Progressive Path Group Holdings Limited
進昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1581

Annual Report
2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Wing Hang *(Chairman)*
Mr. Chan Tak Ming

Independent Non-executive Directors

Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

AUDIT COMMITTEE

Mr. Lee Man Tai *(Chairman)*
Mr. Wong Yiu Kit Ernest
Mr. Leung Ka Fai

NOMINATION COMMITTEE

Mr. Leung Ka Fai *(Chairman)*
Mr. Wu Wing Hang
Mr. Wong Yiu Kit Ernest

REMUNERATION COMMITTEE

Mr. Wong Yiu Kit Ernest *(Chairman)*
Mr. Wu Wing Hang
Mr. Lee Man Tai

COMPANY SECRETARY

Ms. Lee Ying Ying

AUTHORISED REPRESENTATIVES

Mr. Wu Wing Hang
Ms. Lee Ying Ying

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tuen Mun Central Square
No. 22 Hoi Wing Road
Tuen Mun
New Terrirories
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Ample Capital Limited
Unit A, 14/F.
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

SHINEWING (HK) CPA Limited
43rd Floor, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

David Fong & Co.
Unit A., 12/F.
China Overseas Building
139 Hennessy Road
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.ppgh.com.hk

STOCK CODE

1581

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Director") of Progressive Path Group Holdings Limited (the "Company"), it is my pleasure to present to you the first annual report of the Company and its subsidiaries (collectively referred to as the "Group").

The shares of the Company were successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 December 2016 (the "Listing Date"). It marked an important milestone for the Group and laid a solid foundation for future development. On behalf of the Group, I would like to extend our appreciation to all parties who have helped us build our business over the years as well as to those who helped bring our Company to the Listing of the Stock Exchange.

The Group is a Hong Kong-based subcontractor engaged in (i) construction works; and (ii) the provision of construction machinery rental services. We consider that the two business segments of the Group complement each other and allow the Group to efficiently deploy our employees and utilise our construction machinery. Our portfolio of construction machinery enables the Group to cater for construction projects of various sizes and our construction works provide the conditions for our Group to further expand our portfolio of construction machinery.

For the year ended 31 March 2017, the Group maintained a stable revenue of approximately HK$484.5 million as compared to approximately HK$409.3 million for the year ended 31 March 2016. The Group's profits attributable to shareholders decreased from approximately HK$36.7 million for the year ended 31 March 2016 to approximately HK$23.9 million for the year ended 31 March 2017. The decrease in profits attributable to shareholders was mainly due to the substantial increase of depreciation cost of machinery and equipment, listing expense, and legal and professional expense.

Looking ahead, the Group is confident about the outlook and the prospects of the construction industry in Hong Kong. We believe that the Group is well positioned to capture the growing demand for the foundation and site formation industry as well as the construction machinery rental industry in Hong Kong.

On behalf of the Board, I would like to take this opportunity to thank our committed staff and Directors for their dedication and contributions. I also wish to sincerely thank our customers, business partners and investors for their continuous support and trust.

Wu Wing Hang
Chairman

Hong Kong, 30 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The construction industry in Hong Kong has grown considerably well in past years and will continue to maintain the boom in the coming few years. Although a number of projects are now at their construction peaks such as the HZMB local projects and the Hong Kong Section of GZ-SZ-HK Express Rail Link, the on-going and upcoming construction projects in both public and private sectors (e.g. the recent unveiling of Lantau Blueprint Plan; HK$141.5 billion third airport runway project and HK$7 billion on upgrading and expanding facilities before the launch of the third runway in 2024; further development of MTR lines) are expected to continue to driving the growth of the industry. Moreover, according to the 2017-18 Budget release, the infrastructure will account for the biggest part of total government expenditure in the coming year and HK$100 billion are earmarked for infrastructure projects. Despite the uncertainty of the global political and economic atmosphere, it is still optimistic in seeing increasing demand in the construction industry in Hong Kong. With such positive outlook, we look forward to the continuous growth of our business.

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) construction works; and (ii) the provision of construction machinery rental. Our construction machinery rental represents the rental of construction machines and construction vehicles to our customers, and the provision of machine operators and transportation services as part of our one-stop construction machinery rental service. Our construction works represent the construction projects undertaken by us, the nature of which are broadly classified as foundation and site formation works, and builder's work and general building works.

Since the Listing Date, there has been no significant change in the business operations of the Group.

