

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
2017



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

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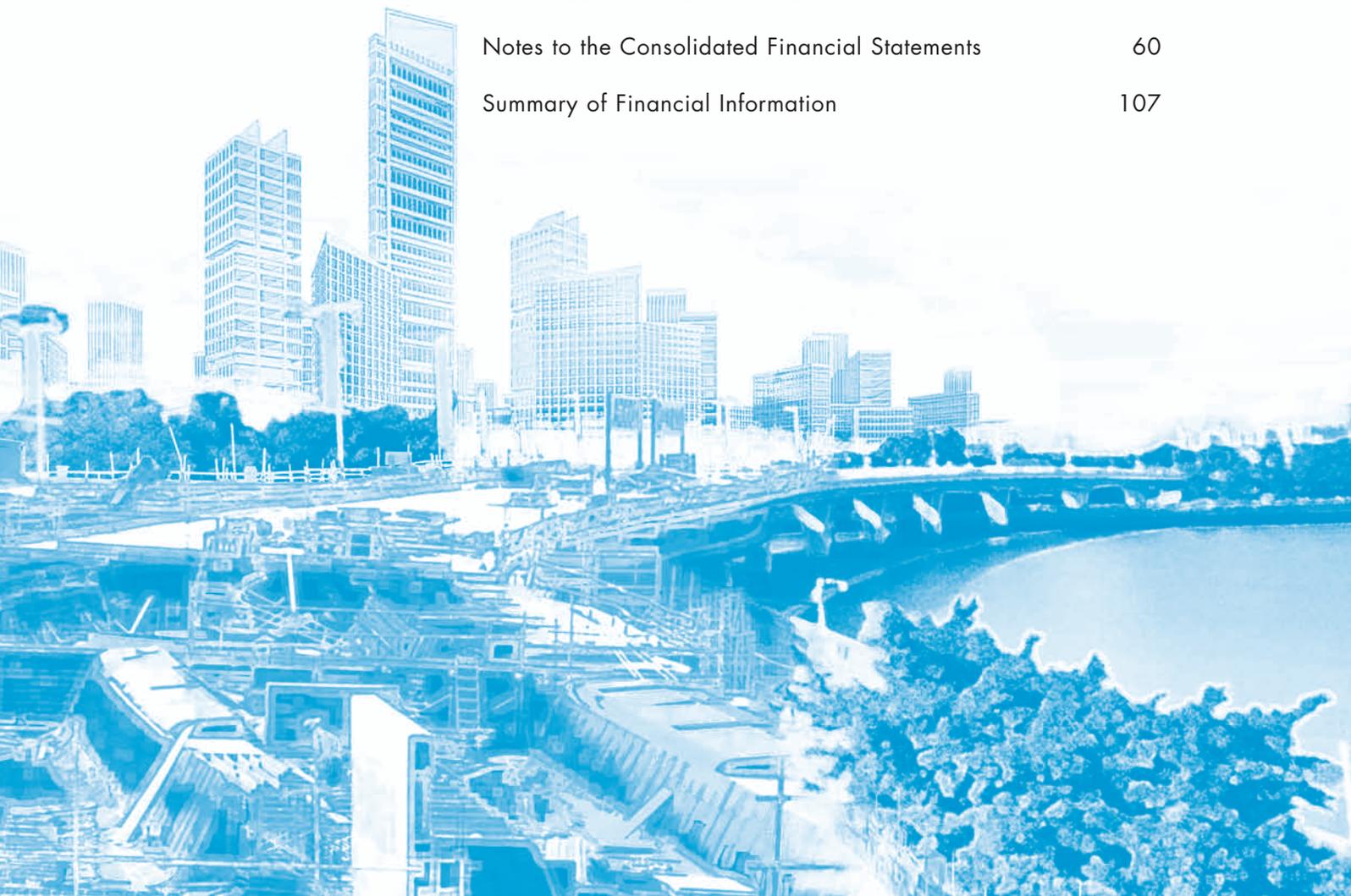
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This report, for which the directors (the “Directors”) of Luen Wong Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities 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 and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wong Che Kwo (*Chairman*)
Mr. Wong Wing Wah (*Chief Executive Officer*)
Mr. Chiu Chi Wang
Mr. Wong, Tak Ming
(*resigned on 16 March 2017*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Woo Yuen Fai

COMPLIANCE OFFICER

Mr. Wong Wing Wah

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

AUTHORISED REPRESENTATIVES

Mr. Woo Yuen Fai
Mr. Wong Che Kwo

REGISTERED OFFICE

P O 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

Estera Trust (Cayman) Limited
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
Suite 3301-4
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

COMPLIANCE ADVISER

TC Capital International Limited

AUDITOR

Grant Thornton Hong Kong Limited

PRINCIPAL BANKERS

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

COMPANY WEBSITE

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 consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017 (the "Reporting Period").

A YEAR IN REVIEW

The shares of the Company (the "Shares") were successfully listed on the GEM of the Stock Exchange on 12 April 2016 (the "Listing") by way of placing (the "Placing"). The Listing has enhanced the Group's profile and recognition and assist the Group in reinforcing its brand awareness and image. The net proceeds raised have also strengthened the Group's operational capacity.

The total revenue of the Group increased by approximately HK\$420,326,000 from approximately HK\$315,004,000 for the year ended 31 March 2016 to approximately HK\$735,330,000 for the Reporting Period. Such increase was mainly due to the growth of demand for civil engineering services and the increase in scale of contracts undertaken by the Group.

OUTLOOK

In the 2017-18 Budget Speech, the Government reiterated its commitment to infrastructure and announced to spend an estimated HK\$89.1 billion on public infrastructure. It was also announced that projects included the Hong Kong Boundary Crossing Facilities and Hong Kong Link Road are at its construction peaks, capital works expenditure is expected to remain at a relatively high level in the next few years. However, challenges like delaying in budget approval due to filibustering and shortage of manpower will continue to affect the civil engineering industry.

Looking forward, the Group will continue to strengthen the competitive edge of the Group over the competitors in the civil engineering industry and at the same time carefully evaluate each projects and control the Group's overall costs to a reasonable level; which in turn is expected to increase shareholders' return.

APPRECIATION

I wish to take this opportunity to thank all fellow Directors, management and staff for their continued loyalty, diligence and contributions throughout the year. I would also like to express my sincere gratitude to all shareholders, business partners, customers, suppliers and subcontractors for their continued support to the Group.

Luen Wong Group Holdings Limited
Wong Che Kwo
Chairman

Hong Kong, 26 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has over 17 years of experience in providing civil engineering works as a subcontractor in Hong Kong. The civil engineering works undertaken by the 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 2017, the Group had 24 contracts on hand with a total contract sum of approximately HK\$1,717,469,000. During the Reporting Period, the Group has completed 5 contracts with total contract sum of approximately HK\$106,182,000; whilst the Group has been awarded 13 new contracts with a total contract sum of approximately HK\$469,168,000.

OUTLOOK

The coming years are expected to be full of opportunities and challenges. In the 2017-18 Budget Speech, the Government announced to spend an estimated HK\$89.1 billion on public infrastructure. The planned increase in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. It was also announced that projects included the Hong Kong Boundary Crossing Facilities and Hong Kong Link Road are at its construction peaks and capital works expenditure is expected to remain at a relatively high level in the next few years. However, challenges like delaying in budget approval due to filibustering and shortage of manpower will continue to affect the civil engineering industry. As a subcontractor, factors including but not limited to difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers and other unforeseen problems or circumstances that occur during project implementation continue being threats that likely affect the Group's profit.

The Group is confident with the prospects for the next few years as the Group has recently secured a long time project with a contract sum of approximately HK\$240,228,000 which is estimated to be completed in mid-2019. Securing long term project could ensure the sustainability of the Group and increase employees' loyalty towards the Group.

FINANCIAL REVIEW

Revenue

All of the Group's revenue was generated from the provision of civil engineering works. The total revenue of the Group increased by approximately HK\$420,326,000 or 133.4% from approximately HK\$315,004,000 for the year ended 31 March 2016 to approximately HK\$735,330,000 for the Reporting Period. Such increase was mainly due to the growth of demand for civil engineering services and certain contracts with larger scale undertaken by the Group during the Reporting Period. As at 31 March 2016, the Group had 16 contracts on hand with a total contract sum of approximately HK\$1,354,483,000 whilst as at 31 March 2017, the Group had 24 contracts on hand with a total contract sum of approximately HK\$1,717,469,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

The Group's gross profit increased significantly by approximately HK\$32,252,000 from approximately HK\$25,736,000 for the year ended 31 March 2016 to approximately HK\$57,988,000 for the Reporting Period. The Group's gross profit margin decreased slightly from approximately 8.2% for the year ended 31 March 2016 to approximately 7.9% for the Reporting Period, representing a decrease of approximately 0.3 percentage points.

The Group's gross profit margin varied substantially from project to project and is mainly attributable to its pricing strategy, 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

The Group 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 tender price, the Group considers, 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. The Group would also take into account the likelihood of any material deviation of actual costs from its 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 the Group's control, including, among others, the number of contractors invited to bid for the construction project, 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 competitors' tender prices are relatively high, which is due to their own commercial decisions, the Group may be able awarded the construction project even if its tender price is not particularly competitive.

Cost control

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group enters into contra charge arrangements with some of its 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 its 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 between the Group and its suppliers on an order-by-order basis. While the Group prices in the estimated future price trend of these costs of sales when preparing tender proposals, material deviation of the actual costs from its estimated costs may arise, which would result in higher or lower gross profit margins.

