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 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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 GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the "Group"). 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. So Kwok Hung *(Chairman)*
Ms. Yu Xiao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Kan
Mr. Tai Hin Henry
Mr. Liao Honghao

COMPANY SECRETARY

Mr. So Pan

COMPLIANCE OFFICER

Mr. So Kwok Hung

AUDIT COMMITTEE

Mr. Wong Chi Kan *(Chairman)*
Mr. Tai Hin Henry
Mr. Liao Honghao

REMUNERATION COMMITTEE

Mr. Wong Chi Kan *(Chairman)*
Mr. Liao Honghao
Ms. Yu Xiao

NOMINATION COMMITTEE

Mr. So Kwok Hung *(Chairman)*
Mr. Wong Chi Kan
Mr. Tai Hin Henry

AUTHORISED REPRESENTATIVES

Mr. So Pan
Mr. So Kwok Hung

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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COMPLIANCE ADVISER

TC Capital International Limited

AUDITORS

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

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 2018 (the "Reporting Period").

A YEAR IN REVIEW

The shares of the Company (the "Shares") were successfully listed on 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 us in reinforcing our brand awareness and image. The net proceeds raised have also strengthened the Group's operational capacity.

The total revenue of the Group decreased by approximately HK$26,735,000 from approximately HK$735,330,000 for the year ended 31 March 2017 to approximately HK$708,595,000 for the Reporting Period. Such decrease was mainly due to few large construction projects reaching completion stage.

OUTLOOK

In the 2018-19 Budget Speech, the Government reiterated its commitment to infrastructure and announced to spend an estimated HK$85.6 billion on public infrastructure. It is expected construction projects is about 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 strike the civil engineering industry.

As to the Group, we are confident with the prospects of the Group for the next few years as we have recently secured few projects which estimated to be completed in end-2019. These projects could ensure sustainability of the Group and increase employees' loyalty towards the Group.

APPRECIATION

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

Luen Wong Group Holdings Limited
So Kwok Hung
Chairman

Hong Kong, 25 June 2018

BUSINESS REVIEW

The Group has over 18 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 2018, we had 32 contracts on hand with a total contract sum of approximately HK$2,003,974,000. During the year, we have been awarded 11 new contracts with a total contract sum of approximately HK$333,627,000.

OUTLOOK

2019 is expected to be full of opportunities and challenges. The planned commitment in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. Whilst 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 as a subcontractor.

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 increase shareholders' return.

SIGNIFICANT INVESTMENT

	For the year ended 31 March 2018	As at 31 March 2018			
Financial asset at FVTPL Significant Investments	**Fair value loss**	**Number of shares held**	**Fair value**	**Approximately percentage to the total asset**	**As at 1 April 2017 Fair value**
	HK$'000	***'000***	***HK$'000***		***HK$'000***
SHIS Limited ("SHIS")	**(1,238)**	**16,905**	**11,834**	**3.40%**	**–**
Other listed equity securities (note 1)			**27,982**	**8.03%**	**–**
Total			**39,816**	**11.43%**	**–**

Note:

1. As at 31 March 2018, other listed equity securities comprised 4 listed equity securities in Hong Kong. None of the other listed equity securities was more than 5% of the total assets of the Group as at 31 March 2018.

SHIS is principally engaged in providing integrated building services, with a focus on maintenance and/or installations of mechanical and electrical systems and including minor repairs and improvement works, and undertaking building and construction works in Singapore. Based on SHIS's interim report for the six months ended 30 September 2017, revenue and profit after income tax of SHIS was approximately SGD25.2 million and SGD1.9 million respectively.

After the year ended 31 March 2018 and up to date of this Annual Report, the Group disposed all of its investment in SHIS on the open market and resulted in fair value gain with an amount of approximately HK$19.2 million, which will be credited to the profit or loss of the Group for the year ending 31 March 2019. For details, please refer to the Company's announcement dated 29 May 2018.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

FINANCIAL REVIEW

Revenue

All of the Group's revenue was generated from the provision of civil engineering works and provision of decoration and renovation works. The total revenue of the Group decreased by approximately HK$26,735,000 from approximately HK$735,330,000 for the year ended 31 March 2017 to approximately HK$708,595,000 for the Reporting Period. Such decrease was mainly due to few large construction projects reaching completion stage. As at 31 March 2017, we had 24 contracts on hand with a total contract sum of approximately HK$1,717,469,000 whilst as at 31 March 2018, we had 32 contracts on hand with a total contract sum of approximately HK$2,003,974,000.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased significantly by approximately HK$40,208,000 from approximately HK$57,988,000 for the year ended 31 March 2017 to approximately HK$17,780,000 for the Reporting Period. The Group's gross profit margin decreased from approximately 7.9% for the year ended 31 March 2017 to approximately 2.5% for the Reporting Period, representing a decrease of approximately 5.40 percentage points.

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

Contract value of the project

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

Nature and complexity of civil engineering works

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

Competition

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

Cost control

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

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

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

Other Income

Other income of the Group decreased by approximately HK$2,840,000 or 69.6% from approximately HK$4,079,000 for the year ended 31 March 2017 to approximately HK$1,239,000 for the Reporting Period. The decrease was mainly arose from the decrease of contra-charge received from our subcontractor.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group decreased by approximately HK$2,193,000 or 9.3% from approximately HK$23,642,000 for the year ended 31 March 2017 to approximately HK$21,449,000 for the Reporting Period. Administrative and other operating expenses consists primarily of staff costs, depreciation, rental expenses, listing expenses and other administrative expenses. The decrease was mainly attributable to a decrease in listing expenses during the Reporting Period.

Finance Costs

Finance costs for the Group decreased by approximately HK$206,000 or 45.9% from approximately HK$449,000 for the year ended 31 March 2017 to approximately HK$243,000 for the Reporting Period. The decrease was mainly attributable to completion of repayment of certain finance lease liabilities and bank borrowing during the year.

Income Tax Expense

Income tax expense for the Group had decreased by approximately HK$7,208,000 from approximately HK$7,427,000 for the year ended 31 March 2017 to approximately HK$219,000 for the Reporting Period. Such decrease was mainly due to the decrease in profit before income tax and the decrease in recognition of deferred tax liabilities arising from excess of net book values of property, plant and equipment over tax values.

(Loss)/Profit for the year

(Loss)/Profit for the year decreased by approximately HK$33,441,000 from profit of approximately HK$30,549,000 for the year ended 31 March 2017 to loss of approximately HK$2,892,000 for the Reporting Period. Such decrease was primarily attributable to the net effect of the decrease in revenue, gross profit, administrative and other operating expenses and income tax expense for the Reporting Period as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and bank balances are denominated in Hong Kong dollar. The current ratio of the Group as at 31 March 2018 was approximately 1.3 times as compared to that of approximately 1.7 times as at 31 March 2017. The decrease was mainly due to the advance from shareholder for operating business purpose.

The total interest bearing debts of the Group, including bank borrowings and finance lease liabilities, decreased from approximately HK$6,461,000 as at 31 March 2017 to approximately HK$138,000 as at 31 March 2018. All borrowings are denominated in Hong Kong dollar and are repayable within 5 years. The Group did not carry out any hedging for its floating borrowings.

As at 31 March 2018, the Group had no general banking facilities (31 March 2017: HK$55,585,000). As at 31 March 2018, the finance lease liabilities amounted to approximately HK$138,000 (31 March 2017: approximately HK$1,794,000).

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 0.10% as at 31 March 2018 (31 March 2017: approximately 6.10%). With available bank balances and cash, the Group has sufficient liquidity to satisfy its funding requirements.

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 2018, 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$103,478,000 respectively.

COMMITMENTS

As at 31 March 2018, there was no capital commitment for the Group (31 March 2017: HK$Nil).

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities (31 March 2017: HK$Nil).

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 LISTING AND CHANGE IN USE OF PROCEEDS" in this report, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Period and the Group did not have other plans for acquisitions 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.

CHARGE OVER GROUP'S ASSETS

The total interest bearing debts of the Group, including finance lease liabilities amounted to approximately HK$138,000 as at 31 March 2018.

As at 31 March 2018, the Group had no general banking facilities (31 March 2017: HK$55,585,000). As at 31 March 2018, the finance lease liabilities amounted to approximately HK$138,000 (31 March 2017: approximately HK$1,794,000).

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 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 and retention money receivables of approximately HK$8,766,000 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, a deposit of HK$1,300,000 and a corporate guarantee given by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had approximately 205 employees (31 March 2017: 228 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK$85,040,000 for the Reporting Period (31 March 2017: approximately HK$100,082,000). 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, we offer other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (2017: HK$Nil).

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 2018 is set out below:

Business objectives up to 31 March 2018	**Actual Business Progress up to 31 March 2018**
Acquisition of additional site equipment	
– Purchase three hydraulic truck cranes, three motor vehicles, three generators, one air compressor and one excavator for the Group's projects	The Group purchased four hydraulic truck cranes, three motor vehicles, three generators and two excavators for use in its projects (Note)
– Evaluate the effectiveness and efficiency of site equipment and obtain quotation for new site equipment	The Group will continue monitoring the effectiveness and efficiency of the site equipment on hand
Further strengthening our manpower	
– Recruit three crane operators, two engineers, one project manager, three foremen, one administrative staff and one quantity surveyor	The Group recruited three crane operators, two engineers, one project manager, three foremen, one administrative staff and one quantity surveyor to cope with the business development
– 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	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

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

The net proceeds from the share offer received by the Company in relation to the Listing, 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 2018 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 31 March 2018 *HK$ million*	Actual use of net proceeds up to 31 March 2018 *HK$ million*
Acquisition of additional site equipment	18	18
Further strengthening our manpower	7.6	7.6
Repayment of bank loans and finance lease	6.8	6.8
General working capital of the Group	3.3	3.3

Note: The Group refers to the announcement of the Company dated 21 June 2016 regarding a change in use of proceeds for the period from the Listing Date to 30 September 2016. 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.