As at 31 March 2017, there were ten projects on hand with total outstanding contract sum amounting to HK$143.1 million. All projects are expected to be completed in the year ending 31 March 2018. None of them is expected to have any material interruption. Going forward, we will continue to focus on developing our business by undertaking new construction projects and rental arrangements in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Below set out a list of projects which contributed revenue to the Group during the Year:

Site Location	Type of Works	Status
Hong Kong International Airport	Foundation and site formation works and builder's work and general building works	Completed
Hong Kong International Airport	Foundation and site formation works	Work in progress
Tseung Kwan O	Foundation and site formation works	Work in progress
Hong Kong Boundary Crossing Facilities	Foundation and site formation works	Work in progress
West Kowloon Terminus Station North	Builder's work and general building works	Work in progress
Tai Po	Foundation and site formation works	Work in progress
Siu A Chau	Foundation and site formation works	Completed
Tuen Mun	Builder's work and general building works	Work in progress
Liantang/Heung Yuen Wai Boundary Control Point	Builder's work and general building works	Work in progress
Hong Kong International Airport	Foundation and site formation works	Work in progress
Lung Ping Road, Tai Wo Ping Bridge	Builder's work and general building works	Work in progress
HK-ZH-Macau bridge HK Link Road	Foundation and site formation works	Work in progress

MANAGEMENT DISCUSSION AND ANALYSIS

RISKS AND UNCERTAINTIES

The Group's results of operation may vary significantly from period to period depending on, among other factors, the political and economic environment, level of competitiveness, the quality of service and timeliness of subcontractors, and the adequacy and efficiency of internal processes implemented by staff and systems. The Group believes that there are certain risks and uncertainties involved both in the markets and in the operations which can be summarised as below.

Operational Risks

Due to unexpected circumstances such as bad weather and geological issues, the actual time and costs incurred in construction project may exceed our estimation at the time of tendering submission and the work in progress may be interrupted. As the result, such variances could adversely affect the Group's operations and financial results. In such situations, the Group will implement measures such as re-allocating human resources and recruit additional manpower including subcontracting the works in order to expedite the work progress.

On the other hand, chance of industrial accident is inevitable. In order to minimize the rate of accidents, the Group has already recruited a qualified safety officer to regularly monitor the work environment, implementation of safety rules and regulations and establishing safety policies. In addition, the Group also appointed a registered safety auditor to conduct corporate safety audit semi-annually to maximize the effectiveness of safety management.

It is quite common in the construction industry that collection of receivables takes longer time and it may lead to late settlement by customers especially at the times of unexpected crises due to political and economic factors. To mitigate the pressure of financial liquidity, the Group produces aging analysis on regular basis and contacts the management level of the customers so as to get better understanding of their solvency status.

Market Risks

Due to the construction industry in Hong Kong is dominantly subject to Government's large-scale infrastructure projects and such projects required pro-longed process of legislative approval, it is more passive toward the future's prospect of the industry. Nevertheless, the Group will not just rely on participating in projects from public sector, we will also be more involved in projects from private sectors.

In the meantime, demand of residential and commercial buildings is growing continuously. We perceived that such demand will sustain the booming in the construction industry and attract more competitive entrants to the industry. In order to grip holding of our market shares, we have acquired new fleets of machineries since our listing in December 2016 to cope with the demand. With our in-depth experience and knowledge in the field, we are capable to continue providing one-stop construction machinery service to meet the needs of various customers.

However, construction machinery rental service is constraint by the rules and regulation imposed by the Environmental Protection and Labour Department of HKSAR. New legal challenges and policies could be released due to the change of environmental and social issues. Such changes will lead to increase of cost and burden for the Group. In light of such potential risk, we have acquired new environmental type of machineries to replace the old ones so to meet the environmental requirements and protect the public health.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

During the Year, the Group had revenue generated from construction works and construction machinery rental. Set out below is the breakdown of revenue of the Group during the Year and 2016:

	Ended 31 March	
	2017	2016
	HK$'000	HK$'000
Construction works	**216,170**	168,949
Construction machinery rental	**268,309**	240,400
	484,479	409,349

Revenue from construction works

During the Year, the revenue derived from our twelve projects (2016: ten projects) amounted to approximately HK$216.2 million (2016: HK$168.9 million), accounting for approximately 44.6% (2016: 41.3%) of our total revenue.

