax losses HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 April 2014	(1,231)	4,511	3,280
Credited/(Charged) to the profit or loss (note 10)	144	(3,768)	(3,624)
As at 31 March 2015 and 1 April 2015	(1,087)	743	(344)
Charged to the profit or loss (note 10)	(350)	(743)	(1,093)
<b>As at 31 March 2016</b>	<b>(1,437)</b>	<b>-</b>	<b>(1,437)</b>

Represented by:

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Deferred tax liabilities	<b>(1,437)</b>	(344)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

As at 31 March 2016, the Group did not have any material unrecognised deferred tax assets/liabilities (2015: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 26. SHARE CAPITAL

	Number of shares	HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each upon incorporation (note i)	38,000,000	380
Increase in authorised share capital (note ii)	1,962,000,000	19,620
<b>As at 31 March 2016</b>	<b>2,000,000,000</b>	<b>20,000</b>
<b>Issued and fully paid:</b>		
Ordinary share of HK\$0.01 upon incorporation (note i)	1	–
Issuance of ordinary shares (note i)	9,999	–
<b>As at 31 March 2016</b>	<b>10,000</b>	<b>–</b>

Note:

- (i) The Company was incorporated on 16 October 2015 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and has not carried on any business since the date of incorporation except for the Reorganisation. On the date of incorporation, one nil-paid share was allotted and issued. On 22 February 2016, 9,999 shares were allotted and issued at par.
- (ii) Pursuant to the written resolution of the shareholder passed on 24 March 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by creation of an additional of 1,962,000,000 shares of HK\$0.01 each, each ranking pari passu with the shares then in issue in all respects.
- (iii) There was no authorised and issued capital as at 31 March 2015 since the Company has not yet been incorporated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 26. SHARE CAPITAL (Continued)

Note: (Continued)

- (iv) On 11 April 2016, 208,000,000 shares of HK\$0.01 each of the Company were allotted and issued at a price of HK\$0.26 per share by way of placing (the "Placing").

The proceeds of HK\$2,080,000 represents the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$52,000,000, before issuing expenses, were credited to the Company's share premium account. The shares allotted and issued rank pari passu with the then existing issued shares in all respects.

Pursuant to the written resolutions of the shareholder passed on 24 March 2016, subject to the share premium account of the Company being credited as a result of the Placing, the directors were authorised to allot and issue a total of 1,039,990,000 shares credited as fully paid at par to Blooming Union by way of capitalisation of the sum of HK\$10,399,900 standing to the credit of the share premium account of the Company ("Capitalisation Issue"). The Capitalisation Issue was completed on 12 April 2016. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

## 27. RESERVES

The amounts of the Group's reserves and the movements during the year are presented in the consolidated statement of changes in equity of the consolidated financial statements.

### *Other reserve*

Other reserve represents the reserve arising from the loan capitalisation of Luen Hing and Hop Fung on 21 March 2016.

On 21 March 2016, by way of loan capitalisation, Luen Hing applied HK\$5,480,000 due to the directors toward the satisfaction of the issue and allotment of 5,480,000 new shares of Luen Hing at a subscription price of HK\$1 per share to Super Pioneer.

On 21 March 2016, by way of loan capitalisation, Hop Fung applied HK\$4,920,000 due to a director toward the satisfaction of the issue and allotment of 4,920,000 new shares of Hop Fung at a subscription price of HK\$1 per share to Super Pioneer.

### *Capital reserve*

Capital reserve of the Group as at 31 March 2015 represents the share capital of entities comprising the Group.

Capital reserve of the Group as at 31 March 2016 represents the difference between the nominal values of the share capital of subsidiaries acquired by the Group and the nominal value of the Company's shares issued for the acquisition under the Reorganisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<b>2016</b> <b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>	
<b>Non-current asset</b>	
Investment in a subsidiary	–
	–
<b>Current liabilities</b>	
Accrual	450
Amount due to a subsidiary	10,320
	10,770
<b>Net current liabilities</b>	<b>(10,770)</b>
<b>Net liabilities</b>	<b>(10,770)</b>
<b>EQUITY</b>	
Share capital	–
Accumulated losses (note)	(10,770)
<b>Capital deficiency</b>	<b>(10,770)</b>

**Wong Che Kwo**  
Director

**Wong Wing Wah**  
Director



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

### 28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movements of the Company's reserves are as follows:

	<b>Share capital HK\$'000</b> (note 26)	<b>Accumulated losses HK\$'000</b>	<b>Capital deficiency HK\$'000</b>
Issuance of share capital upon incorporation	–	–	–
Increase in issuance of ordinary shares	–	–	–
Loss and total comprehensive expense for the year	–	(10,770)	(10,770)
<b>Balance as at 31 March 2016</b>	<b>–</b>	<b>(10,770)</b>	<b>(10,770)</b>

### 29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2016, additions to property, plant and equipment of approximately HK\$2,416,000 (2015: HK\$1,333,000) were financed by finance lease arrangements.