The Group also 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 our 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. SO Kwok Hung(蘇國雄先生), aged 36, has over 15 years of working experience in the building and construction field. He has participated in the overall management and supervision of certain sizeable construction projects in Hong Kong. Mr. So was appointed as executive director on 16 November 2017.

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

Ms. YU Xiao(余曉女士), aged 37, has over 10 years of working experience in the civil engineering and construction field in real property. She has participated in the overall management and supervision of certain sizeable construction projects including design, build, supervise and maintain construction projects and systems. Prior to joining the Group, Ms. Yu worked as an architect and engineer in Department of Civil Engineering in Hunan Hechingyuan Construction Engineering Company. Ms. Yu graduated from the College of Civil Engineering, Hunan University in June 2000 with a bachelor degree in civil engineering. Ms. Yu was appointed as executive director on 16 November 2017.

Save as disclosed above, she 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 32, is an independent non-executive Director. He has over 7 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. Mr. Wong was appointed as independent non-executive director on 12 April 2016.

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 32, is an independent non-executive Director. He has over 7 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. Mr. Tai was appointed as independent non-executive director on 12 April 2016.

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

Mr. LIAO HongHao(廖洪浩先生), aged 58, is an independent non-executive Director. He is currently a general manager of the marketing department of a company incorporated in the People's Republic of China (the "PRC"), which engaged in publishing business in the PRC. He graduated in Meizhou Radio & TV University and he has more than 30 years' experience in business strategic planning and marketing. Mr. Liao was appointed as independent non-executive director on 2 March 2018.

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. LAW Ka Wai(羅嘉慧女士), aged 25, is the financial controller of the Group. She joined the Group in November 2017 and is responsible for overseeing the financial operations of the Group. She graduated from the Macquarie University in Australia in November 2013 with a Bachelor of Commerce majoring in Professional Accounting. In September 2014 to July 2016, she worked in a certified public accounting firm. Prior to joining the Group, she worked at BDO Financial Services Limited - Risk Advisory Department.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. SO Pan(蘇彬先生), aged 32, was appointed as the company secretary of the Company on 21 May 2018. He has more than 6 years of experience in auditing and finance. He received a Bachelor of Arts (Honours) in Accountancy from The Hong Kong Polytechnic University and is a member of the Hong Kong Institute of Certified Public Accountants.

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. During the period from the Listing Date to the Reporting Period, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code.

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 CG 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 CG Code and disclosure in the corporate governance report.

Composition of the Board

Up to the date of this report, the Board comprise five Directors, including two executive Directors and three independent non-executive Directors (the "INEDs"). In particular, the composition of the Board is set out as follow:

Executive Directors

Mr. So Kwok Hung (Appointed on 16 November 2017)
Ms. Yu Xiao (Appointed on 16 November 2017)
Mr. Wong Che Kwo (Resigned on 21 May 2018)
Mr. Wong Wing Wah (Resigned on 17 April 2018)
Mr. Chiu Chi Wang (Resigned on 17 April 2018)

INEDs

Mr. Wong Chi Kan
Mr. Tai Hin Henry
Mr. Liao HongHao (Appointed on 2 March 2018)
Mr. Liu Yan Chee James (Resigned on 4 December 2017)

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

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of 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. Mr. Chiu Chi Wang is a former executive director and Mr. Wong Che Kwo is a former executive director.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr. So Kwok Hung serves as the Chairman of the Company on 21 May 2018 and is responsible for overall business development strategy and overall management and major business decisions of the Group. The former executive director – Mr. Wong Che Kwo served as the Chairman during the reporting period.

The former executive director – Mr. Wong Wing Wah served as Chief Executive director during the reporting period, Mr. Wong resigned his position on 17 April 2018.

BOARD MEETINGS

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting.

During the Reporting Period, seven board meetings were held and the attendance records are as follows:

Name of Director	Meetings attended/ Eligible to attend
Executive Directors	
Mr. So Kwok Hung (Appointed on 16 November 2017)	3/7
Ms. Yu Xiao (Appointed on 16 November 2017)	3/7
Mr. Wong Che Kwo (Resigned on 21 May 2018)	7/7
Mr. Wong Wing Wah (Resigned on 17 April 2018)	7/7
Mr. Chiu Chi Wang (Resigned on 17 April 2018)	7/7
INEDs	
Mr. Wong Chi Kan	7/7
Mr. Tai Hin Henry	7/7
Mr. Liao HongHao (Appointed on 2 March 2018)	0/7
Mr. Liu Yan Chee James (Resigned on 4 December 2017)	4/7

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.

DISCLOSURE PURSUANT TO RULE 17.20 AND 17.21 OF THE GEM LISTING RULES

Breach of Loan Agreements

Reference is made to the announcement of the Company dated 11 July 2017 in relation to the then controlling shareholder (controlling shareholder refers to the meaning of the Rules Governing the Listing of Securities on GEM of the Stock Exchange) of the Company, Blooming Union, which is wholly owned by Mr. Wong Che Kwo and Mr. Wong Wing Wah (former executive directors), had disposed an aggregate of 324,700,000 shares on the open market, from 3 July 2017 to 7 July 2017, on the Stock Exchange (the "Disposal"). The shares disposed of represents approximately 26.02% of the issued share capital of the Company. Upon completion of the Disposal, Blooming Union held 611,300,000 shares of the Company, which represents approximately 48.98% of the issued share capital of the Company. The Disposal resulted in a breach of the following loan agreements:

(i) loan agreement ("Loan agreement A") entered into between Luen Hing Construction & Eng. Limited ("Luen Hing"), which is an indirect wholly owned subsidiary of the Company and Hongkong and Shanghai Banking Corporation Limited in respect of granting various banking facility to Luen Hing including an invoice discounting/factoring facility of HK$34,000,000 and a 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). The Group has failed to comply with the covenant whereby Mr. Wong Che Kwo's and Mr. Wong Wing Wah's ultimate joint ownership of the Company shall be not less than 75% of the total issued capital of the Company. As a result of the breach, no withdrawal can be made under Loan Agreement A. As at the date of this report, the Group has cancelled the facilities granted by Hongkong and Shanghai Banking Corporation Limited.

(ii) loan agreement ("Loan Agreement B") entered into between Luen Hing and Bank of China (Hong Kong) Limited in respect of a general banking facility which includes an overdraft facility of HK$6,000,000 and a term loan facility of HK$5,585,000. The Group has failed to comply with the covenant whereby Mr. Wong Che Kwo's and Mr. Wong Wing Wah's ultimate joint ownership of the Company shall be maintained at no less than 51% of the total issued share capital of the Company. As a result of the breach, no withdrawal can be made under Loan Agreement B. As at the date of this report, the overdraft facility has been cancelled and the term loan has been settled.

The Group's cash flow position may be affected by failure to maintain the banking facilities mentioned above. Financial support from Blooming Union may be required from time to time to meet any cash shortfall. As at the date of this report, Blooming Union has injected HK$10,000,000 into the Group. In the meantime, the Group will also approach other banks for other alternatives. The Board considers that the Group has sufficient working capital for its present requirements having considered the financial resources available to the Group

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.

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. So Kwok Hung and Mr. Wong Chi Kan 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 CG 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 CG 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. So Kwok Hung (Appointed on 16 November 2017)	√	√
Ms. Yu Xiao (Appointed on 16 November 2017)	√	√
Mr. Wong Che Kwo (Resigned on 21 May 2018)	√	√
Mr. Wong Wing Wah (Resigned on 17 April 2018)	√	√
Mr. Chiu Chi Wang (Resigned on 17 April 2018)	√	√
INEDs		
Mr. Wong Chi Kan	√	√
Mr. Tai Hin Henry	√	√
Mr. Liao HongHao (Appointed on 2 March 2018)	√	√
Mr. Liu Yan Chee James (Resigned on 4 December 2017)	√	√

INSUFFICIENT NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Upon the resignation of Mr. Liu Yan Chee James with effect from 4 December 2017, (i) the number of Independent Non-Executive Directors fell below the minimum number of three and does not represent one third of the Board; (ii) the number of members of the Audit Committee fell below the minimum number of three; and (iii) the requirements for the Remuneration Committee to comprise a majority of Independent Non-Executive Directors cannot be met. In order to comply with Rules 5.05(1), 5.05A, 5.28 and 5.34 of the GEM Listing Rules, the Company appointed Mr. Liao HongHao to fill the vacancy in the Audit Committee on 2 March 2018.

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

Save as disclosed above, following the resignation of Mr. Liu with effect from 4 December 2017, the number of members of the Audit Committee falls below the minimum number required under Rule 5.28 of the GEM Listing Rules. An audit committee has been established with its terms of reference in compliance with Rules 5.29 to 5.33 and paragraphs C.3.3 and C.3.7 of the CG Code but failed with Rule 5.28 of the GEM Listing Rules. Due to the resignation of Mr. Liu, the audit committee consists of two members, namely Mr. Wong Chi Kan and Mr. Tai Hin Henry, all being independent non-executive Directors. Mr. Wong Chi Kan has been redesignated as a chairman of the audit committee with effect from 4 December 2017. We appointed Mr. Liao HongHao to fill the vacancy in the Audit Committee on 2 March 2018 to comply with the Listing Rules.

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The audit committee consists of three members, namely Mr. Wong Chi Kan, Mr. Tai Hin Henry and Mr. Liao HongHao, all being INEDs. Mr. Wong Chi Kan 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 auditors, and to approve and review the remuneration and terms of engagement of the external auditors;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to develop and implement policy on engaging an external auditors to supply non-audit services;

(d) to monitor the integrity of financial statements and the annual report and accounts, half year report and quarterly reports, and to review significant financial reporting judgments contained in them;

(e) to discuss the internal control system with management of 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.