Revenue from construction machinery rental

During the Year, the revenue derived from our construction machinery rental amounted to approximately HK$268.3 million (2016: HK$240.4 million), accounting for approximately 55.4% (2016: 58.7%) of our total revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's total gross profit increased by approximately HK$1.4 million, or 2.1% while the gross profit margin decreased by approximately 2.2% as compared with previous year. The decrease in gross profit margin was mainly attributable to the decrease in the gross profit margin of our construction works, which is due to the lower gross profit derived from the new projects commenced and the increase of subcontracting cost involved during the Year. Below set out the breakdowns of the gross profit and gross profit margin of the Group:

	Ended 31 March			
	2017		2016	
	HK$000		HK$000	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
Construction works	**33,960**	**15.7%**	35,365	20.9%
Construction machinery rental	**33,783**	**12.6%**	30,989	12.9%
	67,743	**14.0%**	66,354	16.2%

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Year amounted to approximately HK$34.8 million, representing an increase of approximately 106% compared with approximately HK$16.9 million for the previous year. Such increase is mainly due to the non-recurring listing expenses incurred, increase in administrative staff costs and legal and professional fees during the Year. Listing expenses borne by the Company amounted to approximately HK$11.7 million (2016: HK$4.8 million).

NET PROFIT

The Group reported a net profit of approximately HK$23.9 million (2016: HK$36.7 million), representing a decrease of approximately 34.9%. Excluding the aforementioned non-recurring listing expenses, the Group's net profit would have been approximately HK$35.7 million for the Year (2016: HK$41.6 million), representing a decrease of approximately 14.2%. The decrease is mainly attributable to the increase in depreciation cost of the machineries and equipment and the administrative expenses.

Note: the net profit before the listing expense disregards tax effect.

TREASURY POLICY

It is the Group's policy to adopt a prudent approach towards its cash management policies and thus maintained a healthy liquidity position throughout the Year. To minimize the exposure to credit risk, the Group would regularly review the timeliness of receivables settlement and evaluate the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments would constantly meet its funding requirements for current and future operations.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and new shares issued through the Listing.

As at 31 March 2017, the Group had bank balances of approximately HK$99.3 million (2016: HK$15.1 million). The increase is mainly due to the net proceeds received from the Listing amounting to HK$102.3 million. The new bank borrowings during the Year was approximately HK$53.0 million (2016: HK$14.6 million). The total interest-bearing liabilities of the Group including bank loans and finance leases as at 31 March 2017 was approximately HK$142.5 million (2016: HK$107.1 million). The gearing ratio is calculated based on the amount of total interest-bearing liabilities divided by total equity. The gearing ratio of the Group as at 31 March 2017 was approximately 57.7% (2016: 80.9%), a decrease of approximately 28.7%.

PLEDGE OF ASSETS

As at 31 March 2017, the Group's bank borrowings and finance lease liabilities were secured by the property (newly acquired during the Year) and machinery and equipment with an aggregate net carrying value of approximately HK$113.0 million (2016: HK$88.7 million) and insurance prepayment with an aggregate net book value of approximately HK$9.3 million (2016: HK$4.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group employed 331 staff (2016: 344). Total staff costs including Directors' emoluments for the Year amounted to approximately HK$118.7 million (2016: HK$120.3 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the qualification and performance of each employee.

The emoluments of the Directors of the Company are decided by the Board after recommendation from the remuneration committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 30 to the consolidated financial statements.

During the Year, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

CAPITAL EXPENDITURE AND COMMITMENTS

Our capital expenditure primarily comprises purchase of property, machinery and motor vehicles. Our capital expenditure was principally funded by bank borrowings, finance leases, internal resources and proceeds from new shares offer through the Listing. The following table sets forth our Group's capital expenditure during the Year and previous year:

	2017 **HK$'000**	2016 HK$'000
Buildings	**9,686**	–
Motor vehicles	**43,276**	21,550
Machinery	**38,431**	12,758
Others	**349**	166
	91,742	34,474

As at 31 March 2017, the Group had no material capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 March 2017, one of the subsidiaries has been named as defendant in five (2016: four) High Court actions in respect of claim for compensation of personal injury for an amount of approximately HK$8.8 million (2016: HK$8.8 million) in aggregate. The Directors considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements.