During the year ended 31 March 2016, 5,480,000 new shares of Luen Hing and 4,920,000 new shares of Hop Fung were allotted and issued to Super Pioneer by capitalisation the amounts due to directors of HK\$5,480,000 and HK\$4,920,000 respectively.

### 30. OPERATING LEASE COMMITMENTS

#### As lessee

As at 31 March 2016, the total future minimum lease payments under non-cancellable operating leases in respect of warehouse and office equipment were as follows:

	<b>2016 HK\$'000</b>	2015 HK\$'000
Within one year	<b>87</b>	98
In the second to fifth years	<b>21</b>	35
	<b>108</b>	133

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 30. OPERATING LEASE COMMITMENTS (Continued)

### As lessor

As at 31 March 2016, the Group's future aggregate minimum lease receipts under non-cancellable operating lease in respect of its investment property were as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Within one year	–	50

## 31. RELATED PARTY TRANSACTIONS

### (a) Material related party transactions

Other than as disclosed in these consolidated financial statements, the Group entered into the following material related party transactions during the year:

<b>Name of related party</b>	<b>Nature</b>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Hop Fung Crane Company (note i)	Equipment rental expenses	<b>633</b>	772
Mr. Wong Wing Wah	Loan interest expense	<b>80</b>	–
The Controlling Shareholders (note ii)	Licence to use office premise	–	–

Note:

- (i) Hop Fung Crane Company is an unincorporated company owned by the spouse of one of the Controlling Shareholders.

In the opinion of the directors, these transactions were entered into in the normal course of business at mutually agreed prices and terms.

- (ii) During the years ended 2016 and 2015, the Group was licensed to use an office premise owned by the Controlling Shareholders without any consideration.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 31. RELATED PARTY TRANSACTIONS (Continued)

### (a) Material related party transactions (Continued)

Note: (Continued)

- (iii) As at 31 March 2016, certain contracts for the performance works of provision of civil engineering works amounted to HK\$221,540,000 (2015: HK\$232,551,000) were secured by the personal guarantees given by the Controlling Shareholders.

Subsequent to the reporting date, the contract amounting to HK\$22,693,000 secured by the personal guarantee given by one of the Controlling Shareholders has been released and replaced by a corporate guarantee given by the Company. In addition, the Group has taken out surety bonds from an authorised insurer, which is a wholly-owned subsidiary of a Hong Kong licensed bank, in favour of a customer, who declined the Group's request to release the personal guarantees given by the Controlling Shareholders in respect of certain contracts amounting to HK\$198,847,000, in the value of the contract sum or predetermined percentage of the contract sum, as the case may be, for due performance of the Group's obligations under the contracts.

### (b) Key management personnel compensation

The emoluments of the key management personnel during the year are as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Short-term employee benefits	<b>5,894</b>	4,971
Post-employment benefits	<b>119</b>	105
	<b>6,013</b>	5,076

## 32. CONTINGENT LIABILITIES

The Group is the defendant of certain outstanding litigation cases in respect of alleged violations of certain safety and health regulations and accidents and the court has not yet made the judgement up to the date of this report. After consulting the Group's lawyer, the directors are of the opinion that it is not possible to determine the outcome and hence no provision has been made to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

### (a) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets</b>		
<i>Loans and receivables</i>		
Trade and other receivables	62,613	53,195
Amount due from a director	–	523
Cash and bank balances	13,826	5,900
	<b>76,439</b>	59,618
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost</i>		
Trade and other payables	46,988	19,717
Amounts due to directors	76	2,689
Bank loans and overdraft	9,615	18,940
Obligations under finance leases	3,829	3,111
	<b>60,508</b>	44,457

### (b) Financial risk factors

The Group's activities exposed it to a variety of financial risks including interest rate risk, credit 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.