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. Wong Chi Kan *(Chairman)*	4/4
Mr. Tai Hin Henry	4/4
Mr. Liao HongHao (Appointed on 2 March 2018)	0/4
Mr. Liu Yan Chee James (Resigned on 4 December 2017)	3/4

During the Reporting Period, the audit committee had reviewed the Group's unaudited first quarterly results for the three months ended 30 June 2017, unaudited interim results for the six months ended 30 September 2017 and the unaudited third quarterly results for the nine months ended 31 December 2017, 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 2018, 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 auditors during the year ended 31 March 2018.

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 CG Code. The remuneration committee consists of three members, namely Mr. Wong Chi Kan, Mr. Liao HongHao and Ms. Yu Xiao. 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;

(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 *(Chairman)*	3/3
Mr. Liao HongHao (Appointed on 2 March 2018)	0/3
Ms. Yu Xiao (Appointed on 25 May 2018)	0/3
Mr. Wong Wing Wah (Resigned on 17 April 2018)	3/3
Mr. Liu Yan Chee James (Resigned on 4 December 2017)	2/3

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 CG Code. The nomination committee of the Group comprises Mr. So Kwok Hung, the executive Director and Chairman, Mr. Wong Chi Kan and Mr. Tai Hin Henry, the INEDs. Mr. So Kwok Hung (appointed on 21 May 2018) currently serves as the chairman of the nomination committee.

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

(a) to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;

(b) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement 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. So Kwok Hung *(Chairman)* (Appointed on 21 May 2018)	0/3
Mr. Wong Chi Kan	3/3
Mr. Tai Hin Henry	3/3
Mr. Wong Che Kwo (Resigned on 21 May 2018)	3/3

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.

AUDITOR'S REMUNERATION

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

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

	Fees paid/payable for services rendered	
	2018	**2017**
	HK$'000	***HK$'000***
Statutory audit services	600	600
Non-audit services for review of the Group's disclosure of quarterly reports and interim report	150	150

COMPANY SECRETARY

Mr. Woo Yuen Fai was resigned as the company secretary on 21 May 2018 and Mr. So Pan was appointed of the Company on 21 May 2018. 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. So Kwok Hung, an executive Director of the Company, was appointed as the compliance officer of the Company on 17 April 2018. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors 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.

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

The Group does not have an 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 an annual review on the risk management and internal control system of the Group during the year. 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.

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

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 2018, 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 auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditors, Grant Thornton Hong Kong Limited, about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 64 to 68 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 attend to questions raised by the Shareholders. The external auditors 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 being schedule on Friday, 3 August 2018, 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.

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

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

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may also use this same method to put forward proposals for the general meeting.

PROCEDURES FOR RAISING ENQUIRIES

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

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

Investor Relations

The Company has established a range of communication channels between itself and its Shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.luenwong.hk 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 GEM of the Stock Exchange, during the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

INTRODUCTION

This is the second 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 2017 and 31 March 2018 ("the year").

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.

Stakeholder Engagement

Maintaining open and honest relationships with stakeholders is one of the keys to sustainable development at the Group. Continuous communication with our stakeholders enables us to make informed decisions and to accurately assess the potential impacts of our business decisions. The table below shows list the Group's stakeholders, as well as our efforts in communication and response.

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	• Shareholders	• Corporate website • Annual and Interim financial report • Annual general meeting • Disclosure of listing information
Employees	• Senior Management • Staff • Potential recruits	• Training, seminars • Face-to-face meetings • Independent focus groups and interviews • CSR and volunteering activities
Customers	• Main-contractors • Buyers • Ultimate users	• Customer assessment • Monthly progress meeting • Designated customer hotline
Suppliers/Contractors	• Material suppliers • Transportation providers • Sub-contractors	• Supplier assessment • Daily work review • Site inspection • Monthly progress meeting
Government	• National and local governments • Regulators	• Written correspondence
Community	• National and local community organisation	• Industrial dinner • Seminar • CSR activities

Materiality Analysis

As part of our response to the issues that are critical to the Group and significant to our stakeholders, we have conducted a materiality assessment on the Group's Corporate Social Responsibility ("CSR") agenda. By doing so, we can identify the areas for improvement in our CSR work, and ensure a more comprehensive, transparent and specific response, thereby enhancing the quality of the annual report.

Protecting the Environment

Environmental responsibility forms an important part of our corporate social responsibility. To honour our commitment to the environment, the Group is committed to conducting its business in an environmentally responsible manner, such as improving our environmental practices through minimising pollution, utilising energy efficiently and reducing waste in our daily operations.

Emission Control

In Hong Kong, the Air Pollution Control Ordinance is the principal legislation for controlling emission of air pollutants and noxious odour from construction, industrial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licenses and permits. The Group is fully committed to complying with the Air Pollution Control Ordinance and its subsidiary regulations.

As a responsible corporation, we have established policies and measures to continuously promote energy-saving and emission reduction.

In addition to carbon emissions and energy consumption, the Group has also established best practices guidelines concerning air pollution, water pollution, noise, general and construction waste from head offices to project sites. Some of our eco-friendly actions may include but not limited to paper-less meetings, reusing envelopes, switching off lighting and appliances in offices after working hours, to enhance staff's environmental awareness for reducing energy consumption and carbon emissions. To further improve fuel efficiency and reduce greenhouse gases ("GHG") emissions, regular maintenance of the construction plants and equipment are conducted.

Being a responsible contractor, we apply good construction site management by devising methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and provide our experienced staff with suitable training to ensure that these methods are implemented. Control measures such as water sprays, dust curtains and covers are applied to suppress dust from excavation and during transportation.

Air emissions during the reporting period:

Aspects	Unit	2017/18
Emissions data from vehicles		
Nitrogen Oxide (NO_x)	kg	176.85
Sulphur Oxide (SO_x)	kg	24.25
Particulate Matter (PM)	kg	137.23

GHG emissions during the reporting period:

Aspects		Unit	2017/18
Direct GHG emissions (Scope 1)			
From mobile combustion sources	CO2	tonne	3,936.88
	CH4	tonne	15.52
	N2O	tonne	240.98
Indirect GHG Emissions (Scope 2)			
Electricity supplied by China Light & Power		tonne	36.56
Other Indirect GHG Emissions (Scope 3)			
Electricity used for fresh water processing		kg	398.78

Improving Resource Efficiency

Water Efficiency Management

For the sake of continuing improvements in our water-use, we have strengthened our construction site management to improve water-use efficiency. Taking into account seasonal variations, we strive to construct adequate drainage channels, catchpits, situation traps and sedimentation tanks at our project sites and conduct regular self-monitoring maintenance check to avoid blockages or leakage.

In order to reduce wastewater discharge, construction wastewater is collected and treated for reuse on site for wheel washing and dust suppression, alleviating dust generation from construction and demolition activities.

Under the Water Pollution Control Ordinance ("WPCO"), Cap. 358, discharge of any waste or polluted matter into the waters, communal sewers or drains in a water control zone is not permitted. With our environmental protection facilities, we firmly comply with the above ordinance and ensure that the wastewater discharged from our construction activities into sewers or elsewhere is in compliance with the terms and conditions of the licence issued by the Environmental Protection Department ("EPD").

Energy conservation

We have initiated a series of measures to enhance energy performance. In offices, we encourage the usage of electronic devices throughout our daily operations and take active measures to upgrade our electronic document management system; we set the air-conditioning temperatures at an environment-friendly level during summer months; all employees are told to switch off all lighting and air-conditioning if not in use; and at construction sites, our teams are also encouraged to switch off idle plants and machinery, to avoid energy wastage.

Due to the nature of the industry, the Group did not consume any packaging material. Therefore, the relevant key performance indicators were not applicable.

Resources consumption during the reporting period:

Aspects	Unit	2017/18
Electricity consumption	kWh	58,029
Per employee	kWh	283.07
Water consumption	m^3	1,377
Per employee	m^3	6.72

Environmental and Natural Resources

To spur continuous improvement in environmental management practices, we have also established control measures for noise, waste generation and waste disposal.

Noise Control

According to the Environmental Impact Assessment Ordinance, Cap. 499, the noise standards for daytime construction activities should be 75 decibels for all domestic premises and 70 decibels for educational institutions. Due to increasingly stringent regulations, noise control has been a primary concern for us ever since our establishment. To meet this challenge, we strive to erect noise source screening structures as early as possible during project planning stage and use portable noise barriers for noisy stationary and mobile plants.

Waste Disposal Management

With the enactment of the Construction Waste Disposal Charging Scheme through the Waste Disposal Ordinance, Cap. 354, we have opened billing accounts with the EPD for repayment of service charges. We are committed to disposing only at legitimate disposal facilities, or through licensed collectors to collect and dispose of our wastes. Reusable materials are encouraged to be applied at site to reduce material consumption such as woods.

Environmental protection policies and plans have been set up for different projects. In effort to identify and resolve any non-compliance as soon as possible, we conduct periodic construction works inspections at sites with high environmental risks, covering dust control, and disposal of sewage and construction waste. The Group also provides experienced personnel with adequate training to ensure strict implementation of such measures.

Emissions discharged by the Group in the course of operation was primarily carbon dioxide, and non-hazardous waste produced was construction waste. Since all the construction waste we produced at site are handled by our main contractor, the relevant key performance indicator was not applicable to the Group.

Due to the nature of the industry, the Group seldom produces hazardous waste. Therefore, the relevant key performance indicator was not applicable to the Group.

For the year ended 31 March 2018, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to air and GHG emissions, noise control, discharges into water and onto the land, or generation of hazardous and non-hazardous waste.

Employment and Labour Practices

Employment System

We believe that staff team is the most valuable asset and the foundation for the development of the Group. In this regard, the Group aims to provide an attractive remuneration package, and fair and inclusive working environment to safeguard the legitimate rights and interests of employees. A Staff Handbook is in place to ensure that all employees are aware of the goals, policies and procedures of the Group as well as their responsibilities.