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

Other Income

Other income of the Group increased by approximately HK\$1,713,000 or 72.4% from approximately HK\$2,366,000 for the year ended 31 March 2016 to approximately HK\$4,079,000 for the Reporting Period. The increase was mainly arose from contra-charge fee received in connection with labour supplied to the Group's subcontractor amounted to approximately HK\$3,339,000.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$8,168,000 or 52.8% from approximately HK\$15,474,000 for the year ended 31 March 2016 to approximately HK\$23,642,000 for the Reporting Period. Administrative expenses consists primarily of staff costs, depreciation, rental expenses, listing expenses and other administrative expenses. The increase was attributable to a general increase of approximately HK\$2,448,000 in professional fees such as legal consultation fees, safety consultation fees and advisory fees, an increase of approximately HK\$9,715,000 in staff costs due to the addition of administrative staff and a discretionary bonus for Directors and staff and an increase of approximately HK\$975,000 in insurance costs of the Group.

Finance Costs

Finance costs for the Group decreased by approximately HK\$118,000 or 20.8% from approximately HK\$567,000 for the year ended 31 March 2016 to approximately HK\$449,000 for the Reporting Period. The decrease was mainly attributable to the early repayment of three finance leases and two bank loans by utilising the proceeds from the Placing.

Income Tax Expense

Income tax expense for the Group had increased by approximately HK\$3,757,000 or 102.4% from approximately HK\$3,670,000 for the year ended 31 March 2016 to approximately HK\$7,427,000 for the Reporting Period. Such increase was mainly due to the increase in profit before income tax and the recognition of deferred tax liability arising from excess of net book values of property, plant and equipment over tax values.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Year

Profit for the year increased by approximately HK\$22,158,000 or 264.1% from approximately HK\$8,391,000 for the year ended 31 March 2016 to approximately HK\$30,549,000 for the Reporting Period. Such increase was primarily attributable to the net effect of the increase in revenue, gross profit, administrative expenses and income tax expense for the Reporting Period as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank balances are denominated in Hong Kong Dollars. The current ratio of the Group as at 31 March 2017 was approximately 1.7 times as compared to that of approximately 1.2 times as at 31 March 2016. The increase was mainly due to the repayment of bank loans and finance lease liabilities with the cash generated from operations and the increase in cash and bank balances due to the proceeds received from the Placing.

The total interest bearing debts of the Group, including bank borrowings, bank overdraft and finance lease liabilities, decreased from approximately HK\$13,444,000 as at 31 March 2016 to approximately HK\$6,461,000 as at 31 March 2017. All borrowings are denominated in Hong Kong Dollars and are repayable within 5 years. The Group did not carry out any hedging for its floating borrowings. However, the management monitors the Group's interest rate exposure and will consider hedging significant interest exposure should the need arise.

As at 31 March 2017, the Group had general banking facilities amounted to HK\$55,585,000 (31 March 2016: HK\$13,000,000), bank term loans with outstanding balance of approximately HK\$4,667,000 (31 March 2016: approximately HK\$5,069,000) and utilised a bank overdraft of approximately HK\$Nil (31 March 2016: approximately HK\$4,546,000).

As at 31 March 2017, the finance lease liabilities amounted to approximately HK\$1,794,000 (31 March 2016: approximately HK\$3,829,000).

The gearing ratio, calculated based on all interest-bearing borrowings and obligations under finance leases divided by total equity at the end of the period and multiplied by 100%, stood at approximately 6.1% as at 31 March 2017 (31 March 2016: approximately 49.6%). The Group regularly monitors 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 with its 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 its operations.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The Shares were successfully listed on GEM of the Stock Exchange on 12 April 2016. There has been no change in the capital structure of the Group since then. As at 31 March 2017, the Company's issued and fully paid capital and total equity attributable to equity holders of the Company amounted to approximately HK\$12,480,000 and HK\$106,361,000 respectively.

COMMITMENTS

As at 31 March 2017, there was no capital commitment for the Group (31 March 2016: HK\$Nil).

CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have any material contingent liabilities (31 March 2016: HK\$Nil).

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS" and "USE OF PROCEEDS OBTAINED FROM THE PLACING AND CHANGE IN USE OF PROCEEDS" in this report, the Group did not have any significant investments, acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Period and the Group did not have other plans for material investments or capital assets.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong Dollars and United States Dollars. Since United States Dollars is linked to Hong Kong Dollars at the rate of United States Dollars 1 to Hong Kong Dollars 7.80, the Directors therefore consider the impact of foreign exchange exposure to the Group is minimal.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OVER GROUP'S ASSETS

As at 31 March 2017, the Group had general banking facilities amounted to HK\$55,585,000.

As at 31 March 2017, the bank overdraft facility of HK\$6,000,000 and the term loan facility of HK\$5,585,000 were secured by pledge of the land and building of the Group with carrying amount of approximately HK\$802,000 (31 March 2016: approximately HK\$883,000) and a corporate guarantee of a maximum amount of HK\$12,000,000 given by the Company. The invoice discounting/factoring facility of HK\$34,000,000 was secured by corporate guarantee given by the Company and a charge over receivables and proceeds on one of the customers with carrying amount of approximately HK\$49,511,000 (31 March 2016: HK\$Nil) and retention money receivables of approximately HK\$8,766,000 (31 March 2016: HK\$Nil) together with related rights, title and interests under relevant construction contracts whilst the banking facility with a combined limit of HK\$10,000,000 (which consist of bank overdraft facility of HK\$3,000,000 and/or a clean import loan of HK\$10,000,000 and/or advance to manufacturer against sales contract of HK\$10,000,000) was secured by investment in a life insurance policy with sum insured of US\$968,000 (equivalent to approximately HK\$7,522,000) with carrying amount of approximately HK\$3,020,000 (31 March 2016: HK\$Nil), a deposit of HK\$1,300,000 (31 March 2016: HK\$Nil) and a corporate guarantee given by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group had approximately 228 employees (31 March 2016: 230 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK\$100,082,000 for the Reporting Period (31 March 2016: approximately HK\$67,942,000). 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 the Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group has also adopted an annual review system to assess the performance of its staff, which forms the basis of its decisions with respect to salary raises and promotions.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (2016: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives set out in the prospectus of the Company dated 31 March 2016 (the "Prospectus") with the Group's actual business progress for the period from 12 April 2016 (the "Listing Date") to 31 March 2017 is set out below:

Business objectives up to 31 March 2017

Acquisition of additional site equipment

- Purchase three hydraulic truck cranes, three motor vehicles and three generators for the Group's projects
- Evaluate the effectiveness and efficiency of site equipment and obtain quotation for new site equipment

Further strengthening the Group's manpower

- Recruit three crane operators, two engineers, one project manager, one foreman and one administrative staff
- Continue to assess the sufficiency of the Group's labour resources and provide training to existing and newly recruited staff and/or sponsor its staff to attend training courses

Actual Business Progress up to 31 March 2017

The Group purchased four hydraulic truck cranes, three motor vehicles and three generators for use in its projects ^(Note)

The Group will continue monitoring the effectiveness and efficiency of the site equipment on hand

The Group recruited three crane operators, two engineers, one project manager, one foreman and one administrative staff to cope with the business development

The Group will continue to assess the sufficiency of its labour resources and has sponsored existing and newly recruited staff to attend various training courses organised by third parties

Note: The Group refers 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 the Group more efficiently and enhance the flexibility of the Group and is in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS OBTAINED FROM THE PLACING AND CHANGE IN USE OF PROCEEDS

The net proceeds from the Placing, after deducting listing related expenses, were approximately HK\$35.7 million. An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2017 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 31 March 2017	Actual use of net proceeds up to 31 March 2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Acquisition of additional site equipment	17.3	17.3
Further strengthening the Group's manpower	6.8	3.3
Repayment of bank loans and finance lease	6.8	6.8
General working capital of the Group	3.3	3.3

The Group refers to the announcement of the Company dated 14 June 2017 regarding a change in use of proceeds for the period from 1 April 2017 to 30 September 2017. The Board has resolved to change the use of net proceeds from the Placing by acquiring two excavators instead of one air compressor and one excavator. In October 2016, the Board assessed the needs for each project and had decided to use the Group's internal resources to purchase an air compressor to address such needs. Therefore, the Board considers that purchasing an additional air compressor with the listing proceeds would not be efficient and effective at this stage. The Board has considered the listing proceeds to be better utilised with the purchase of an additional excavator to replace an existing excavator which has broken down and would be costly to repair. Having considered the above reasons, the Board has decided to purchase two excavators with the listing proceeds of approximately HK\$0.7 million, which is allocated for use from 1 April 2017 to 30 September 2017.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Che Kwo (黃智果先生), aged 58, is the co-founder of the 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 the Group. He is one of the Group's controlling Shareholders (as defined in the GEM Listing Rules) (the "Controlling Shareholder") 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 the 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 59, is the co-founder of the 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 the Group's business and operations and monitoring occupational health, safety and environmental compliance. He is one of the Group's Controlling Shareholders and also a director of Hop Fung, Luen Hing and Super Pioneer.

He has over 20 years of experience in civil engineering construction industry in Hong Kong. Prior to joining the 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. CHIU Chi Wang (趙智宏先生), aged 33, is an executive Director. He joined the 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 the Group. Prior to joining the 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 had also completed a Higher Diploma in Civil Engineering In February 2017, which is a part-time course provided by the Vocational Training Council in Hong Kong. He is the son-in-law of Mr. Wong Che Kwo who is an executive Director and the Chairman of the 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 31, is an independent non-executive Director. He has over 6 years of experience in auditing and accounting. He has served as financial controller in a private company primarily responsible for the financial and accounting matters, since June 2017. From March 2016 to June 2017, he worked as an assistant financial controller in a company principally engaged in provision of financial public relations services. 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 47, is an independent non-executive Director. He has more than 20 years of experience in finance and accounting.

Mr. Liu's previous working experience primarily includes:

Name of companies	Principal business activity	Position	Period of service
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. He is also an executive Director of Asia Resources Holdings Limited (Stock Code: 899), a company listed on the main board of the Stock Exchange.

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

Mr. TAI Hin Henry (戴騫先生), aged 31, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 28, is the financial controller of the Group. She joined the Group in August 2015 and is responsible for overseeing the financial operations of the 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 the Group, from December 2010 to March 2015, she worked at Wong Brothers & Co., a certified public accounting firm.