EVENTS AFTER THE YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2017 and up to the date of this annual report.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, the Group had no significant investment held and did not have any material acquisition and disposal of subsidiaries, associated companies apart from the corporate reorganisation in relation to the Listing as disclosed in the prospectus of the Company dated 28 November 2016 (the "Prospectus").

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

Since the date of the Listing and up to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of final dividend to shareholders of the Company for the Year.

USE OF PROCEEDS FROM LISTING

The Company's shares have been listed on the Main Board of the Stock Exchange since the date of the Listing. After the exercise of the Over-allotment Option, the receipt of proceeds, after deduction of underwriting commission and other related estimated listing expenses, including both recognised in the consolidated statement of comprehensive income and deducted from the share premium ("net proceeds") from the Company's listing were approximately HK$102.3 million. As at 31 March 2017, the net proceeds had been utilised as follows:

Use of net proceeds	**Net proceeds from the share offer** HK$ million	**Actual utilisation up to 31 March 2017** HK$ million	**Unutilised amounts as at 31 March 2017** HK$ million
Replacement and enhancement our fleet of machinery	80.4	5.4	75
Reinforcement of our workforce	12.2	0.8	11.4
General working capital	9.7	6	3.7
	102.3	12.2	90.1

The unutilised amounts of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus. The unutilised net proceeds had been deposited into licensed bank in Hong Kong.

PROSPECTS

In view of the Government's latest policy in increasing infrastructure development plans for both private and public sector, the Group expects a steady growth in the construction industry in Hong Kong. In order to expand the business scope, the Group is now engaged in trading of construction machinery (both new and used) so as to bringing in more revenue and returns to our shareholders.

REPORT OF THE DIRECTORS

The Board presents to the shareholders this annual report together with the audited consolidated financial statements for the year ended 31 March 2017 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company while the principal subsidiaries are principally engaged in the construction works and provision of construction machinery rental. Details of the principal activities of its subsidiaries are set out in notes 1 and 35 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Year.

BUSINESS REVIEW

Discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" set out on pages 4 to 11 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 44 of this annual report. A subsidiary of the Company distributed an interim dividend of HK$29,000,000 to its then shareholder. Other than the above, no dividend was paid or proposed by the Company during the Year, nor has any dividend been proposed by the Directors since the end of the Year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements of this annual report.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Directors are of view that employees, customers, sub-contractors and suppliers are the keys to the sustainable development of the Group.

Employees

Employees are regarded as valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise well-performed staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. In particular, the Group promote career development and advancement by providing appropriate training and opportunities in order to enhance the employees' work performance.

Customers

Our major customers include construction work companies engaged in public and/or private construction projects in Hong Kong. We have established long-term business relationship with these customers for many years and committed to offer our quality service to meet their requirement. We tend to maintain contacts with these customers regularly in order to understand their needs and provide required service to support their business.

Sub-contractors and Suppliers

Our Group have developed long-standing relationship with a number of sub-contractors and suppliers. We have always been communicating closely with them to ensure that good quality and sustainable goods and services will be provided to the Group. When selecting sub-contractors and suppliers, we often require them to satisfy certain criteria such as experience and capability, financial strength, track record, and reputation.

SHARE CAPITAL AND SHARES ISSUED DURING THE YEAR

Details of movements during the Year in the share capital of the Company are set out in note 26 to the consolidated financial statements of this annual report.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 47 of this annual report.

As at 31 March 2017, the Group had retained profit amounted to approximately HK$91,839,000 available for distribution to the Company's shareholders.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 15 November 2016. The principal terms of the Share Option Scheme is summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide 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 business of the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 15 November 2016 and up to the date of this report.

DIRECTORS

The Directors who held office during the Year and up to the date of this report were:

Executive Directors

Mr. Wu Wing Hang	(Appointed on 21 April 2016)
Mr. Chan Tak Ming	(Appointed on 31 May 2016)

Independent Non-Executive Directors

Mr. Wong Yiu Kit Ernest	(Appointed on 15 November 2016)
Mr. Lee Man Tai	(Appointed on 15 November 2016)
Mr. Leung Ka Fai	(Appointed on 15 November 2016)

REPORT OF THE DIRECTORS

In accordance with article 108 and 112 of the Company's articles of association (the "Articles"), Mr. Wu Wing Hang, Mr. Chan Tak Ming, Mr. Wong Yiu Kit Ernest, Mr. Lee Man Tai and Mr. Leung Ka Fai will retire from office as Directors at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

Information regarding directors' emoluments is set out in note 12 to the consolidated financial statements of this annual report. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the independent non-executive Directors ("INEDs"). The Group considers all INEDs to be independent under the Listing Rules.