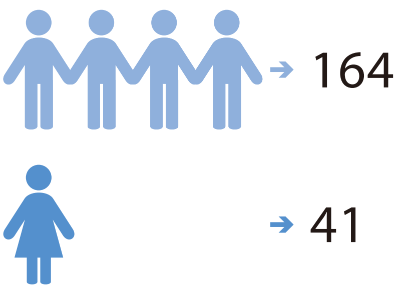
Through establishing a comprehensive employment management system, the Group abides strictly to the Employment Ordinance, Cap. 57, Laws of Hong Kong. According to the Immigration Ordinance, Cap. 115 and the Construction Workers Registration Ordinance, Cap. 583, a construction site controller should take all practicable steps to prevent illegal workers who are not lawfully employable from taking employment on site and is required to employ only registered construction workers to personally carry out construction work on construction sites. Prior to employing construction workers, the Group will carefully check their identity and registration to ensure there are no instances of child and forced labour in the Group and in compliance with the aforesaid regulations.

In addition, we recognise the importance of a fair and harmonious working environment and adhere to the principle of equal opportunities. From recruitment to promotion, the Group adheres to non-discrimination employment policies, include but not limited to the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Crimination Ordinance, and prohibits the employment of forced or child labour.

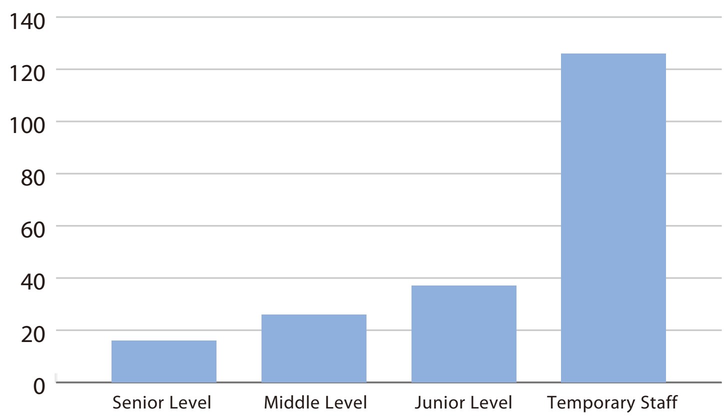
As at 31 March 2018, the Group had approximately 205 employees, including back office and site staff. All our staff members are located in Hong Kong.

Staff Composition for the reporting period:

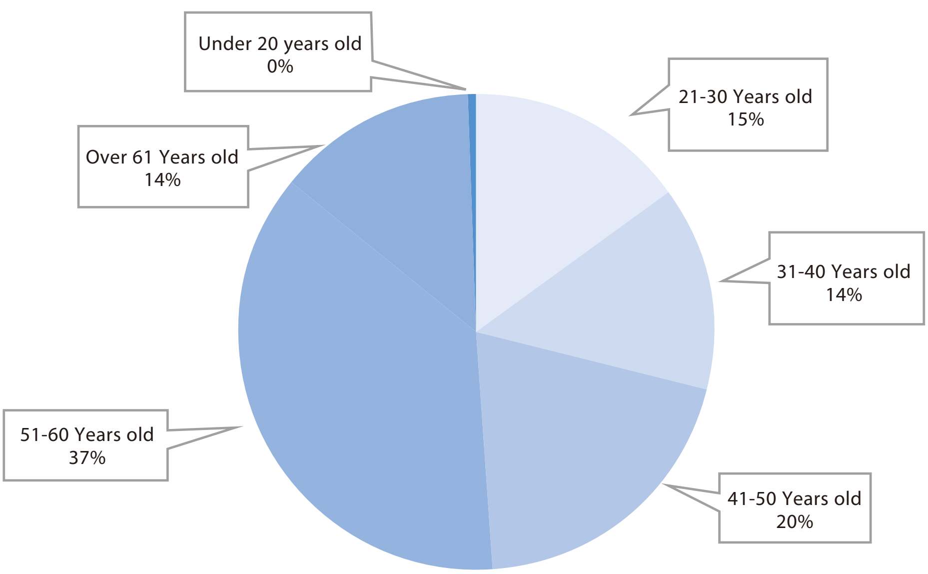
Number of Employees



Employees by Employment Category



Employees by Age Group



In view of the high labour mobility of the construction industry, and the fact that most of the employees in the industry are temporary employees, whose employment is on a day-to-day basis or for a fixed period of less than 60 days. Hence, those temporary employees who joined and left within the year were not constituted in our annual turnover rate calculation. During the reporting period, the Group has an employee turnover rate of around 29%.

Staff Turnover for the reporting period:

Aspects	No. of People	Rate
By Gender		
Male	30	32%
Female	3	17%
By Age Group		
20 years old or under	0	0%
21 – 30 years old	15	37%
31 – 40 years old	8	30%
41 – 50 years old	2	17%
51 – 60 years old	6	23%
61 years old or over	2	33%
By Geographical Region		
Hong Kong	33	100%

Employee Well-Being

To accommodate our continuously growing business scale, we recruit talent from different cultures and backgrounds for our team. We also provide vast opportunities of career development for our employees, strive to match employees' personal career planning with the business development goals through talent training system, effective incentive mechanism and fair competition platform, so that mutual benefits for employees and the Group can be achieved. The construction industry has been continuously suffering from manpower shortage for years. Accordingly, we always place emphasis on attracting qualified applicants to meet future challenges by offering competitive remuneration packages. These packages are reviewed based on employees' performance and reference to prevailing market conditions, and are adjusted in a timely manner to keep them in line with sector benchmarking. Through management meetings and performance assessment, we maintain regular communication with our employees. In daily operations, employees at all levels are encouraged to share their perceptions of the Group with the management. Simultaneously, employees are also encouraged to discuss their targets in job advancement and career development with their senior management. In the hope of promoting a healthy lifestyle and work-life balance within the Group, we periodically organise a series of family-friendly recreational activities for employees to reward them, which helps fostering harmonious employment relations.

For the year ended 31 March 2018, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to employment and labour standards.

Employee Health and Safety

Owing to our business nature, numbers of our employees are often involved in high-risk work procedures. Hence. we always place great emphasis on taking care of the safety and health at work of all persons and endeavour to provide our employees and subcontractors with a safe and health working environment. To safeguard employees' health and safety, we are fully committed to complying with the Occupational Safety and Health Ordinance, Cap. 509, the Employees' Compensation Ordinance, Cap. 282, and the Factories and Industrial Undertakings Ordinance, Cap. 59, Laws of Hong Kong.

Our operations adhere to our occupational health and safety policy to identify, assess, control and monitor safety risks. Our standardises safety requirements and procedures across the Group's operating activities, and it is supplemented with instructions for our employees. Safety measures include without limitation provision of adequate personal protection equipment such as safety helmets, ear plugs, dust masks and safety shoes, arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances, and emergency procedures for foreseeable emergencies.

According to the Employment Compensation Ordinance, Cap. 282, Laws of Hong Kong, we strictly implement the injury reporting procedure to report and submit Form 2 to the Labour Department within the prescribed period.

In addition, the Group carries out various forms of intensive safety inspection, such as regular inspections, inspections at high-risk construction sites and inspections of high-risk work procedures. In the course of inspections, on-site foremen and site supervisors cooperate with safety officers to ensure any breaches or unsafe conditions are rectified promptly.

Work Injury Statistics for the reporting period

Number of work-related fatalities	No. of people	0
Rate of work-related fatalities	Percentage	0%
Number of reported injuries	Case	2
Lost days due to work injury	Day	403

For the year ended 31 March 2018, the Group has not found any health and safety irregularities at its offices and construction sites, and there were no work-related fatalities.

Development and Training

We believe training is an important means of talent cultivation for us, and it seeks to build a team with expertise, professional skills and strong executive capability. To encourage our employees to undertake lifelong training, we provide periodic training and development programmes that add value for employees at all working levels. To continuously attract new talent, we also provide enhanced training programme and education subsidies, to encourage our employees to undertake continuous learning and broaden their knowledge.

Through our employee training system, our employees participated in internal and external training courses, including those concerned with construction safety and environmental management, professional skills operation training and emergency awareness. In future, the Group will invest further resources to provide employees with more comprehensive training programmes, with the aim of enriching personal and professional development.

Operation Management

Supply Chain Management

The quality of the services the Group provides, and the quality of the infrastructure it builds are dependent on the reliability and quality of products and services delivered by suppliers. In addition to stringent internal controls and regular assessment, the Group maintains high standards for all aspects of operations and works with partners to build a sustainable supply chain.

It is the Group's objective to build lasting and constructive relationships with partners in its supply chain. Procedures for supplier evaluation and management mechanism are formulated to ensure fairness and transparency. For the selection of our suppliers, quality, lead time and after-sales service capability are our major consideration. Certainly, we also consider whether our suppliers follow the environmental standards from the Environmental Protection Department. Suppliers who with unsatisfied performance may subject to removal from our pre-approved list of suppliers.

We aim to deepen relationships with our suppliers and subcontractors, we maintain regular communication with them, sharing knowledge and experience of good industry practice, and adopting it in our operations. In our daily operations, we tend to procure from local suppliers so as to reduce our carbon footprint and transportation costs. During the reporting period, a hundred percent of our suppliers are located in Hong Kong.

Product Responsibility

Attaching great importance to quality improvement, the Group strictly followed legal and industry standards and promotes the ultimate accountability on projects. From the commencement to completion of projects, stringent quality assurance and control procedures are applied during material procurement, material testing, construction works processing. Our experienced staff monitor and control quality, time and cost to help ensure effective project planning, design and construction from inception to completion.

The Group recognises the importance of data privacy and it is dealt seriously across the Group. To ensure information security, the Group has established guidelines for handling confidential or special information provided by customers, employees and business associates. All collected customer data are treated as strictly confidential and handled with due care.

For the year ended 31 March 2018, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to the Personal Data (Privacy) Ordinance.