Mr. LO Shek Kwong (羅錫光先生), aged 65, is a quantity surveyor manager of the 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 the Group's projects. He first joined the Group as a quantity surveyor manager in June 2005. In January 2007, he left the Group and joined Leighton-China State-John Holland Joint Venture as a quantity surveyor manager until he re-joined the Group in May 2009 as a quantity surveyor manager. Prior to joining the 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.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Ka Chun Jeffery (王嘉俊先生), aged 40, is a construction manager of the Group. He has over 16 years of experience in civil engineering construction industry in Hong Kong. He joined the Group as an engineer in June 2004 and was promoted to a site agent in September 2009 and was further promoted to construction manager in April 2017. He is primarily responsible for overseeing execution of daily management of site operations of the Group. Prior to joining the 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 34, was appointed as the company secretary of the Company on 24 March 2016. He has more than 10 years of experience in auditing and finance. He has served as the company secretary of a company listed on the Main Board of the Stock Exchange from December 2014 to May 2016. From September 2006 to August 2014, he worked in 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 the Group recognise the significance of sound corporate governance to the long-term and continuing development of the 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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 15 of the GEM Listing Rules. 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 Code.

Under code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. 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 the 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 the 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 Code, which include:

- (a) to develop and review the 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 the 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 the Group's compliance with the Code and disclosure in the corporate governance report.

Composition of the Board

As at the date of this report, the Board comprise six Directors, including three executive Directors and three independent non-executive Directors (the "INEDs"). In particular, the composition of the Board during the Reporting Period and up to the date of this report is set out as follow:

Executive Directors

Mr. Wong Che Kwo
Mr. Wong Wing Wah
Mr. Wong Tak Ming (Resigned on 16 March 2017)
Mr. Chiu Chi Wang

INEDs

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

Mr. Wong Tak Ming ("Mr. T.M. Wong") resigned as executive director of the Company with effect from 16 March 2017 to pursue other business opportunities. Mr. T.M. Wong has confirmed that there is no disagreement with the Board and the reasons for his resignation do not relate to the affairs of the Company.

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.

CORPORATE GOVERNANCE REPORT

Pursuant to the code provision A.5.6 of the 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 the 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.

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 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 the 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 the Group.

BOARD MEETINGS

Pursuant to Code Provision A.1.1 of the 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.

CORPORATE GOVERNANCE REPORT

Since the Listing Date and up to the Reporting Period, five board meetings were held and the attendance records are as follows:

Name of Director	Meetings attended/ Eligible to attend
Executive Directors	
Mr. Wong Che Kwo	5/5
Mr. Wong Wing Wah	5/5
Mr. Wong Tak Ming (Resigned on 16 March 2017)	4/5
Mr. Chiu Chi Wang	5/5
INEDs	
Mr. Liu Yan Chee James	5/5
Mr. Tai Hin Henry	5/5
Mr. Wong Chi Kan	5/5

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.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has established its nomination committee. 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 the 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 INEDs 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.

CORPORATE GOVERNANCE REPORT

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. Wong Wing Wah and Mr. Tai Hin Henry 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The 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 Code, the 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 the 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 Code, during the Reporting Period, all Directors had participated in continuous professional development in the following manner:

Directors	Reading materials regarding regulatory update and corporate governance matters	Attending in-house training/seminars arranged by the professional organisations
Executive Directors		
Mr. Wong Che Kwo	√	√
Mr. Wong Wing Wah	√	√
Mr. Wong Tak Ming (resigned on 16 March 2017)	√	√
Mr. Chiu Chi Wang	√	√
INEDs		
Mr. Liu Yan Chee James	√	√
Mr. Tai Hin Henry	√	√
Mr. Wong Chi Kan	√	√

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Group has established three committees, namely audit committee, remuneration committee and nomination committee 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 the Group's website (www.luenwong.hk) and the website of the Stock Exchange.

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 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 INEDs. 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 the 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 auditor, and to approve and review the remuneration and terms of engagement of the external auditor;
- (b) to review and monitor the external auditor's 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 auditor 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 the Group to ensure that the management of the Group has performed its duty to have an effective internal control system; and
- (f) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board and monitor the Group's policies and practices on compliance with legal and regulatory requirements.

CORPORATE GOVERNANCE REPORT

The members of the audit committee should meet at least four times a year. The individual attendance record of each member of the audit committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Liu Yan Chee James (<i>Chairman</i>)	4/4
Mr. Wong Chi Kan	4/4
Mr. Tai Hin Henry	4/4

During the Reporting Period, the audit committee had reviewed the Group's unaudited first quarterly results for the three months ended 30 June 2016, unaudited interim results for the six months ended 30 September 2016 and the unaudited third quarterly results for the nine months ended 31 December 2016, and discussed about the internal controls and financial reporting matters of the Group. The audit committee had also reviewed audited annual results in respect of the year ended 31 March 2017, and confirmed that this report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditor during the year ended 31 March 2017.

The Board is of the view that the audit committee had properly discharged its duties and responsibilities from the Listing Date and up to the date of this report.

REMUNERATION COMMITTEE

A remuneration committee has been established with its terms of reference in compliance with paragraph B.1.2 of the 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 INEDs. 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 the 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;

CORPORATE GOVERNANCE REPORT

- (d) to determine, with delegated responsibility or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the 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 the 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. The individual attendance record of each member of the remuneration committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Wong Chi Kan (<i>Chairman</i>)	1/1
Mr. Wong Wing Wah	1/1
Mr. Liu Yan Chee James	1/1

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the remuneration committee. Details of the Directors' emolument are set out in note 12 to the consolidated financial statements.

The Board is of the view that the remuneration committee had properly discharged its duties and responsibilities from the Listing Date and up to the date of this report.

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE REPORT

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 the 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 INEDs and review the INEDs' 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 the Group; and
- (g) regularly review the contribution required from a Director to perform his/her responsibilities to the Group, and whether he/she is spending sufficient time performing them.

The members of the nomination committee should meet at least once a year. The individual attendance record of each member of the nomination committee is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Wong Che Kwo (<i>Chairman</i>)	1/1
Mr. Wong Chi Kan	1/1
Mr. Tai Hin Henry	1/1

The Board is of the view that the nomination committee had properly discharged its duties and responsibilities from the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

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

For the Reporting Period, the remuneration paid or payable to the external auditor of the Company, Grant Thornton (Hong Kong) Limited in respect of the audit services and non-audit services for the Group is as follows:

	Fees paid/payable for services rendered	
	2017 HK\$'000	2016 HK\$'000
Audit services	600	450
Non-audit services for review of disclosure of the Group's quarterly reports and interim report	150	–
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. 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 the Group, was appointed as the compliance officer of the Company. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the Shareholders and the assets of the Company.

The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavours to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.
2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.
3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The risk management framework, coupled with the Group's internal controls, ensures the risk associated with the Group's different business units are effectively controlled in line with the Group's risk appetite.

The Group does not have an internal audit department. The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

The Group engaged an external consultant, CT Partners Consultants Limited, for internal control to conduct review on the internal control system of the Group during the Reporting Period. The review covers certain procedures on the civil engineering works undertaken by the Group, and make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequacies of resources, staff qualifications and experience training programs and budget of accounting and financial reporting function and the Board concluded that the Group's risk management and internal control systems were in place and effective.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the 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 2017, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the 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.

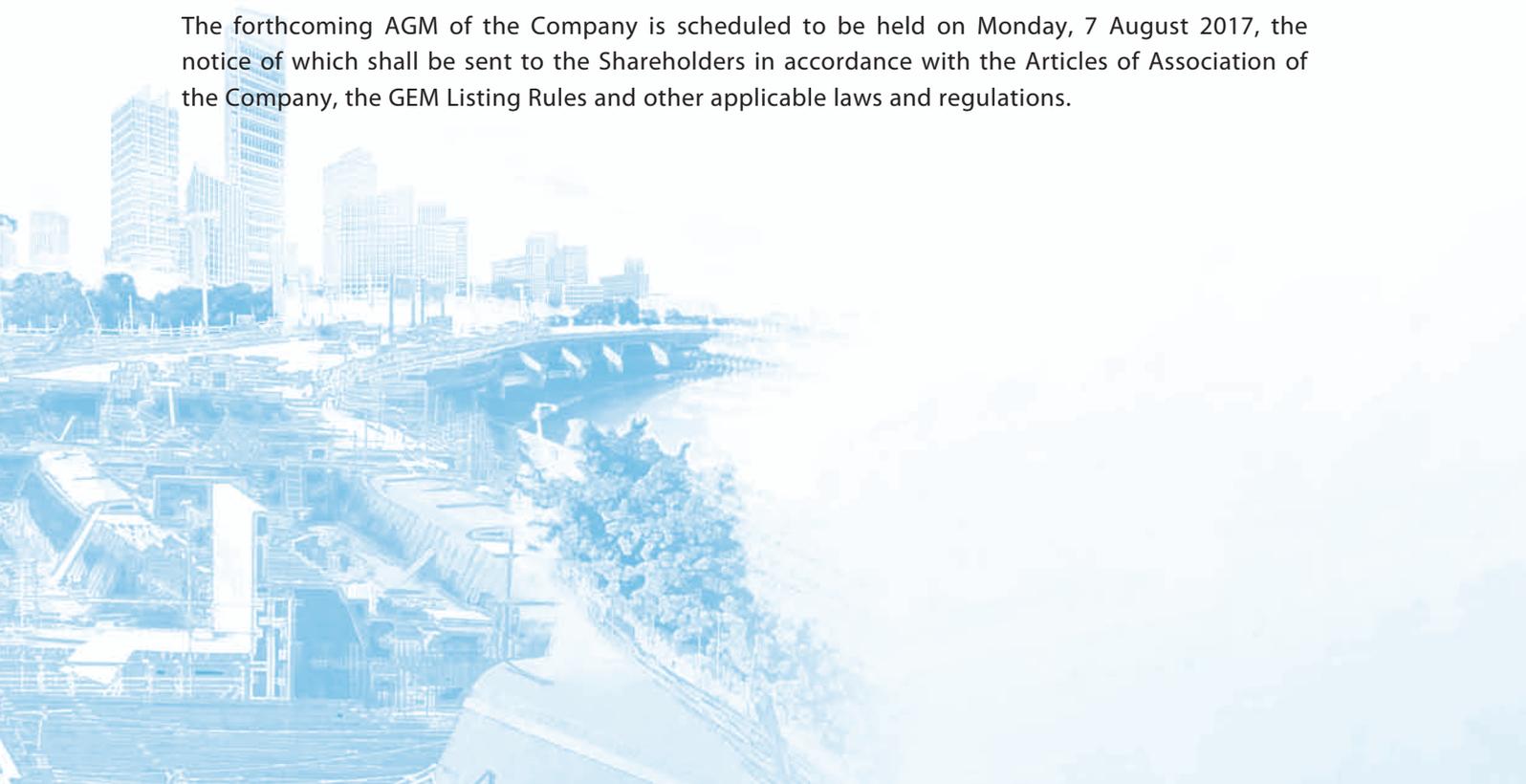
The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report of the external auditor, Grant Thornton Hong Kong Limited, including their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 50 to 54 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 the Group, and its future developments.