DIRECTORS' SERVICE CONTRACT

All the INEDs have respectively entered into a letter of appointment with the Company for a term of two years unless terminated by not less than three month's notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

During the Year, no contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed.

DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a director or controlling shareholders of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group since the Listing Date and up to 31 March 2017.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders has made an annual declaration to the Company that since the Listing Date and up to 31 March 2017, he/it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. The INEDs have also reviewed the status of compliance by each of the controlling shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of such undertakings.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2017, interests and long positions in the Shares, underlying Shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares

Name of director	Capacity/Nature of interest	Shares held	Approximate number of shareholding percentage
Mr. Wu Wing Hang (Mr. Wu)	Interest in controlled corporation – Corporate interest (Note)	750,000,000	72.29%

Notes: The 750,000,000 Shares are held by Profit Gold Global Limited ("Profit Gold"). Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold and is deemed, or taken to be, interested in all the Shares held by Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.

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

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Wu	Profit Gold	Beneficial owner (Note)	1	100%

Notes: Mr. Wu beneficially owns 100% of the entire issued share capital of Profit Gold, and he is deemed or taken to be interested in all the shares in Profit Gold for the purposes of the SFO. Mr. Wu is the director of Profit Gold.

(iii) Short positions

Other than as disclosed above, as at 31 March 2017, none of the Directors nor chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2017, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares of the Company:

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Profit Gold	Beneficial owner (Note 1)	750,000,000	72.29%
Ms. Kwok Wai Sheung Melody ("Ms. Kwok")	Interest of spouse (Note 2)	750,000,000	72.29%

Notes:

1. 750,000,000 Shares were beneficially owned by Profit Gold, which is wholly owned by Mr. Wu.

2. Ms. Kwok, being spouse of Mr. Wu is deemed to be interest in the 750,000,000 Shares held by Mr. Wu under the SFO.

Save as disclosed above, as at 31 March 2017, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the Year or at any time during the Year.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The approximate percentages of the Group's revenue and cost of services attributable to major customers, subcontractors and suppliers during the Year and 2016 are as follows:

	31 March 2017	31 March 2016
Approximate % of total revenue		
from the largest customer	**12.0%**	20.2%
from the five largest customers in aggregate	**49.0%**	62.3%
Approximate % of cost of services		
from the largest subcontractor	**14.0%**	8.6%
from the five largest subcontractors in aggregate	**44.3%**	17.4%
from the largest supplier	**9.0%**	4.3%
from the five largest suppliers in aggregate	**22.0%**	15.6%

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the five largest customers nor suppliers during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as disclosed in note 31 to the consolidated financial statements of this annual report, all transactions which also constitute connected transactions or continuing connected transactions are fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the Year, there were no connected transactions or continuing connected transactions of the Company which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MARKET CAPITALISATION

As at 31 March 2017, the market capitalisation of the listed securities of the Company was approximately HK$440,937,500 based on the total number of 1,037,500,000 issued shares of the Company and the closing price of HK$0.425 per share.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

EVENTS AFTER YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2017 and up to the date of this annual report.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2017 have been audited by SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules since the Listing Date and up to the date of this report except for the deviation from code provision A2.1 of the CG Code as explained in the Corporate Governance Report.

The details of Group's compliance with the CG Code is set out in the Corporate Governance Report from page 24 to page 32 of this annual report.

ENVIRONMENTAL POLICIES

Sustainability is one of the key factors to the Group's development, as well as for the viability of its business and the welfare of the community. We are committed to offering premium products and services to obtain customer satisfaction all round. In recent years, we have been looking for ways to minimise the adverse impact of our businesses on the environment (i.e. air and noise pollution) by improving operational efficiencies and implementing eco-friendly measures. The Group will continue to strive for energy-saving and environmental-friendly equipment and materials for our construction projects. We will formulate policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation, and be more active in involving various community programs and contributing to the society.

Details are set out in the Environmental, Social and Governance Report from page 33 to page 38 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board
Wu Wing Hang
Chairman

Hong Kong, 30 June 2017

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wu Wing Hang (胡永恒) ("Mr. Wu"), aged 38, is the founder of our Group. Mr. Wu is also a member of the nomination and remuneration committee. He was appointed as a Director on 21 April 2016 and was designated as an executive Director on 13 July 2016. He was also appointed as the Chairman of our Group on 13 July 2016. He is currently responsible for overseeing the corporate strategy and operational management of our Group. Mr. Wu is also a director of all the wholly-owned subsidiaries of our Group.