Anti-Corruption

The Group regards integrity and fairness as the foundation of CSR. We are committed to operating as a responsible business by uphold high ethical standards and conducting business in an honest and ethical way with integrity. The Group strictly abides by the anti-bribery relevant laws and regulations and prohibits all behaviours that may be suspected of corruption and bribery. Employees are familiarised with our stringent anti-corruption principles through on-the-job training or verbal communications. Standardised rules and guidelines in handling a range of situations such as gifts-givings, entertainment and financial management are specified in our Staff Handbook. For instance, employees are prohibited from accepting or offering gifts or services from or to our customers, suppliers or any person who has business dealings of any kind with the Group. Falsifying documents and furnishing false accounting records, receipts or invoices are also strictly prohibited. The Group encourages employees to confidentially report any integrity-related issues through whistleblowing channels.

For the year ended 31 March 2018, the Group did not receive any notice of non-compliance brought against the Group or its employees in relation to anti-corruption laws and regulations, such as the Prevention of Bribery Ordinance, Cap. 201, the Theft Ordinance, Cap. 210 and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Cap. 615 Laws of Hong Kong.

Caring for the Community

The Group always takes the interests of the communities where it operates into account, and regards contributing to community well-being as an important way realising such values. In order to be a more responsible business and create a better living environment for the local community, we are also committed to continuously providing sponsorships and donations to various charitable organisations.

During the year, the Group has made donations to sponsor charity events such as Lifewire Run and Anchor Run to support youth development and children with medical needs.

Performance Summary

Environmental Performance

Air Emissions	Unit	2017/18
Nitrogen Oxide (NO_x)	kg	176.85
Sulphur Oxide (SO_x)	kg	24.25
Particulate Matter (PM)	kg	137.23

Greenhouse Gas Emissions	Unit	2017/18
Direct GHG Emissions (Scope 1)	tonne	4,193.38
Indirect GHG Emissions (Scope 2)	tonne	36.56
Other Indirect GHG Emissions (Scope 3)	kg	398.78

Energy Consumption	Unit	2017/18
Electricity consumption	kWh	58,029
Per employee	kWh	283.07
Water consumption	m^3	1,377
Per employee	m^3	6.72

Performance Summary

Social Performance – Employment and Labour

	Unit	2017/18
Total Workforce by Gender		
Male	No. of people	164
Female	No. of people	41
Total Workforce by Age Group		
20 years old or under	No. of people	1
21 – 30 years old	No. of people	31
31 – 40 years old	No. of people	29
41 – 50 years old	No. of people	40
51 – 60 years old	No. of people	76
61 years old or over	No. of people	28
Total Workforce by Geographical Region		
Hong Kong	No. of people	205
Total Workforce by Employee Category		
Senior Level	No. of people	16
Middle Level	No. of people	26
Junior Level	No. of people	37
Temporary Staff	No. of people	126

Environmental, Social and Governance Content Index

This report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 20 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The following table provides an overview on the general disclosures and key performance indicators ("KPIs") of various aspects under each subject area, which are either cross-referenced to the relevant chapters of the Review or supplementing the Review with additional information.

Description		Reference	Remark
ENVIRONMENTAL			
Aspect A1: EMISSIONS			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Protecting the Environment	
KPI A1.1	The types of emissions and respective emissions data	Performance Summary	
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions Control	

Description		Reference	Remark
ENVIRONMENTAL *(Continued)*			
Aspect A1: EMISSIONS *(Continued)*			
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)		We do not generate hazardous waste in our operations
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environmental and Natural Resources	
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions Control	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environmental and Natural Resources	

Description		Reference	Remark
ENVIRONMENTAL *(Continued)*			
Aspect A2: USE OF RESOURCES			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Protecting the Environment	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Performance Summary	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Performance Summary	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Improving Resource Efficiency	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Improving Resource Efficiency	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced		We do not generate significant packaging material waste in our operations

Description		Reference	Remark
ENVIRONMENTAL *(Continued)*			
Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Protecting the Environment	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environmental and Natural Resources	
EMPLOYMENT AND LABOUR PRACTICES			
Aspect B1: EMPLOYMENT			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Performance Summary	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Performance Summary	

Description		Reference	Remark
***EMPLOYMENT AND LABOUR PRACTICES** (Continued)*			
Aspect B2: HEALTH AND SAFETY			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices	
KPI B2.1	Number and rate of work-related fatalities	Performance Summary	
KPI B2.2	Lost days due to work Injury	Performance Summary	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices	
Aspect B3: DEVELOPMENT AND TRAINING			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices	
KPI B3.1	The percentage of employees trained by gender and employee category	Performance Summary	
KPI B3.2	The average training hours completed per employee by gender and employee category	Performance Summary	

Description		Reference	Remark
***EMPLOYMENT AND LABOUR PRACTICES** (Continued)*			
Aspect B4: LABOUR STANDARDS			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices	The child and forced labour issues are not material to our operations.
KPI B4.2	Description of step taken to eliminate such practices when discovered	Employment and Labour Practices	The child and forced labour issues are not material to our operations.
Aspect B5: SUPPLY CHAIN MANAGEMENT			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operation Management	
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management	

Description		Reference	Remark
***EMPLOYMENT AND LABOUR PRACTICES** (Continued)*			
Aspect B6: PRODUCT RESPONSIBILITY			
General Disclosure	Information on:(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Operation Management	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no recalls concerning the provision.	
KPI B6.2	Number of products and service related complaints received and how they are dealt with	There were no validated complaints received during the reporting period.	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibilities	Intellectual property rights are not material to our operations.
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibilities	Recall procedures are not relevant to our operations.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibilities	

Description		Reference	Remark
***EMPLOYMENT AND LABOUR PRACTICES** (Continued)*			
Aspect B7: ANTI-CORRUPTION			
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Operation Management	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-Corruption	There were no non-compliance cases regarding corrupt practices brought against the Group or its employees during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-Corruption	
Aspect B8: COMMUNITY INVESTMENT			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Caring for the Community	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Caring for the Community	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Caring for the Community	

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.

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 16 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, financial key performance indicators 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 our revenue was derived from a small number of customers. Our five largest customers' revenue contribution for the Reporting Period was 99.40% (31 March 2017: 100%) of our total revenue, while our largest customer accounted for approximately 83.60% during the Reporting Period (31 March 2017: 84.50%). There is no assurance that we will be able to retain our 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 an material impact on our financial conditions and operating results;

(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, our cash flow position may be adversely affected;

(iv) The Group's success is attributable to the contribution of, among others, our senior management personnel and in-house professional. The Group relies on the professional knowledge, experience and expertise of our 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 our 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 our construction needs could adversely impact our 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 we have to halt operations during inclement weather conditions or a natural disaster, we may continue to incur operating expenses while we experience reduced revenues and profitability, our revenue, costs, financial conditions and growth potentials 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).

We had ceased our ISO 14001:2004 certificate on 18 August 2017. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal.

During the 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 69 of this report.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Period (2017: HK$Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on Friday, 3 August 2018 at Portion 2, 12/F, The Center, 99 Queen's Road Central, 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, 1 August 2018 to Friday, 3 August 2018, 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, 31 July 2018.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 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 28 to the consolidated financial statements of this report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2018, 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$14,899,000.

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 2018.

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

Customers

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

Suppliers and subcontractors

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

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

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the Reporting Period, our largest customer accounted for approximately 83.60% (2017: 84.50%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 99.40% (2017: 100.0%).

For the Reporting Period, our largest supplier accounted for approximately 47.1% (2017: 66.7%) of our total purchases incurred (excluding subcontracting charges incurred), while the percentage of our total purchases incurred (excluding subcontracting charges incurred) attributable to our five largest suppliers in aggregate was approximately 68.7% (2017: 81.8%).

For the Reporting Period, our largest subcontractor amounted to approximately 58.5% (2017: 23.6%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 73.0% (2017: 57.7%).

None of the Directors, their close associates, or any Shareholders who or which, to the knowledge of the Directors, owned more than 5% of the issued Shares have any interest in any of the five largest customers, suppliers and subcontractors during the year ended 31 March 2018.

DIRECTORS

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

Executive Directors

Mr. So Kwok Hung *(Chairman)* (Appointed on 16 November 2017)
Ms. Yu Xiao (Appointed on 16 November 2017)
Mr. Wong Che Kwo (Resigned on 21 May 2018)
Mr. Wong Wing Wah (Resigned on 17 April 2018)
Mr. Chiu Chi Wang (Resigned on 17 April 2018)

INEDs

Mr. Tai Hin Henry
Mr. Wong Chi Kan
Mr. Liao HongHao (Appointed on 2 March 2018)
Mr. Liu Yan Chee James (Resigned on 4 December 2017)

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(a) 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' 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 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.

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

The Directors confirm that none of the then 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.

DEED OF NON-COMPETITION

The deed of non-competition dated 24 March 2016 has been entered into by the then Controlling Shareholders in favour of the Company. Pursuant to which the then 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 then 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 then 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.

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 2018, 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

Name of Directors	Capacity/Nature	Number of Shares held/ interested	Percentage of shareholding
Wong Che Kwo (Resigned on 21 May 2018)	Interest of a controlled corporation (Note)	327,030,000	26.20%
Wong Wing Wah (Resigned on 17 April 2018)	Interest of a controlled corporation (Note)	327,030,000	26.20%

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

Name of Directors	Name of associated corporation	Capacity/Nature	Number of Shares held/ interested	Percentage of shareholding
Wong Che Kwo (Resigned on 21 May 2018)	Blooming Union	Beneficial owner	1	50%
Wong Wing Wah (Resigned on 17 April 2018)	Blooming Union	Beneficial owner	1	50%

Save as disclosed above, as at 31 March 2018, 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 2018, 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	327,030,000	26.20%
Law Oi Ling	Interest of spouse (Note 1)	327,030,000	26.20%
Lai Siu Kuen	Interest of spouse (Note 2)	327,030,000	26.20%

Note:

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

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

Save as disclosed above, as at 31 March 2018 and so far as is known to the former Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "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' 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 our compliance adviser, which will provide advice and guidance to the Group in respect of compliance with the applicable laws and the GEM Listing Rules. Except for the compliance adviser agreement entered into between the Company and our compliance adviser dated on 31 March 2016, neither our compliance advisor nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to 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 33 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 15 to 30 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.