At the AGM, the Directors (including the INEDs) are available to address questions raised by the Shareholders. The external auditor of the Company are also invited to be present at the AGM to address the queries of the Shareholders concerning the audit procedures and the auditor's report.

The forthcoming AGM of the Company is scheduled to be held on Monday, 7 August 2017, 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 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 to convene such meeting 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.

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 of the Company. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

CORPORATE GOVERNANCE REPORT

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 and meetings with investors and Shareholders. News update of the 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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This is the first year for Luen Wong Group Holdings Limited and its subsidiaries (the “Group”) to prepare the Environmental, Social and Governance Report. It discloses the Group’s performance on Environmental, Social and Governance (“ESG”) focusing on the accomplishments over the period between 1 April 2016 and 31 March 2017 (“the year”).

Unless otherwise stated, this report covers the Group’s major operations of undertaking civil engineering works in Hong Kong as a subcontractor. Major operating subsidiaries of the Group, namely Luen Hing Construction and Eng. Limited and Hop Fung Construction and Engineering Company Limited are covered in this report.

The report is in compliance with the Environmental, Social and Governance Reporting Guide in Appendix 20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX ESG Reporting Guide”).

The Group commits to fully integrating corporate social and environmental well-being into various aspects of daily operations of the business. For achieving sustainable development, the Group also promotes environmental protection, makes positive contribution and creates long-term value in the communities. During the year under review, the Group committed to a high standard of corporate social responsibility and strictly complied with the requirements of relevant laws and regulations on ESG reporting.

ENVIRONMENTAL

The Group considers environmental protection as an essential component of a sustainable and responsible business. The Group targets to minimise its adverse impact on the environment through enhancing operational efficiencies and implementing eco-friendly measures.

The Group generates various wastes and emissions to the environment through its principal business. To minimise the environmental impacts concerning the Group’s activities, products and services, the Group shall identify the environmental impacts associated with its activities and set target to continually improve its environmental performance and minimise any potential negative impacts. Apart from that, the Group is fully committed to ensuring compliance with the relevant laws and regularly reviewing its business practices to identify ways to enhance sustainability and integrate industry best practices into its operations and services.

To comply with applicable environmental protection laws, the Group had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004. Apart from that, the Group has also established environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both the Group’s employees and workers of the subcontractors on air pollution, noise control and waste disposal.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. Emissions

The Group is principally engaged in civil engineering works in Hong Kong as a subcontractor. The Group's civil engineering works are mainly concerned with roads and drainage works, structural works and site formation works. There are multiple sources of emissions generated from the Group's business operations.

In an effort to comply with the Air Pollution Control Ordinance, the Group works to minimise greenhouse gas ("GHG") emissions. To further improve fuel efficiency and reduce GHG emissions, regular maintenance of the construction plants and equipment are conducted. Over the years, the Group has gradually phased the pre-Euro IV diesel commercial vehicles out and replaced them with Euro V or Euro VI models in order to improve roadside air quality and better public health protection.

The Group also applies good construction site management to reduce other environmental impacts such as dust emissions and wastewater discharges. To suppress dust from excavation and during transportation, numerous measures are applied, for instance, water sprays, dust curtains and covers.

In addition, the Group has put continuous effort on devising the waste disposal handling system. The Group strictly complies with the Water Pollution Control Ordinance that prohibiting the discharge of polluted waters into storm water drains. Any wastewater generated is collected and processed carefully according to environmental guidelines from main contractors.

As at 31 March 2017, the Group was not aware of any material non-compliance cases that have a significant impact to the Group relating to environmental laws and regulations.

II. Use of Resources

The Group's commitment to protect the environment is well reflected by its continuous efforts in promoting green practices and awareness in all business operations and contribute to the sustainable development of the environment. The Group aims to reduce operating costs as well as carbon footprint simultaneously. The Group is committed to a series of use of resource procedures to fully utilise and recycle resources in daily business operations, and they are:

- Encouraging workers to switch off idle plants and machinery to avoid energy wastage;
- Deploying energy-efficient devices which carry Energy Label issued by the Electrical and Mechanical Services Department;
- Placing green plants in the office to help improving the indoor air quality; and
- Minimising the use of paper. Single-sided paper can be used as notepads and reusing envelopes and folders. The Group has also put a single-sided paper collection box and a waste paper recycling box near the photocopiers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Environmental and Natural Resources

The Group seeks to work towards environmental best practice. This involves giving careful consideration to various operational aspects and activities within the value chain to minimise any environmental impact. The Group encourages a waste management hierarchy that prioritises avoidance, reduction, reuse and recycling over disposal. The Group's project teams carefully plan work programmes to avoid over-ordering of materials in hope of minimising waste disposal to the landfill.

In addition, the Group separates inert and non-inert materials for reuse/ disposal purposes. Excavated materials from construction sites are sorted, segregated and reused as much as possible. In particular, reusable metal formwork is encouraged to be applied at site in order to reduce material consumption such as wood.

As the Group recognises the importance of maintaining a green environment, environmental knowledge and practical tips for green living are regularly circulated amongst employees to achieve environmental sustainability. For instance, the paper used in the Group's daily operations was certified to be in compliance with the standard required under ISO 9001 and ISO 14001.

SOCIAL

I. Employment and Labour Practices

Employment and Labour Standards

Employees are regarded as the greatest and most valuable assets and core competitive advantage of the Group and also provides driving force for the continuous innovation of the Group.

According to the Provision on the Prohibition of Using Child Labour, all newly employed staff will be carefully checked for their identities prior to starting employment in a way to ensure the Group would not employ any child labour.

The Group is fully committed to comply with the equal opportunities legislations including but not limited to the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Crimination Ordinance, and does not engage in any forced or child labour.

The Group's practices and policies such as employment terms and conditions, employee benefits and staff personal conduct are enclosed in their employment contract and the Group's Staff Handbook, which is readily accessible to all employees.

The Group recognises and rewards performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and providing opportunities within the Group for career advancement. For example, the Group has offered lunch boxes and shuttle bus services for those who work in remote area during the year. Simultaneously, employees are also encouraged to discuss their targets in job advancement and career development with their senior management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 March 2017, the Group was not aware of any non-compliance with laws and regulations that have a significant impact to the Group relating to employment and labour practices. Nor the Group identified any incidents that have a significant impact to the Group relating to the use of child or forced labour.

Employee Health and Safety

The Group has recognised the importance of maintaining a safe, effective and congenial work environment and policies, to provide sufficient protection to all of its staff. To safeguard employees' occupational health and safety, the Group has complied with the relevant laws and regulations including, but not limited to the Employment Ordinance and the Occupational Safety and Health Ordinance, Laws of Hong Kong.

The Group works to provide a safe and healthy working environment by putting various occupational health and safety measures in place and regularly perform checks on the work environment and staff facilities. The Group's site safety officers shall ensure site safety inspections are carried out on a regular basis and any findings in major breaches and unsafe conditions are promptly rectified. Site safety officers are also responsible to constantly raise staff awareness on safety matters through occupational health and safety training and safety workshops.

Under the requirement of ISO 14001:2004, the Group has also set up Site Safety and Environmental Committee. The committee is comprised of representatives from the Group's main contractors, subcontractors and the Group, and the Group holds operating meetings frequently to review and refine its health, safety and environmental policies.

As at 31 March 2017, the Group was not aware of any non-compliance with laws and regulations that have a significant impact to the Group relating to occupational health and safety.

Development and Training

The Group understood that human capital has played a substantial part in its business. Hence, the Group highly welcome the Group's staff to suggest and apply relevant training and development programmes which will be beneficial to their career growth. By providing these training, the Group is hoping that all the Group's staff members are continuously developing their skills set and improving their work performance.

The Group strives to actualise the full potential of its employees through on-the-job training, professional skills training and managerial training. In daily operations, the Group provides on-the-job training for new employees. Senior employees will act as mentors to guide the newcomers. Such arrangements can enhance their communication and team spirit, also improve their technical skills and managerial capabilities as well as encourage learning and further development of employees at all levels.

To continuously attract new talent, the Group provides education subsidies to encourage staff in further developing their skills and broaden their knowledge. The Group also updates employees on the latest information of the industry, relevant laws and regulations from time to time to maintain their professional competence to be fit and proper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year, the Group's staff and directors have taken part in a series of training programmes, which include but is not limited to:

- High Diploma in Civil Engineering;
- Site Hygiene and Environment;
- Factories and Industrial Undertakings (Confined Spaces); and
- Role of Company Director Seminar, Overview of Legal and Regulatory Framework.