#### (i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from its bank loans and overdraft. As at 31 March 2016 and 2015, the Group's bank loans and overdraft were committed on a floating rate basis and were denominated in Hong Kong Dollars.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### (b) Financial risk factors (Continued)

#### (i) Interest rate risk (Continued)

As at 31 March 2016, it is estimated that if there was a decrease of 50 basis points in interest rate, with all other variables remaining constant, the Group's consolidated equity and net profit would have increased by approximately HK\$40,000 (2015: HK\$79,000). The same percentage increase in interest rate would have the same magnitude on the Group's consolidated equity and net profit but of opposite effect. The 50 basis points represents the reasonable possible change in interest rates over the period until the next reporting date.

The Group currently does not have an interest rate hedging policy. However, the management monitors the Group's interest rate exposure and will consider hedging significant interest exposure should the need arise.

#### (ii) Credit risk

Credit risk arises mainly from trade and other receivables, amount due from a director and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of cash and bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2016, trade and retention monies receivables from an individual customer accounted for 41% (2015: 33%) of the total trade and retention monies receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### (b) Financial risk factors (Continued)

#### (iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities of financial liabilities at the reporting date, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
<b>As at 31 March 2016</b>					
Trade and other payables	46,988	-	-	46,988	46,988
Amounts due to directors	76	-	-	76	76
Bank overdraft	4,546	-	-	4,546	4,546
Bank term loans	5,069	-	-	5,069	5,069
Obligations under finance leases	1,747	1,516	782	4,045	3,829
	<b>58,426</b>	<b>1,516</b>	<b>782</b>	<b>60,724</b>	<b>60,508</b>
<b>As at 31 March 2015</b>					
Trade and other payables	19,717	-	-	19,717	19,717
Amount due to a director	2,689	-	-	2,689	2,689
Bank overdraft	5,482	-	-	5,482	5,482
Bank term loans and mortgage loan	13,458	-	-	13,458	13,458
Obligations under finance leases	1,314	1,001	1,008	3,323	3,111
	<b>42,660</b>	<b>1,001</b>	<b>1,008</b>	<b>44,669</b>	<b>44,457</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### (b) Financial risk factors (Continued)

#### (iii) Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the “On demand or within one year” time band in the above maturity analysis.

As at 31 March 2016, the aggregate undiscounted principal and interest of these bank loans payable in accordance with the scheduled payment terms were as follows:

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Over five years HK\$'000	Total HK\$'000
<b>As at 31 March 2016</b>					
Bank term loans	1,552	1,552	2,325	-	5,429
<b>As at 31 March 2015</b>					
Bank term loans and mortgage loan	2,119	2,119	5,578	4,678	14,494

As at 31 March 2016 and 2015, taking into account of the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Included in the above balances, the directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

### (c) Fair value measurement

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values as at 31 March 2016 and 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 34. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain optimal capital structure in order to minimise the costs of capital, support its business and maximise shareholders' value.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the debt to equity ratio. For this purpose, debt is defined as borrowings net of cash and bank balances. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, share buyback, issue new shares and raise new debts.

The debt to equity ratio at the end of the reporting date was:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank loans and overdraft	<b>9,615</b>	18,940
Obligations under finance leases	<b>3,829</b>	3,111
Total borrowings	<b>13,444</b>	22,051
Less: cash and bank balances	<b>(13,826)</b>	(5,900)
Net debts	<b>(382)</b>	16,151
Total equity	<b>27,095</b>	8,304
Debt to equity ratio	<b>N/A</b>	194%

## 35. EVENTS AFTER THE REPORTING DATE

The Company's shares are listed on the GEM of the Stock Exchange on 12 April 2016. Details of the Placing and the Capitalisation Issue are disclosed in note 26(iv).



## THREE YEARS FINANCIAL SUMMARY

	For the year ended 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
<b>CONSOLIDATED RESULTS</b>			
Revenue	159,963	271,949	<b>315,004</b>
Profit before income tax	11,386	21,703	<b>12,061</b>
Income tax expense	(1,956)	(3,624)	<b>(3,670)</b>
Profit and total comprehensive income for the year attributable to equity holders of the Company	<u>9,430</u>	<u>18,079</u>	<u><b>8,391</b></u>
	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
<b>CONSOLIDATED ASSETS AND LIABILITIES</b>			
Total assets	74,949	93,085	<b>111,364</b>
Total liabilities	<u>(84,724)</u>	<u>(84,781)</u>	<u><b>(84,269)</b></u>
Net assets	<u>(9,775)</u>	<u>8,304</u>	<u><b>27,095</b></u>