DONATIONS

During the Reporting Period, the Group has made charitable and other donations of HK$180,000 (2017: HK$Nil).

AUDITORS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of 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 2018 and up to the date of this report.

On behalf of the Board
Luen Wong Group Holdings Limited
So Kwok Hung
Chairman and Executive Director

Hong Kong, 25 June 2018

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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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 (together, the "Group") set out on pages 69 to 123, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Accounting for construction contracts</td></tr>
<tr><td>Refer to significant accounting policies in notes 2.6 and 2.13, sources of estimation uncertainty in note 4.1 and note 5 to the consolidated financial statements.

The Group recognised costs and revenue from construction contracts amounted to approximately HK$690,815,000 and HK$708,595,000 respectively for the year ended 31 March 2018.

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.</td><td>Our audit procedures in relation to the construction contracts included the following:

• 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.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the annual report of the Company, 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, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

25 June 2018

Lam Yau Hing
Practising Certificate No.: P06622

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Revenue	5	**708,595**	735,330
Cost of sales		**(690,815)**	(677,342)
Gross profit		**17,780**	57,988
Other income	7	**1,239**	4,079
Administrative and other operating expenses		**(21,449)**	(23,642)
(Loss)/Profit from operations		**(2,430)**	38,425
Finance costs	8	**(243)**	(449)
(Loss)/Profit before income tax	9	**(2,673)**	37,976
Income tax expense	10	**(219)**	(7,427)
(Loss)/Profit for the year		**(2,892)**	30,549
Other comprehensive income/(expense)			
Item that will be reclassified subsequently to the profit or loss:			
Change in fair value of available-for-sale financial asset		**9**	(435)
Total comprehensive (expense)/income for the year attributable to equity holders of the Company		**(2,883)**	30,114
		HK cents	*HK cents*
(Loss)/Earnings per share attributable to equity holders of the Company			
Basic and diluted	14	**(0.23)**	2.46

The notes on pages 74 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**37,941**	37,557
Available-for-sale financial asset	17	**3,129**	3,020
		41,070	40,577
Current assets			
Amounts due from customers for contract work	18	**35,874**	26,554
Trade and other receivables	19	**127,175**	120,841
Amount due from a director	20	**462**	–
Financial assets at fair value through profit or loss	21	**39,816**	–
Tax recoverable		**4,722**	–
Cash and bank balances	22	**99,196**	22,956
		307,245	170,351
Current liabilities			
Trade and other payables	23	**85,151**	75,881
Amounts due to customers for contract work	18	**22,224**	16,369
Amount due to a shareholder	24	**132,888**	–
Obligations under finance leases	25	**138**	857
Bank loan	26	**–**	4,667
Tax payable		**–**	1,675
		240,401	99,449
Net current assets		**66,844**	70,902
Total assets less current liabilities		**107,914**	111,479
Non-current liabilities			
Obligations under finance leases	25	**–**	937
Deferred tax liabilities	27	**4,436**	4,181
		4,436	5,118
Net assets		**103,478**	106,361
CAPITAL AND RESERVES			
Share capital	28	**12,480**	12,480
Reserves	29	**90,998**	93,881
Total equity attributable to equity holders of the Company		**103,478**	106,361

So Kwok Hung
Director

Yu Xiao
Director

The notes on pages 74 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Total equity attributable to equity holders of the Company						
	Share capital HK$'000 (note 28)	Share premium* HK$'000 (note 29)	Available-for-sale financial asset revaluation reserve* HK$'000 (note 29)	Other reserve* HK$'000 (note 29)	Capital reserve* HK$'000 (note 29)	Retained earnings* HK$'000	Total equity HK$'000
Balance as at 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 and 1 April 2017	12,480	36,672	(435)	10,400	3,820	43,424	106,361
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(2,892)**	**(2,892)**
Other comprehensive income:							
Change in fair value of available-for-sale financial asset	**–**	**–**	**9**	**–**	**–**	**–**	**9**
Total comprehensive expense	**–**	**–**	**9**	**–**	**–**	**(2,892)**	**(2,883)**
Balance as at 31 March 2018	**12,480**	**36,672**	**(426)**	**10,400**	**3,820**	**40,532**	**103,478**

* The reserve accounts comprise the Group's reserves of HK$90,998,000 (2017: HK$93,881,000) in the consolidated statement of financial position.

The notes on pages 74 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(2,673)**	37,976
Adjustments for:			
Depreciation	9	**6,349**	4,983
(Gain)/Loss on disposal of property, plant and equipment, net	9	**(252)**	163
Fair value loss on financial asset at fair value through profit or loss	9	**966**	–
Finance costs	8	**243**	449
Policy charges of a life insurance policy		**32**	247
Interest income	7	**(133)**	(66)
Operating profit before working capital changes		**4,532**	43,752
Increase in trade and other receivables		**(6,334)**	(57,203)
Increase in amounts due from customers for contract work		**(9,320)**	(6,354)
Increase in amount due from a director		**(462)**	–
Increase in financial assets at fair value through profit or loss		**(40,782)**	–
Increase in trade and other payables		**9,270**	28,893
Increase/(Decrease) in amounts due to customers for contract work		**5,855**	(3,378)
Decrease in amounts due to directors		**–**	(76)
Cash (used in)/generated from operating activities		**(37,241)**	5,634
Income taxes paid		**(6,361)**	(5,585)
Net cash (used in)/generated from operating activities		**(43,602)**	49
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**863**	18
Purchases of property, plant and equipment		**(7,344)**	(28,021)
Purchase of available-for-sale financial asset		**–**	(3,636)
Decrease/(Increase) in pledged bank deposit		**1,300**	(1,300)
Interest received		**1**	–
Net cash used in investing activities		**(5,180)**	(32,939)

	Note	2018 *HK$'000*	2017 *HK$'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
Advance from a shareholder		**132,888**	–
Interest paid	8	**(196)**	(359)
Interest element of finance leases	8	**(47)**	(90)
Repayments of bank loans		**(4,667)**	(5,987)
Repayments of capital element of finance leases		**(1,656)**	(3,035)
Net cash generated from financing activities		**126,322**	45,266
Net increase in cash and cash equivalents		**77,540**	12,376
Cash and cash equivalents at the beginning of the year		**21,656**	9,280
Cash and cash equivalents at the end of the year	22	**99,196**	21,656

The notes on pages 74 to 123 are an integral part of these consolidated financial statements.

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 (together, the "Group") are principally engaged in the provision of civil engineering works and investment holding.

The Company's shares are listed on 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 2018 were approved for issue by the board of directors on 25 June 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements on pages 69 to 123 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 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 financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

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.

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

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

2.3 Foreign currency translation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation (Continued)

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 Property, plant and equipment

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets of the Group are classified into financial assets at fair value through profit or loss, 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.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

i. Financial assets at fair value through profit or loss (Continued)

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.13 to these consolidated financial statements.

ii. 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.

iii. 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 asset 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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 2.13.

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".

2.7 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial liabilities

The Group's financial liabilities include trade and other payables, bank loan, amount due to a shareholder 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 amount due to a shareholder

Trade and other payables and amount due to a shareholder are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method.

Borrowings

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

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (note 2.10).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets

Property, plant and equipment and the Company's investments in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 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.

i. 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.

ii. 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.

iii. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 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.

2.12 Share capital

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

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

2.13 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Revenue recognition (Continued)

Contract revenue (Continued)

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.

Interest income

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

Dividend income

Dividend is recognised when the right to receive payment is established.

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

Short-term employee benefits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 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.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Accounting for income taxes (Continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

2.18 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.

2.19 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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. NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual period beginning on 1 April 2017

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

The impact of the adoption of the amended HKFRSs is discussed below. Other than as noted below, the adoption of these amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is set out in note 35. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 35, the application of these amendments had no impact on the Group's consolidated financial statements.

3. NEW AND AMENDED HKFRSs (Continued)

3.2 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 2017, and have not been adopted early by the Group:

Amendments to HKFRS 1 included in Annual Improvements 2014-2016 Cycle	First-time Adoption of Hong Kong Financial Reporting Standards[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28 included in Annual Improvements 2014-2016 Cycle	Investments in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
Amendments to HKAS 40	Transfer of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date note yet determined

3. NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 9 "Financial Instruments"

HKFRS 9 will replace HKAS 39 "Financial Instruments: Recognition and Measurement" in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income for the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in the profit or loss, in which case, all gains or losses on that liability are to be presented in the profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assess hedge effectiveness.

The directors consider that the application of HKFRS 9 in the future will not have a significant impact on the Group's results and financial position.

3. NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 15 "Revenue from Contracts with Customers" and Amendments to HKFRS 15 "Clarifications to HKFRS 15 Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

The amendments to HKFRS 15 are issued with the aim to clarify certain issues on implementation of HKFRS 15.

The directors consider that the application of HKFRS 15 and Amendments to HKFRS 15 in the future will not have a significant impact on the Group's results and financial position.

HKFRS 16 "Leases"

HKFRS 16 applies a control model to the identification of leases, distinguishing between leases and services contracts on the basis of whether there is an identified asset controlled by the customer.

HKFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of the lease arrangement. The initial measurement of the right-of-use asset is based on the lease liability and adjusted for any prepaid lease payments, lease incentives received, initial direct costs incurred and an estimate of costs the lessee is obliged to incur to dismantle, remove or restore the underlying asset and/or site. Subsequently, the right-of-use asset is depreciated following the requirements of HKAS 16 "Property, Plant and Equipment" and impaired, if any, following the requirements of HKAS 36 "Impairment of Assets". The lease liability is accounted for similarly to other financial liabilities using an effective interest method.

The lessor accounting requirements are not substantially changed and classification of leases as operating leases or finance leases is retained. HKFRS 16 replaces the previous leases standard HKAS 17 "Leases", and related Interpretations. An entity is allowed to apply HKFRS 16 before that date but only if it also applies HKFRS 15 "Revenue from Contracts with Customers".

3. NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases" (Continued)

As set out in note 32 to the consolidated financial statements, the operating lease commitments of the Group in respect of its leased premises and office equipment as at 31 March 2018 amounted to HK$1,401,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of the operating lease commitments will be required to be recognised in the consolidated statement of financial position as a right-of-use asset and a lease liability.

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 2.6 and 2.13, 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.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Sources of estimation uncertainty (Continued)

Construction contracts (Continued)

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.

For the year ended 31 March 2018, the amounts of revenue from the provision of civil engineering works and provision of decoration and renovation works amounted to HK$708,595,000 (2017: HK$735,330,000).

As at 31 March 2018, the carrying amounts of the amounts due from customers for contract work amounted to HK$35,874,000 (2017: HK$26,554,000). As at 31 March 2018, the carrying amounts of the amounts due to customers for contract work amounted to HK$22,224,000 (2017: HK$16,369,000).

4.2 Critical judgements in applying the Group's accounting policies

Depreciation

Property, plant and equipment (note 15) 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 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 and retention monies receivables

The Group evaluates whether there is any objective evidence that trade and retention monies receivables (note 19) 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 and retention monies 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.

As at 31 March 2018, the carrying amounts of trade receivables amounted to HK$62,189,000 (2017: HK$80,203,000). As at 31 March 2018, the carrying amounts of retention monies receivables amounted to HK$42,096,000 (2017: HK$34,103,000).

5. REVENUE

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

6. SEGMENT INFORMATION

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

(a) Geographical information

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

(b) Major customers

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

	2018 ***HK$'000***	2017 *HK$'000*
Customer 1	**592,236**	621,630
Customer 2	**89,822**	76,112

7. OTHER INCOME

	2018 ***HK$'000***	2017 *HK$'000*
Gain on disposal of property, plant and equipment, net	**252**	–
Gain on disposal of financial assets at fair value through profit or loss	**428**	–
Exchange gain	**30**	–
Interest income	**133**	66
Sundry income	**396**	4,013
	1,239	4,079

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Finance charges on obligations under finance leases	47	90
Interests on bank loans and overdraft	196	359
	243	449

9. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Auditor's remuneration		
– audit services	625	657
– non-audit services	150	150
Depreciation		
– own assets	6,140	4,555
– leased assets	209	428
(Gain)/Loss on disposal of property, plant and equipment, net	(252)	163
Gain on disposal of financial assets at fair value through profit or loss	(428)	–
Fair value loss on financial assets at fair value through profit or loss	966	–
Site equipment rental costs (included in cost of sales)	48,296	60,092
Operating lease charges in respect of premises and office equipment	638	760
Exchange gain	(30)	–

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

	2018 HK$'000	2017 HK$'000
Current tax		
Hong Kong profits tax		
– Current year	–	4,723
– Over-provision in respect of prior year	(36)	(40)
	(36)	4,683
Deferred tax		
– Current year (note 27)	255	2,744
Income tax expense	219	7,427

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rate:

	2018 HK$'000	2017 HK$'000
(Loss)/Profit before income tax	(2,673)	37,976
Tax on (loss)/profit before income tax at 16.5% (2017: 16.5%)	(441)	6,266
Tax effects on:		
– Non-taxable income	(10)	–
– Non-deductible expenses	10	677
– Tax losses not recognised	696	524
– Over-provision in respect of prior year	(36)	(40)
Income tax expense	219	7,427

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 HK$'000	2017 HK$'000
Salaries, wages and other benefits	82,154	96,992
Contributions to defined contribution retirement plan	2,886	3,090
	85,040	100,082
Add: amount included in construction contracts in progress	2,297	4,752
	87,337	104,834

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:

		Other emoluments			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2018					
Executive directors					
Mr. Wong Che Kwo (note f)	–	1,440	6,000	18	7,458
Mr. Wong Wing Wah (note e)	–	1,440	4,000	18	5,458
Mr. Chiu Chi Wang (note e)	–	588	725	18	1,331
Mr. So Kwok Hung (note b)	68	–	–	–	68
Ms. Yu Xiao (note b)	68	–	–	–	68
Independent non-executive directors					
Mr. Wong Chi Kan	120	–	–	–	120
Mr. Liu Yan Chee James (note c)	81	–	–	–	81
Mr. Tai Hin Henry	120	–	–	–	120
Mr. Liao Honghao (note d)	8	–	–	–	8
	465	**3,468**	**10,725**	**54**	**14,712**
Year ended 31 March 2017					
Executive directors					
Mr. Wong Che Kwo	–	1,440	2,000	18	3,458
Mr. Wong Wing Wah	–	1,440	2,000	18	3,458
Mr. Chiu Chi Wang	–	548	523	18	1,089
Mr. Wong Tak Ming (note a)	–	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

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

(a) Directors' emoluments (Continued)

Note:

(a) Resigned on 16 March 2017.

(b) Appointed on 16 November 2017.

(c) Resigned on 4 December 2017.

(d) Appointed on 2 March 2018.

(e) Resigned on 17 April 2018.

(f) Resigned on 21 May 2018.

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 (2017: HK$Nil). There were no directors have waived or agreed to waive any emoluments during the year (2017: HK$Nil).

(b) Five highest paid individuals

The five highest paid individuals of the Group during the year include three directors (2017: four) whose emoluments are disclosed above. Details of the emoluments of the remaining two (2017: one) highest paid individuals are as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Salaries, wages and other benefits	**1,624**	607
Discretionary bonuses	**392**	320
Contributions to defined contribution retirement plan	**36**	18
	2,052	945

The emoluments of the remaining two (2017: one) highest paid individuals are within the following bands:

	2018 **Number of individuals**	2017 Number of individuals
HK$Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	–
	2	1

13. DIVIDENDS

No dividend was declared or paid by the Company to its equity holders during the year (2017: HK$Nil).

14. (LOSS)/EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
(Loss)/Earnings		
(Loss)/Profit for the year attributable to equity holders of the Company	**(2,892)**	30,549
Number of shares		
Weighted average number of ordinary shares (in thousands)	**1,248,000**	1,242,301

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 March 2018 represents 1,248,000,000 ordinary shares in issue throughout the year.

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 28 (ii)), 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 28(i)).

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

15. 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 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 and 1 April 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
Year ended 31 March 2018					
Opening net book amount	802	1,129	29,407	6,219	37,557
Additions	–	2	5,939	1,403	7,344
Disposals	–	–	(218)	(393)	(611)
Charge for the year	(80)	(143)	(3,893)	(2,233)	(6,349)
Closing net book amount	**722**	**988**	**31,235**	**4,996**	**37,941**
As at 31 March 2018					
Cost	1,608	1,818	43,391	17,065	63,882
Accumulated depreciation	(886)	(830)	(12,156)	(12,069)	(25,941)
Net book value	**722**	**988**	**31,235**	**4,996**	**37,941**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2018 and 2017, the Group's land and building was located in Hong Kong. As at 31 March 2017, the Group's land and building was pledged to the bank as security of bank term loan granted to the Group (note 26).

As at 31 March 2018, the Group's motor vehicles with net book amount of HK$550,000 (2017: HK$2,174,000) were held under finance leases (note 25).

16. INTERESTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2018 and 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")	British Virgin Islands	Limited liability company	5 ordinary shares of US$1 each	100%# (2017: 100%#)	Investment holding
Luen Hing Construction & Eng. Limited ("Luen Hing")	Hong Kong	Limited liability company	9,280,000 ordinary shares	100% (2017: 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% (2017: 100%)	Provision of civil engineering works
Mullen Building Limited ("Mullen")*	Hong Kong	Limited liability company	10,000 ordinary shares	100%# (2017: N/A)	Provision of decoration and renovation works

\# The issued capital of Super Pioneer and Mullen were held by the Company directly.

* Mullen was newly incorporated during the year ended 31 March 2018.

17. AVAILABLE-FOR-SALE FINANCIAL ASSET

In 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.

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 was pledged to the bank as security of banking facilities granted to the Group.

Details of the fair value measurement of the Group's investment in a life insurance policy are disclosed in note 36(c).

18. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2018 HK$'000	2017 HK$'000
Contract costs incurred plus recognised profits less recognised losses	**1,853,324**	1,021,851
Less: progress billings	**(1,839,674)**	(1,011,666)
	13,650	10,185
Recognised and included in the consolidated statement of financial position as:		
– Amounts due from customers for contract work	**35,874**	26,554
– Amounts due to customers for contract work	**(22,224)**	(16,369)
	13,650	10,185

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

19. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**62,189**	80,203
Retention monies receivables	**42,096**	34,103
Receivables from a securities broker	**19,524**	–
Other receivables, deposits and prepayments	**3,366**	6,535
	127,175	120,841

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

	2018 HK$'000	2017 HK$'000
0 – 30 days	**26,633**	52,857
31 – 60 days	**30,167**	27,346
61 – 90 days	**3,852**	–
Over 90 days	**1,537**	–
	62,189	80,203

19. TRADE AND OTHER RECEIVABLES (Continued)

The Group usually grants customers a credit period of 45 days (2017: 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 2018 (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**53,067**	80,203
Less than 30 days past due	**7,585**	–
Over 90 days past due	**1,537**	–
	62,189	80,203

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 2018, the retentions held by customers for contract works included in retention monies receivables under current assets of the Group was HK$42,096,000 (2017: HK$34,103,000), of which HK$17,498,000 (2017: HK$14,496,000) are expected to be recovered after more than one year.

As at 31 March 2017, trade receivables of HK$49,511,000 and retention money receivables of HK$8,766,000 together with related rights, title and interests under relevant construction contracts; and the available-for-sale financial asset of HK$3,020,000 as set out in note 17 were 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.

20. AMOUNT DUE FROM A DIRECTOR

Name of director	Maximum outstanding balance HK$'000	2018 HK$'000	2017 HK$'000
Mr. Wong Che Kwo	462	462	–

The amount due is unsecured, interest-free and have no fixed terms of repayment.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Listed securities held for trading		
– Equity securities listed in Hong Kong	39,816	–

Details of the fair value measurement of the Group's investments in listed securities are disclosed in note 36(c).

22. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash and bank balances	99,196	21,656
Short-term pledged bank deposit	–	1,300
Cash and bank balances presented in the consolidated statement of financial position	99,196	22,956
Less: short-term pledged bank deposit	–	(1,300)
Cash and cash equivalents presented in the consolidated statement of cash flows	99,196	21,656

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

23. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**48,695**	52,640
Retention monies payables	**27,705**	14,082
Accruals and other payables	**8,751**	9,159
	85,151	75,881

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**36,191**	39,563
31 – 60 days	**12,501**	12,032
61 – 90 days	**–**	1,006
Over 90 days	**3**	39
	48,695	52,640

The Group is granted by its suppliers a credit period ranging from 0 to 30 days (2017: 0 to 30 days).

As at 31 March 2018, the retentions held by the Group for contract works included in retention monies payables under current liabilities of the Group was HK$27,705,000 (2017: HK$14,082,000), of which HK$13,817,000 (2017: HK$5,651,000) are expected to be payable after more than one year.

24. AMOUNT DUE TO A SHAREHOLDER

The amount due is unsecured, interest-free and have no fixed terms of repayment.

25. OBLIGATIONS UNDER FINANCE LEASES

As at the reporting date, the Group had obligations under finance leases repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
Total minimum lease payments		
Within one year	**139**	916
After one year but within two years	**–**	661
After two years but within five years	**–**	306
	139	1,883
Future finance charges on finance leases	**(1)**	(89)
Present value of finance lease liabilities	**138**	1,794
Present value of minimum lease payments		
Within one year	**138**	857
After one year but within two years	**–**	636
After two years but within five years	**–**	301
	138	1,794

As at 31 March 2017, one of the Group's finance lease liabilities with outstanding balance of HK$889,000 was secured by a corporate guarantee given by the Company.

26. BANK LOAN

As at the reporting date, the secured bank term loan was repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year or on demand	**–**	4,667

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% per annum.

As at 31 March 2017, the bank term loan was secured by the land and building of the Group (note 15) and a corporate guarantee given by the Company.

As at 31 March 2017, the bank term loan was classified as current liabilities because the corresponding loan agreement 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 agreement.

27. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% (2017: 16.5%) in Hong Kong.

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

	2018 *HK$'000*	2017 *HK$'000*
At the beginning of the year	**4,181**	1,437
Charged to the profit or loss (note 10)	**255**	2,744
At the end of the year	**4,436**	4,181

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 *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
As at 1 April 2016	1,437	–	1,437
Charged to the profit or loss (note 10)	2,744	–	2,744
As at 31 March 2017 and 1 April 2017	4,181	–	4,181
Charged/(Credited) to the profit or loss (note 10)	**262**	**(7)**	**255**
As at 31 March 2018	**4,443**	**(7)**	**4,436**

No deferred tax asset has been recognised for the year (2017: HK$Nil) in respect of tax losses approximately of HK$7,399,000 (2017: 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.

28. SHARE CAPITAL

	2018 Number of shares	2018 HK$'000	2017 Number of shares	2017 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
As at 1 April and 31 March	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
As at 1 April	**1,248,000,000**	**12,480**	10,000	–
Issuance of ordinary shares pursuant to the Placing (note i)	**–**	**–**	208,000,000	2,080
Issuance of ordinary shares pursuant to the Capitalisation Issue (note ii)	**–**	**–**	1,039,990,000	10,400
As at 31 March	**1,248,000,000**	**12,480**	1,248,000,000	12,480

Note:

(i) 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.

(ii) 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 Investments Limited 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.

29. 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 17).

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 its 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 its 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.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**28,315**	–
Current assets		
Prepayments and other receivable	**19,637**	613
Amount due from a subsidiary	**64,289**	31,198
Financial assets at fair value through profit or loss	**39,816**	–
Bank balance	**8,672**	259
	132,414	32,070
Current liabilities		
Accruals	**450**	602
Amount due to a shareholder	**132,900**	–
	133,350	602
Net current (liabilities)/assets	**(936)**	31,468
Net assets	**27,379**	31,468
EQUITY		
Share capital	**12,480**	12,480
Reserves (note)	**14,899**	18,988
Total equity	**27,379**	31,468

Approved and authorised for issue by the board of directors on 25 June 2018.

So Kwok Hung
Director

Yu Xiao
Director

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

Note:

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

	Share capital HK$'000 (note 28)	Share premium HK$'000 (note 29)	Accumulated losses HK$'000	(Capital deficiency)/ Total equity HK$'000
Balance as at 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 and 1 April 2017	12,480	36,672	(17,684)	31,468
Loss and total comprehensive expense for the year	**–**	**–**	**(4,089)**	**(4,089)**
Balance as at 31 March 2018	**12,480**	**36,672**	**(21,773)**	**27,379**

31. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2017, addition to property, plant and equipment of approximately HK$1,000,000 was financed by finance lease arrangement.

32. OPERATING LEASE COMMITMENTS

As lessee

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

	2018 HK$'000	2017 HK$'000
Within one year	**927**	597
In the second to fifth years	**474**	302
	1,401	899

33. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

As at 31 March 2018 and 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 directors in respect of certain contracts amounted to HK$198,847,000 (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Short-term employee benefits	**14,722**	11,971
Post-employment benefits	**69**	124
	14,791	12,095

34. 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.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Amount due to a shareholder	**Finance lease liabilities**	**Bank loan**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
As at 1 April 2017	–	1,794	4,667	6,461
Cash flows:				
– Repayments	**–**	**(1,656)**	**(4,667)**	**(6,323)**
– Advance from a shareholder	**132,888**	**–**	**–**	**132,888**
As at 31 March 2018	**132,888**	**138**	**–**	**133,026**

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Available-for-sale financial asset	**3,129**	3,020
Financial assets at fair value through profit or loss	**39,816**	–
Loans and receivables:		
Trade and other receivables	**124,151**	116,930
Amount due from a director	**462**	–
Cash and bank balances	**99,196**	22,956
	266,754	142,906
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	**84,022**	75,881
Amount due to a shareholder	**132,888**	–
Bank loan	**–**	4,667
Obligations under finance leases	**138**	1,794
	217,048	82,342

(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 loan. As at 31 March 2017, the Group's bank loan was committed on a floating rate basis and were denominated in HK$. There was no bank loan as at 31 March 2018.

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

(b) Financial risk factors (Continued)

(i) Interest rate risk (Continued)

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. The same percentage increase in interest rate would have the same magnitude on the Group's consolidated equity and net profit but of opposite effect. The 50 basis points represents the reasonable possible change in interest rates over the period until the next reporting date.

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

(ii) Credit risk

Credit risk arises mainly from trade and other receivables 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 2018, trade and retention monies receivables from an individual customer accounted for 56% (2017: 73%) of the total trade and retention monies receivables.

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

(b) Financial risk factors (Continued)

(iii) Liquidity risk

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

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

	On demand or within one year *HK$'000*	Between one and two years *HK$'000*	Between two and five years *HK$'000*	Total *HK$'000*	Carrying amount *HK$'000*
As at 31 March 2018					
Trade and other payables	**84,022**	**–**	**–**	**84,022**	**84,022**
Amount due to a shareholder	**132,888**	**–**	**–**	**132,888**	**132,888**
Obligations under finance leases	**139**	**–**	**–**	**139**	**138**
	217,049	**–**	**–**	**217,049**	**217,048**
As at 31 March 2017					
Trade and other payables	75,881	–	–	75,881	75,881
Bank 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

Bank loan with a repayment on demand clause is included in the "On demand or within one year" time band in the above maturity analysis.

36. 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 this bank loan payable in accordance with the scheduled payment terms was 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 loan	4,742	–	–	–	4,742

As at 31 March 2017, taking into account of the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. Included in the above balance, the directors believe that such bank loan will be repaid in accordance with the scheduled repayment dates as set out in the loan agreement.

36. 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 financial assets measured at fair values are as follows:

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
As at 31 March 2018				
Available-for-sale financial asset:				
– Investment in a life insurance policy	**–**	**3,129**	**–**	**3,129**
Financial assets at fair value through profit or loss:				
– Listed securities held for trading	**39,816**	**–**	**–**	**39,816**
	39,816	**3,129**	**–**	**42,945**
As at 31 March 2017				
Available-for-sale financial asset:				
– Investment in a life insurance policy	–	3,020	–	3,020

During the year ended 31 March 2018, there were no transfers between Level 1, Level 2 and Level 3 (2017: Nil).

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

The fair value of listed securities held for trading is determined by reference to the unadjusted quoted prices in active markets.

The carrying amounts of the Group's other financial assets and liabilities are not materially different from their fair values as at 31 March 2018 and 2017.

37. 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:

	2018	2017
	HK$'000	*HK$'000*
Bank loan	**–**	4,667
Obligations under finance leases	**138**	1,794
Total borrowings	**138**	6,461
Less: cash and bank balances	**(99,196)**	(22,956)
Net debts	**(99,058)**	(16,495)
Total equity	**103,478**	106,361
Debt to equity ratio	**N/A**	N/A

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
CONSOLIDATED RESULTS					
Revenue	159,963	271,949	315,004	735,330	**708,595**
Profit/(Loss) before income tax	11,386	21,703	12,061	37,976	**(2,673)**
Income tax expense	(1,956)	(3,624)	(3,670)	(7,427)	**(219)**
Profit/(Loss) for the year	9,430	18,079	8,391	30,549	**(2,892)**
Total comprehensive income/(expense) for the year attributable to equity holders of the Company	9,430	18,079	8,391	30,114	**(2,883)**

	As at 31 March				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	74,949	93,085	111,364	210,928	**348,315**
Total liabilities	(84,724)	(84,781)	(84,269)	(104,567)	**(244,837)**
Net (liabilities)/assets	(9,775)	8,304	27,095	106,361	**103,478**