II. Operating Practices

Supply Chain Management

The Group has been continuously optimising and improving the supplier/subcontractor management system, regulating the access, supervision, evaluation and departure of suppliers and subcontractors, constantly increasing specialisation and transparency of supply chain management. For the selection of suppliers and subcontractors, the Group's major considerations are the quality, completion status, prompt delivery and service support. Further, the Group also considers whether its suppliers and subcontractors follow the environmental requirements from the Environmental Protection Department. After gathering the necessary information, the Group will obtain quotations from three suppliers/subcontractors and choose the best option among them.

The Group carefully selects qualified suppliers and subcontractors to ensure that the entire production process is in line with the Group's standards and rules by conducting assessments regularly to review the performance of its suppliers and subcontractors and terminate collaboration with unqualified suppliers and subcontractors.

Service Responsibility

The Group's project teams focus on achieving quality and efficiency throughout the construction process. From material procurement, testing on materials, construction to completion, stringent quality assurance and control procedures are applied from start to end. The Group's in-house dedicated experts monitor and control quality, time and cost to help ensure effective planning, design and construction from inception to completion.

On the other hand, the Group aims to achieve high standards with all the services provided and builds close relationships with customers. To promptly respond to the needs of customers, the Group has arranged sufficient channels and staff to handle customers' queries and provide solutions to problems as soon as possible. In the long run, follow-up actions are undertaken by dedicated teams to enhance service quality.

Customer data privacy is dealt seriously across the Group by all means. All customer data collected are treated as strictly confidential and handled with due care, accessible only by designated personnel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 March 2017, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact to the Group concerning service responsibility and data privacy.

Anti-Corruption

The Group adheres to stringent anti-corruption policies and procurement practices as stated in the Group's Staff Handbook and Internal Control Manual that outlines conflicts of interest, intellectual property rights, privacy and confidentiality of information, bribery and corruption and equal opportunities.

The Group does not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of its business operations. Hence, the Group has issued relevant whistle-blowing procedures in setting up a separated channel on reporting suspicious fraudulent actions to its management directly.

The Group is fully committed to complying with local and national legislation on standards of conduct, such as the Prevention of Bribery Ordinance in Hong Kong.

As at 31 March 2017, the Group was not aware of any breach of laws and regulations that have a significant impact to the Group relating to anti-corruption.

III. Community Involvement

With social responsibility in mind, the Group is in hope of expanding its efforts in the area of charity network by creating a better living environment for the local community, the Group is committed to continuously providing sponsorships and donations to various charitable organisations in the coming years.

FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

In the future, the Group will:

- Search for energy-saving and environmentally-friendly equipment and materials for daily operations;
- Formulate policies to promote awareness and practices on resource usage reduction, waste reduction and energy conservation; and
- Proactively participate in various community programs and contribute to society.

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 the Group.

Details of the Reorganisation are set out in the 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

The 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 the Group's principal activities during the Reporting Period.

BUSINESS REVIEW

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

PRINCIPAL RISK AND UNCERTAINTIES

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

- (i) A significant portion of the Group's revenue was derived from a small number of customers. The five largest customers' revenue contribution for the Reporting Period was 100% (31 March 2016: 98.3%) of the total revenue, while the largest customer accounted for approximately 84.5% during the Reporting Period (31 March 2016: 45.0%). There is no assurance that the Group will be able to retain its customers upon expiry of the contract period and to obtain suitable projects of a comparable size and quantity as replacement, failing to do so will have a material impact on the Group's financial conditions and operating results;

DIRECTORS' REPORT

- (ii) Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss;
- (iii) If net cash outflows to pay certain operating expenditures do not align with progress payments to be received at any particular period of time, the Group's cash flow position may be adversely affected;
- (iv) The Group's success is attributable to the contribution of, among others, its senior management personnel and in-house professional. The Group relies on the professional knowledge, experience and expertise of senior management and in-house professional to facilitate the formulation of competitive tenders and in deciding the best suitable construction methodology in order to carry out project works in an efficient manner while being able to meet customers' demand. Fail to hire in a timely manner and to retain suitable, skilled and qualified senior management personnel and in-house professional to meet construction needs could adversely impact business, results of operation and profitability of the Group; and
- (v) The Group's operations are conducted outdoors and are affected by weather conditions. If the Group has to halt operations during inclement weather conditions or a natural disaster, the Group may continue to incur operating expenses while the Group experiences reduced revenues and profitability, revenue, costs, financial conditions and growth potentials of the Group will be adversely affected.

ENVIRONMENTAL POLICY

The 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 the 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, the Group 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 customers, the Group has also established environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both the Group's employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal.

DIRECTORS' REPORT

During the Reporting Period, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on page 55 of this report.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Period (2016: HK\$Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on Monday, 7 August 2017 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, 2 August 2017 to Monday, 7 August 2017, 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, 1 August 2017.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the 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 27 to the consolidated financial statements of this report.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2017, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK\$18,988,000.

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 the 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 the Group and to promote the success of the businesses of the 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:

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 INEDs or any of their respective associates (including a discretionary trust whose discretionary objects include substantial Shareholders, INEDs, 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 2017.

DIRECTORS' REPORT

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

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.

KEY RELATIONSHIPS

Employees

The Group recognises employees as valuable assets. The Group provides competitive remuneration packages to attract, motivate and retain appropriate and suitable personnel to serve the Group. The Group has also adopted an annual review system to assess the performance of its staff, which forms the basis of its decisions with respect to salary raises and promotions.

Customers

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

Suppliers and subcontractors

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

Subject to capacity, resources level, types of civil engineering works, cost effectiveness, complexity of the projects and customers' requirement, the Group may subcontract works to other subcontractors. The Group maintains an internal list of approved subcontractors and carefully evaluates the performance of subcontractors and selects 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, the largest customer accounted for approximately 84.5% (2016: 45.0%) of the Group's total revenue, while the percentage of the Group's total revenue attributable to the five largest customers in aggregate was approximately 100.0% (2016: 98.3%).

For the Reporting Period, the largest supplier accounted for approximately 66.7% (2016: 41.4%) of the Group's total purchases incurred (excluding subcontracting charges incurred), while the percentage of the Group's total purchases incurred (excluding subcontracting charges incurred) attributable to the five largest suppliers in aggregate was approximately 81.8% (2016: 66.1%).

DIRECTORS' REPORT

For the Reporting Period, the largest subcontractor amounted to approximately 23.6% (2016: 19.0%) of the Group's total subcontracting charges incurred, while the percentage of the Group's subcontracting charges incurred attributable to the five largest subcontractors in aggregate was approximately 57.7% (2016: 53.1%).

None of the Directors or any Shareholders and their close associates 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 2017.

DIRECTORS

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

Executive Directors

Mr. Wong Che Kwo (*Chairman*)
Mr. Wong Wing Wah (*Chief Executive Officer*)
Mr. Wong Tak Ming (resigned on 16 March 2017)
Mr. Chiu Chi Wang

INEDs

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

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 INEDs.

DIRECTORS' REPORT

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 INEDs 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 the Group within one year without payment compensation, other than the statutory compensation.

INDEMNITY OF DIRECTORS

Starting from 25 April 2016, the Company has maintained appropriate directors and officers liability insurance and as at the date of this report, 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 the Group in relation to the Listing and save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected 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 the 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 the Group are set out in note 12 to the consolidated financial statements in this report.

DIRECTORS' 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 the Group and the performance of the Group. The Directors may also receive options to be granted under the Share Option Scheme.

COMPETING INTERESTS

Save as disclosed below, 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 the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period and up to the date of this report.

Name of Director	Name of entity which is considered to compete or likely to compete with the business of the Group	Description of business	Nature of interests
Mr. Liu Yan Chee James	Asia Resources Holdings Limited (Stock code: 0899)	Principally engaged in iron mining business; securities and gold trading; and property investments	Executive director (appointed on 26 April 2017)

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 the 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.

The Company has received an annual declaration from each of the Controlling Shareholders confirming that he/she/it has complied with the non-competition undertakings provided to the Company under the said deed of non-competition during the Reporting Period. The INEDs have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied for the Reporting Period.

DIRECTORS' REPORT

DISCLOSURE OF INTERESTS

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

As at 31 March 2017, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares

<u>Name of Director</u>	<u>Capacity/Nature</u>	<u>Number of Shares held/ interested</u>	<u>Percentage of shareholding</u>
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%

Note: These shares are held by Blooming Union Investments Limited ("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.

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

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

DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2017, none of the Directors nor chief executive of the Company has registered an interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2017, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), had 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 Shareholder	Capacity/Nature	Number of Shares held/ interested	Percentage of shareholding
Blooming Union	Beneficial owner	936,000,000	75%
Law Oi Ling	Interest of spouse (Note 1)	936,000,000	75%
Lai Siu Kuen	Interest of spouse (Note 2)	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, interest in all Shares in which, Mr. Wong Wing Wah is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2017 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' REPORT

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.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed TC Capital International Limited as the Group's compliance adviser, which will provide advice and guidance to the 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 the compliance adviser dated 31 March 2016, neither the compliance adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Group are set out in note 32 to the consolidated financial statements to this report.

The related party transactions do not constitute connected transactions of the Company for the 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 18 to 31 of this 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.

DIRECTORS' REPORT

DONATIONS

During the Reporting Period, the Group did not make charitable and other donations (2016: HK\$Nil).

AUDITOR

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 auditor of the Company will be proposed at the forthcoming AGM. There is no change in auditor 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 the 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

Save as disclosed in this report, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2017 and up to the date of this report.

Hong Kong, 26 June 2017

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

INDEPENDENT AUDITOR'S REPORT



To the members of Luen Wong Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Luen Wong Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 106, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for construction contracts	
<p>Refer to significant accounting policies in notes 2.7 and 2.14, sources of estimation uncertainty in note 4.1 and note 5 to the consolidated financial statements.</p> <p>The Group recognised costs and revenue from construction contracts amounted to approximately HK\$677,342,000 and HK\$735,330,000 respectively for the year ended 31 March 2017.</p> <p>The Group's revenue and costs of construction contracts are recognised by reference to the stage of completion of the construction contracts at the end of the reporting period with reference to the progress certificates issued by the customers. The stage of completion requires the management's estimation of the final outcome of the construction contracts. In addition, significant judgement is required in estimating the contract revenue, the contract costs and variation works which may have an impact on percentage of completion of the construction contracts and the corresponding profit margin.</p>	<p>Our audit procedures in relation to the construction contracts included the following:</p> <ul style="list-style-type: none"> • Understood the basis of estimation of the budgets through discussion with the project manager who is responsible for the budgeting of the construction contracts, and evaluated, on a sample basis, the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects; • Assessed and checked, on a sample basis, the accuracy of the budgeted construction revenue by agreeing to contract sum or variation orders as set out in the construction contracts or the agreements entered with customers; • Selected, on a sample basis, the construction contracts to examine project manager's budget of the cost components, such as cost of materials, subcontracting charges and labour costs, etc. We compared the budgeted construction costs to supporting documents including but not limited to invoices, quotations and rate of labour costs, etc.; • Checked, on a sample basis, the progress certificates issued by the customers and the actual costs incurred on construction works during the reporting period; • Re-calculated, on a sample basis, the percentage of completion based on the latest budgeted construction revenue with reference to the progress certificates issued by the customers and the budgeted costs; and re-calculated the profit margins; and • Evaluated the management's assessment on the stage of completion of the construction contracts, including the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred, the estimated costs to completion and provisions for loss making contracts and discussed with management and the respective project managers about the progress of the projects.

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

26 June 2017

Lam Yau Hing

Practising Certificate No.: P06622

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	5	735,330	315,004
Cost of sales		(677,342)	(289,268)
Gross profit		57,988	25,736
Other income	7	4,079	2,366
Administrative and other operating expenses		(23,642)	(15,474)
Profit from operations		38,425	12,628
Finance costs	8	(449)	(567)
Profit before income tax	9	37,976	12,061
Income tax expense	10	(7,427)	(3,670)
Profit for the year		30,549	8,391
Other comprehensive expense			
Item that will be reclassified subsequently to the profit or loss:			
Change in fair value of available-for-sale financial asset		(435)	–
Total comprehensive income for the year attributable to equity holders of the Company		30,114	8,391
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company			
Basic and diluted	14	2.46	0.81

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment property	15	–	–
Property, plant and equipment	16	37,557	13,700
Available-for-sale financial asset	18	3,020	–
		40,577	13,700
Current assets			
Amounts due from customers for contract work	19	26,554	20,200
Trade and other receivables	20	120,841	63,638
Cash and bank balances	21	22,956	13,826
		170,351	97,664
Current liabilities			
Trade and other payables	22	75,881	46,988
Amounts due to customers for contract work	19	16,369	19,747
Amounts due to directors	23	–	76
Obligations under finance leases	24	857	1,614
Bank loans and overdraft	25	4,667	9,615
Tax payable		1,675	2,577
		99,449	80,617
Net current assets		70,902	17,047
Total assets less current liabilities		111,479	30,747
Non-current liabilities			
Obligations under finance leases	24	937	2,215
Deferred tax liabilities	26	4,181	1,437
		5,118	3,652
Net assets		106,361	27,095
CAPITAL AND RESERVES			
Share capital	27	12,480	–
Reserves	28	93,881	27,095
Total equity attributable to equity holders of the Company		106,361	27,095

Wong Che Kwo
Director

Wong Wing Wah
Director

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Total equity attributable to equity holders of the Company						Total equity HK\$'000
	Share capital HK\$'000 (Note 27)	Share premium* HK\$'000 (Note 28)	Available-for-sale financial asset revaluation reserve* HK\$'000 (Note 28)	Other reserve* HK\$'000 (Note 28)	Capital reserve* HK\$'000 (Note 28)	Retained earnings* HK\$'000	
Balance as at 1 April 2015	-	-	-	-	3,820	4,484	8,304
Issuance of share capital upon incorporation	-	-	-	-	-	-	-
Increase in issuance of ordinary shares	-	-	-	-	-	-	-
Loan capitalisation	-	-	-	10,400	-	-	10,400
Transactions with equity holders	-	-	-	10,400	-	-	10,400
Profit and total comprehensive income for the year	-	-	-	-	-	8,391	8,391
Balance as at 31 March 2016 and 1 April 2016	-	-	-	10,400	3,820	12,875	27,095
Issuance of ordinary shares pursuant to the Placing	2,080	47,072	-	-	-	-	49,152
Issuance of ordinary shares pursuant to the Capitalisation Issue	10,400	(10,400)	-	-	-	-	-
Transactions with equity holders	12,480	36,672	-	-	-	-	49,152
Profit for the year	-	-	-	-	-	30,549	30,549
Other comprehensive expense:							
Change in fair value of available-for-sale financial asset	-	-	(435)	-	-	-	(435)
Total comprehensive income	-	-	(435)	-	-	30,549	30,114
Balance as at 31 March 2017	12,480	36,672	(435)	10,400	3,820	43,424	106,361

* The reserve accounts comprise the Group's reserves of HK\$93,881,000 (2016: HK\$27,095,000) in the consolidated statement of financial position.

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Profit before income tax		37,976	12,061
Adjustments for:			
Depreciation	9	4,983	3,099
Loss/(Gain) on disposal of property, plant and equipment	9	163	(191)
Gain on disposal of investment property	7	–	(1,792)
Finance costs	8	449	567
Policy charges of a life insurance policy		247	–
Interest income	7	(66)	–
Operating profit before working capital changes		43,752	13,744
Increase in trade and other receivables		(57,203)	(9,423)
Increase in amounts due from customers for contract work		(6,354)	(10,726)
Decrease in amount due from a director		–	523
Increase in trade and other payables		28,893	27,271
Decrease in amounts due to customers for contract work		(3,378)	(20,233)
(Decrease)/Increase in amounts due to directors		(76)	7,787
Cash generated from operating activities		5,634	8,943
Income taxes paid		(5,585)	–
<i>Net cash generated from operating activities</i>		49	8,943
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		18	509
Proceeds from disposal of investment property		–	12,700
Purchases of property, plant and equipment		(28,021)	(2,636)
Purchase of available-for-sale financial asset		(3,636)	–
Increase in pledged bank deposit		(1,300)	–
<i>Net cash (used in)/generated from investing activities</i>		(32,939)	10,573

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		54,080	–
Payment for share issuance expenses		(4,928)	–
Proceeds from new bank loans		5,585	–
Interest paid		(359)	(377)
Interest element of finance leases		(90)	(190)
Loan from a director		–	10,000
Repayment to a director		–	(10,000)
Repayments of bank loans		(5,987)	(8,389)
Repayments of capital element of finance leases		(3,035)	(1,698)
<i>Net cash generated from/(used in) financing activities</i>		45,266	(10,654)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		9,280	418
Cash and cash equivalents at the end of the year	21	21,656	9,280

The notes on pages 60 to 106 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 addresses 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 2017, 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 2017 were approved for issue by the board of directors on 26 June 2017.

1.2 Basis of presentation

Pursuant to a group reorganisation of the Company in connection with the listing of its shares on the Stock Exchange (the “Reorganisation”), 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.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2016 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 year ended 31 March 2016, or since their respective dates of incorporation/establishment, where it is a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements on pages 55 to 106 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 (“CO”) 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 and amended HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale financial asset which is stated at fair value.

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 2017

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 2017

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.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong Dollars. Assets and liabilities have been translated into Hong Kong Dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong Dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Investment property (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and available-for-sale financial asset. 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.

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

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.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Available-for-sale financial assets (Continued)

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the profit or loss, and other changes are recognised in other comprehensive income.

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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

i. Financial assets carried at amortised cost

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.

ii. Available-for-sale financial assets carried at fair value

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial liabilities (Continued)

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.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 assets, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Leases (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employee benefits (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Accounting for income taxes (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Related parties (Continued)

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual period beginning on 1 April 2016

In the current year, the Group has applied the following new and 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 2016:

Amendments to HKAS 1 HKFRSs (Amendments)	Disclosure Initiative Annual Improvements to HKFRSs 2012-2014 Cycle
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The adoption of these new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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 2016, and have not been early adopted by the Group:

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Lease ³
Amendments to HKFRS 7	Disclosure Initiative ¹

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ 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 amended 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.

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 notes 2.7 and 2.14, revenue recognition on a project is dependent on management's estimation of the final outcome of the construction contracts, with reference to the progress certificates issued by the customers. 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 maintain 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Sources of estimation uncertainty (Continued)

Construction contracts (Continued)

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 margin.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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.

(b) Major customers

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer 1	621,630	141,723
Customer 2	76,112	90,040
Customer 3	N/A (note)	35,035

Note:

The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year.

7. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	–	191
Gain on disposal of investment property	–	1,792
Interest income	66	–
Rental income	–	105
Sundry income	4,013	278
	4,079	2,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

8. FINANCE COSTS

	2017	2016
	HK\$'000	HK\$'000
Finance charges on obligations under finance leases	90	190
Interests on bank loans and overdrafts	359	297
Interest on loan from a director	–	80
	449	567

9. PROFIT BEFORE INCOME TAX

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

	2017	2016
	HK\$'000	HK\$'000
Auditor's remuneration		
– Audit services	657	561
– Non-audit services	150	–
Depreciation		
– own assets	4,555	1,549
– leased assets	428	1,318
Depreciation of investment property	–	232
Loss/(Gain) on disposal of property, plant and equipment, net	163	(191)
Gain on disposal of investment property	–	(1,792)
Site equipment rental costs (included in cost of sales)	60,092	39,301
Operating lease charges in respect of premises and office equipment	760	252
Rental income less direct outgoings	–	(78)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

	2017 HK\$'000	2016 HK\$'000
Current tax		
Hong Kong profits tax		
– Current year	4,723	2,577
– Over-provision in respect of prior year	(40)	–
	4,683	2,577
Deferred tax		
– Current year (note 26)	2,744	1,093
Income tax expense	7,427	3,670

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

	2017 HK\$'000	2016 HK\$'000
Profit before income tax	37,976	12,061
Tax on profit before income tax at 16.5% (2016: 16.5%)	6,266	1,990
Tax effects on:		
– Non-deductible expenses	677	1,827
– Non-taxable income	–	(132)
– Utilisation of previously unrecognised tax losses	–	(15)
– Tax losses not recognised	524	–
– Over-provision in respect of prior year	(40)	–
Income tax expense	7,427	3,670

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 HK\$'000	2016 HK\$'000
Salaries, wages and other benefits	96,992	65,469
Contributions to defined contribution retirement plan	3,090	2,473
	100,082	67,942
Add/(less): amount included in construction contracts in progress	4,752	(10,577)
	104,834	57,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 CO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	Directors' fees HK\$'000	Other emoluments			Total HK\$'000
		Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
Year ended 31 March 2017					
Executive directors					
Mr. Wong Che Kwo (note a)	-	1,440	2,000	18	3,458
Mr. Wong Wing Wah (note a)	-	1,440	2,000	18	3,458
Mr. Chiu Chi Wang (note b)	-	548	523	18	1,089
Mr. Wong Tak Ming (note b and d)	-	776	1,132	18	1,926
Independent non-executive directors					
Mr. Wong Chi Kan	116	-	-	-	116
Mr. Liu Yan Chee James	116	-	-	-	116
Mr. Tai Hin Henry	116	-	-	-	116
	348	4,204	5,655	72	10,279
Year ended 31 March 2016					
Executive directors					
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
Independent non-executive directors					
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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.
- (d) Resigned on 16 March 2017.

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 (2016: HK\$Nil). There were no directors have waived or agreed to waive any emoluments during the year (2016: HK\$Nil).

(b) Five highest paid individuals

The five highest paid individuals of the Group during the year include four directors (2016: three) whose emoluments are disclosed above. Details of the emoluments of the remaining one (2016: two) highest paid individuals are as follows:

	2017	2016
	HK\$'000	HK\$'000
Salaries, wages and other benefits	607	1,053
Discretionary bonuses	320	340
Contributions to defined contribution retirement plan	18	36
	945	1,429

The emoluments of the remaining one (2016: two) highest paid individuals are within the following bands:

	2017	2016
	Number of individuals	Number of individuals
HK\$Nil to HK\$1,000,000	1	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

13. DIVIDENDS

No dividend was declared or paid by the Group during the year to its equity holders (2016: HK\$Nil).

14. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the Company is based on the following:

	2017	2016
	HK\$'000	HK\$'000
Earnings		
Profit for the year attributable to equity holders of the Company	30,549	8,391
Number of shares	'000	'000
Weighted average number of ordinary shares	1,242,301	1,040,000

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 March 2017 includes (i) 10,000 ordinary shares in issue throughout the year; and (ii) the 1,039,990,000 new ordinary shares issued pursuant to the Capitalisation Issue (note 27 (iv)), as if all these shares had been in issue throughout the year ended 31 March 2017; and (iii) 202,301,000 shares, representing the weighted average of 208,000,000 new ordinary shares issued pursuant to the Placing (note 27(iii)).

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 March 2016 representing the number of ordinary shares of the Company immediately after the Capitalisation Issue (note 27(iv)), as if all these shares had been in issue throughout the year ended 31 March 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

15. INVESTMENT PROPERTY

	<i>HK\$'000</i>
Costs	
As at 1 April 2015	13,925
Disposal	(13,925)
	<hr/>
As at 31 March 2016, 1 April 2016 and 31 March 2017	<hr/> –
Accumulated depreciation	
As at 1 April 2015	2,785
Charge for the year	232
Written back on disposal	(3,017)
	<hr/>
As at 31 March 2016, 1 April 2016 and 31 March 2017	<hr/> –
Net book amount	
As at 31 March 2017	<hr/> –
As at 31 March 2016	<hr/> –



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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
As at 1 April 2015					
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
Year ended 31 March 2016					
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)
Closing net book amount	883	1,173	6,798	4,846	13,700
As at 31 March 2016 and 1 April 2016					
Cost	1,608	1,693	13,064	14,681	31,046
Accumulated depreciation	(725)	(520)	(6,266)	(9,835)	(17,346)
Net book amount	883	1,173	6,798	4,846	13,700
Year ended 31 March 2017					
Opening net book amount	883	1,173	6,798	4,846	13,700
Additions	–	123	25,430	3,468	29,021
Disposals	–	–	(65)	(116)	(181)
Charge for the year	(81)	(167)	(2,756)	(1,979)	(4,983)
Closing net book amount	802	1,129	29,407	6,219	37,557
As at 31 March 2017					
Cost	1,608	1,816	38,359	17,998	59,781
Accumulated depreciation	(806)	(687)	(8,952)	(11,779)	(22,224)
Net book value	802	1,129	29,407	6,219	37,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2017 and 2016, 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 25).

As at 31 March 2017, the Group's motor vehicles with net book amount of HK\$2,174,000 (2016: HK\$4,328,000) were held under finance leases (note 24).

17. INTEREST IN SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2017 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 Trading Limited ("Super Pioneer")	BVI	Limited liability company	5 ordinary shares of US\$1 each	100%# (2016: 100%#)	Investment holding
Luen Hing Construction & Eng. Limited ("Luen Hing")	Hong Kong	Limited liability company	9,280,000 ordinary shares	100% (2016: 100%)	Provision of civil engineering works
Hop Fung Construction & Engineering Company Limited ("Hop Fung")	Hong Kong	Limited liability company	4,940,000 ordinary shares	100% (2016: 100%)	Provision of civil engineering works

The issued capital of Super Pioneer was held by the Company directly.

18. AVAILABLE-FOR-SALE FINANCIAL ASSET

During the year ended 31 March 2017, the Group entered into a life insurance policy with an insurance company to insure Mr. Wong Wing Wah (the "Insured"), a director of the Company. The total sum insured is US\$968,000 (equivalent to approximately HK\$7,522,000). The Group is the policy holder and the beneficiary of the policy. The Group has paid an one-off premium of US\$468,000 (equivalent to approximately HK\$3,636,000). The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of termination. The cash value is determined by the premium payment plus accumulated interest earned minus the accumulated insurance policy charges and any full or partial surrender charge ("Cash Value").

The insurance premium is charged by the insurance company at 6% on one-off premium initially. In addition, a policy expense charge will be charged by the insurance company for the provision of the insurance benefits on the death of the insured at the range from 0.8512% to 29.7494% per annum throughout the policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. AVAILABLE-FOR-SALE FINANCIAL ASSET (Continued)

In addition, if the termination and withdrawal of the policy are made between the 1st to 18th policy years, there is a specified amount of surrender charge. The surrender charge in full or partial termination would be calculated based on the number of years the policy has been in force and charged at the range from 1.3% to 11.92% of the one-off premium. The insurance company will pay the Group an interest on the outstanding Cash Value of the policy at the prevailing interest rate fixed by the insurance company and a minimum guaranteed interest of 2% per annum is guaranteed by the insurance company.

The investment in a life insurance policy is denominated in United States dollars ("US\$") and the fair value is determined with reference to the Cash Value as provided by the insurance company.

As at 31 March 2017, the available-for-sale financial asset with carrying amount of HK\$3,020,000 (2016: HK\$Nil) was pledged to the bank as security of banking facilities granted to the Group.

19. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	1,021,851	562,807
Less: progress billings	(1,011,666)	(562,354)
	10,185	453
Recognised and included in the consolidated statement of financial position as:		
– Amounts due from customers for contract work	26,554	20,200
– Amounts due to customers for contract work	(16,369)	(19,747)
	10,185	453

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

20. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 <i>HK\$'000</i>
Trade receivables	80,203	35,861
Retention monies receivables	34,103	26,523
Other receivables, deposits and prepayments	6,535	1,254
	120,841	63,638

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
0 – 30 days	52,857	27,748
31 – 60 days	27,346	6,689
Over 90 days	–	1,424
	80,203	35,861

The Group usually grants customers a credit period of 45 days (2016: 45 days).

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 2017 (2016: HK\$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:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Neither past due nor impaired	80,203	31,907
Less than 30 days past due	–	2,530
31 – 60 days past due	–	745
61 – 90 days past due	–	500
Over 90 days past due	–	179
	80,203	35,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

20. TRADE AND OTHER RECEIVABLES (Continued)

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 2017, the retentions held by customers for contract works included in retention monies receivables under current assets of the Group was HK\$34,103,000 (2016: HK\$26,523,000), of which HK\$14,496,000 (2016: HK\$12,202,000) are expected to be recovered after more than one year.

As at 31 March 2017, trade receivables of HK\$49,511,000 (2016: HK\$Nil) and retention money receivables of HK\$8,766,000 (2016: HK\$Nil) together with related rights, title and interests under relevant construction contracts; and the available-for-sale financial asset of HK\$3,020,000 (2016: HK\$Nil) as set out in note 18 was pledged to a bank as security of banking facilities granted to the Group, such banking facilities also secured by the corporate guarantee given by the Company. None of such banking facilities has been utilised as at 31 March 2017 (2016: HK\$Nil).

21. CASH AND CASH EQUIVALENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cash and bank balances	21,656	13,826
Short-term pledged bank deposit	1,300	–
Cash and bank balances presented in the consolidated statement of financial position	22,956	13,826
Less: short-term pledged bank deposit	(1,300)	–
bank overdraft (note 25)	–	(4,546)
Cash and cash equivalents presented in the consolidated statement of cash flows	21,656	9,280

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

22. TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 <i>HK\$'000</i>
Trade payables	52,640	32,305
Retention monies payables	14,082	6,103
Accruals and other payables	9,159	8,580
	75,881	46,988

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

	2017 HK\$'000	2016 <i>HK\$'000</i>
0 – 30 days	39,563	19,597
31 – 60 days	12,032	12,288
61 – 90 days	1,006	420
Over 90 days	39	–
	52,640	32,305

The Group is granted by its suppliers a credit period ranging from 0 to 30 days (2016: 0 to 30 days).

As at 31 March 2017, the retentions held by the Group for contract works included in retention monies payables under current liabilities of the Group was HK\$14,082,000 (2016: HK\$6,103,000), of which HK\$5,651,000 (2016: HK\$2,384,000) are expected to be payable after more than one year.

23. AMOUNTS DUE TO DIRECTORS

Name of director	2017 HK\$'000	2016 <i>HK\$'000</i>
Mr. Wong Che Kwo	–	9
Mr. Wong Wing Wah	–	67
	–	76

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

24. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2017, the Group had obligations under finance leases repayable as follows:

	2017	2016
	HK\$'000	HK\$'000
Total minimum lease payments		
Within one year	916	1,747
After one year but within two years	661	1,516
After two years but within five years	306	782
	1,883	4,045
Future finance charges on finance leases	(89)	(216)
Present value of finance lease liabilities	1,794	3,829
Present value of minimum lease payments		
Within one year	857	1,614
After one year but within two years	636	1,451
After two years but within five years	301	764
	1,794	3,829

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 2017, one of the finance lease liabilities was secured by a corporate guarantee given by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

25. BANK LOANS AND OVERDRAFT

As at 31 March 2017, the secured bank loans and overdraft were repayable as follows:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Within one year or on demand	4,667	9,615

As at 31 March 2017, the bank loans and overdraft were secured as follow:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Secured term loans	4,667	5,069
Secured bank overdraft (note 21)	–	4,546
	4,667	9,615

As at 31 March 2017, the bank term loan bears interest on a floating basis. The effective interest rate of bank term loan was 3.45% (2016: 3.23% to 3.99%) 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% per annum.

As at 31 March 2016, 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, the bank term loan of HK\$3,263,000 was secured by the guarantee given by the Hong Kong Mortgage Corporation Limited and unlimited personal guarantees given by the Controlling Shareholders. Pursuant to the 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.

As at 31 March 2017, the bank term loan was secured by the land and building of the Group and a corporate guarantee given by the Company.

As at 31 March 2017 and 2016, the bank term loans were classified as current liabilities because the corresponding loan agreements include a clause that the bank has 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 2017

26. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% (2016: 16.5%) in Hong Kong.

The movements in deferred tax liabilities during the year are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At the beginning of the year	1,437	344
Charged to the profit or loss (note 10)	2,744	1,093
At the end of the year	4,181	1,437

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

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2015	1,087	(743)	344
Charged to the profit or loss (note 10)	350	743	1,093
As at 31 March 2016 and 1 April 2016	1,437	–	1,437
Charged to the profit or loss (note 10)	2,744	–	2,744
As at 31 March 2017	4,181	–	4,181

No deferred tax asset has been recognised for the year (2016: HK\$Nil) in respect of tax losses approximately of HK\$3,177,000 carried forward to the extent that realisation of the related tax benefit through the future taxable profits is not probable. The tax losses do not expire under the current legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

27. SHARE CAPITAL

	2017		2016	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each upon incorporation (note i)/as at 1 April 2016	2,000,000,000	20,000	38,000,000	380
Increase in authorised share capital (note ii)	-	-	1,962,000,000	19,620
As at 31 March	2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid:				
Ordinary share of HK\$0.01 upon incorporation (note i)/as at 1 April 2016	10,000	-	1	-
Issuance of ordinary shares (note i)	-	-	9,999	-
Issuance of ordinary shares pursuant to the Placing (note iii)	208,000,000	2,080	-	-
Issuance of ordinary shares pursuant to the Capitalisation Issue (note iv)	1,039,990,000	10,400	-	-
As at 31 March	1,248,000,000	12,480	10,000	-

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. 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.
- (iii) 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 net of listing costs directly attributable to the issue of shares of HK\$4,928,000, amounted to HK\$47,072,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

27. SHARE CAPITAL (Continued)

Note: (Continued)

- (iv) 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\$10,400,000 standing to the credit of the share premium account of the Company (the "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.

28. 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.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Available-for-sale financial asset revaluation reserve

The available-for-sale financial asset revaluation reserve represents the reserve arising from the investment in a life insurance policy (note 18).

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 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 2017

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary	–	–
Current assets		
Prepayments	613	–
Amount due from a subsidiary	31,198	–
Bank balance	259	–
	32,070	–
Current liabilities		
Accruals	602	450
Amount due to a subsidiary	–	10,320
	602	10,770
Net current assets/(liabilities)	31,468	(10,770)
Net assets/(liabilities)	31,468	(10,770)
EQUITY		
Share capital	12,480	–
Reserves (note)	18,988	(10,770)
Total equity/(Capital deficiency)	31,468	(10,770)

Wong Che Kwo
Director

Wong Wing Wah
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share capital <i>HK\$'000</i> (note 27)	Share premium <i>HK\$'000</i> (note 28)	Accumulated losses <i>HK\$'000</i>	(Capital deficiency)/ Total equity <i>HK\$'000</i>
Issuance of share capital upon incorporation	–	–	–	–
Increase in issuance of ordinary shares	–	–	–	–
Loss and total comprehensive expense for the year	–	–	(10,770)	(10,770)
Balance as at 31 March 2016 and 1 April 2016	–	–	(10,770)	(10,770)
Issuance of ordinary shares pursuant to the Placing	2,080	47,072	–	49,152
Issuance of ordinary shares pursuant to the Capitalisation Issue	10,400	(10,400)	–	–
Loss and total comprehensive expense for the year	–	–	(6,914)	(6,914)
Balance as at 31 March 2017	12,480	36,672	(17,684)	31,468

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2017, addition to property, plant and equipment of approximately HK\$1,000,000 (2016: HK\$2,416,000) was financed by finance lease arrangement.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

31. OPERATING LEASE COMMITMENTS

As lessee

As at 31 March 2017, the total future minimum lease payments under non-cancellable operating leases in respect of leased premises and office equipment were as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	597	87
In the second to fifth years	302	21
	899	108

32. 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:

Name of related party	Nature	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hop Fung Crane Company (note i)	Equipment rental expenses	–	633
Mr. Wong Wing Wah	Loan interest expense	–	80
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 year ended 31 March 2016, 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 2017

32. RELATED PARTY TRANSACTIONS (Continued)

(a) Material related party transactions (Continued)

Note: (Continued)

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

As at 31 March 2017, 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 amounted 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:

	2017	2016
	HK\$'000	HK\$'000
Short-term employee benefits	11,971	5,894
Post-employment benefits	124	119
	12,095	6,013

33. 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. Having taking into of the information available and the latest development of these cases, 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 2017

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Available-for-sale financial asset	3,020	–
<i>Loans and receivables:</i>		
Trade and other receivables	116,930	62,613
Cash and bank balances	22,956	13,826
	142,906	76,439
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Trade and other payables	75,881	46,988
Amounts due to directors	–	76
Bank loans and overdraft	4,667	9,615
Obligations under finance leases	1,794	3,829
	82,342	60,508

(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 2017 and 2016, the Group's bank loans and overdraft were committed on a floating rate basis and were denominated in HK\$.

As at 31 March 2017, 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\$19,000 (2016: HK\$40,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

(b) Financial risk factors (Continued)

(i) Interest rate risk (Continued)

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 mainly arises from trade and other receivables 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 2017, trade and retention monies receivables from an individual customer accounted for 73% (2016: 41%) of the total trade and retention monies receivables.

(iii) Liquidity risk

The Group regularly monitors 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

(b) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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
As at 31 March 2017					
Trade and other payables	75,881	-	-	75,881	75,881
Bank term loan	4,667	-	-	4,667	4,667
Obligations under finance leases	916	661	306	1,883	1,794
	81,464	661	306	82,431	82,342
As at 31 March 2016					
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
	58,426	1,516	782	60,724	60,508

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

(b) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

As at 31 March 2017, 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
As at 31 March 2017					
Bank term loan	4,742	-	-	-	4,742
As at 31 March 2016					
Bank term loans	1,552	1,552	2,325	-	5,429

As at 31 March 2017 and 2016, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

(c) Fair value measurement

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair value measurement hierarchy of the Group's available-for-sale financial asset is as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
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As at 31 March 2017

Available-for-sale financial asset:

– Investment in a life insurance policy	–	3,020	–	3,020
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During the year ended 31 March 2017, there were no transfers between Level 1, Level 2 and Level 3.

The fair value of investment in a life policy is determined by reference to the Cash Value as provided by the insurance company.

The carrying amounts of the Group's other financial assets and liabilities are not materially different from their fair values as at 31 March 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

35. 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank loans and overdraft	4,667	9,615
Obligations under finance leases	1,794	3,829
Total borrowings	6,461	13,444
Less: cash and bank balances	(22,956)	(13,826)
Net debts	(16,495)	(382)
Total equity	106,361	27,095
Debt to equity ratio	N/A	N/A

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March			
	2014 HK\$ '000	2015 HK\$ '000	2016 HK\$ '000	2017 HK\$ '000
CONSOLIDATED RESULTS				
Revenue	159,963	271,949	315,004	735,330
Profit before income tax	11,386	21,703	12,061	37,976
Income tax expense	(1,956)	(3,624)	(3,670)	(7,427)
Profit for the year	<u>9,430</u>	<u>18,079</u>	<u>8,391</u>	<u>30,549</u>
Total comprehensive income for the year attributable to equity holders of the Company	<u>9,430</u>	<u>18,079</u>	<u>8,391</u>	<u>30,114</u>
	As at 31 March			
	2014 HK\$ '000	2015 HK\$ '000	2016 HK\$ '000	2017 HK\$ '000
CONSOLIDATED ASSETS AND LIABILITIES				
Total assets	74,949	93,085	111,364	210,928
Total liabilities	<u>(84,724)</u>	<u>(84,781)</u>	<u>(84,269)</u>	<u>(104,567)</u>
Net (liabilities)/assets	<u>(9,775)</u>	<u>8,304</u>	<u>27,095</u>	<u>106,361</u>