Mr. Wu has over 19 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in City College in Hong Kong in 1995. In 2010, Mr. Wu established Luen Yau Construction Company. He established Luen Yau Construction Company Limited in December 2007 and served as its director.

Mr. Wu is the spouse of Ms. Kwok Wai Sheung Melody, the human resources and administration Manager of the Company. For Mr. Wu's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Report of the Directors" in this report.

Mr. Chan Tak Ming (陳德明) ("Mr. Chan"), aged 51, was appointed as Director on 31 May 2016 and was designated as an executive Director on 13 July 2016. He is currently responsible for overseeing the rental operation of our Group.

Mr. Chan has over 30 years of experience in the construction works and construction machinery rental service industry. He completed his secondary school education in Oberlin College in Hong Kong in 1983. Mr. Chan joined our Group in August 2003 as a machine operator and was promoted to the position of head of machine rental department in July 2013.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Wong Yiu Kit Ernest (黃耀傑) ("Mr. Wong"), aged 49, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the remuneration committee and a member of the audit and nomination committees of our Company.

In 1991, Mr. Wong obtained his Bachelor degree in business administration from The University of Hong Kong. He further obtained a Master degree of science in investment management from The Hong Kong University of Science and Technology in 1998, as well as a Master degree of science in electronic engineering from The Chinese University of Hong Kong in 2008. Mr. Wong was admitted as a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in November 1999 and October 2002 respectively. He was also admitted as chartered financial analyst of The Institute of Chartered Financial Analysts in September 1998 and an associate member of The Institute of Chartered Accountants in England and Wales in January 2008.

Mr. Wong has over 20 years of experience in the field of venture capital, corporate finance and management. He was the vice president of Vertex Management (HK), an international venture capital firm listed in Singapore, from July 2000 to October 2002. He was employed by the Hong Kong Applied Science and Technology Research Institute Company Limited from November 2002 to April 2008 and his last position was chief financial officer. He has also been serving as an independent non-executive director in Renheng Enterprise Holdings Limited (stock code: 3628), HongDa Financial Holding Limited (stock code: 1822, formerly known as Perception Digital Holdings Limited and E-Rental Car Company Limited) and Legend Strategy International Holdings Group Company Limited (stock code: 1355) since October 2011, July 2014 and November 2016, respectively. Mr. Wong served as the chief financial officer and company secretary in KVB Kunlun Financial Group Limited (stock code: 8077) since October 2014. Mr. Wong also served as the executive director and chief financial officer in Adamas Finance Asia Limited (formerly known as China Private Equity Investment Holdings Limited), a company listed on the London Stock Exchange, from May 2008 to February 2014 and from May 2008 to October 2011 respectively as well as serving as its non-executive director since February 2014.

Mr. Lee Man Tai (李文泰) ("Mr. Lee"), aged 40, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the audit committee and a member of the remuneration committee of our Company.

In November 2000, Mr. Lee obtained his Bachelor degree in business administration from Lingnan University, Hong Kong. In November 2010, he further obtained a Master degree in business administration in financial services from The Hong Kong Polytechnic University. Mr. Lee was admitted as a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in May 2012 and October 2012 respectively. He is also a representative for Type 1 and Type 6 regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee has over 15 years of experience in financial and auditing industries. Mr. Lee served as the chief financial officer and company secretary in several listed companies including China Yuanbang Property Holdings Limited, a listed company on the main board of Singapore Exchange Securities Trading Limited with stock code BCD between October 2006 to October 2012, China 33 Media Group Limited (stock code: 8087) between October 2012 and May 2014 and Flying Financial Service Holdings Limited (stock code: 8030) as the chief financial officer between July 2014 to April 2015 and company secretary between August 2014 to April 2015. Mr. Lee also served as the company secretary and financial controller of Chanco International Group Limited (with its name changed to Ascent International Holdings Limited effective from 14 June 2016) (stock code: 264) from April 2015 to September 2015 and from April 2015 to January 2016 respectively. He is currently an independent non-executive director of China Energy Development Holdings Limited (stock code: 228) since January 2016.

Mr. Leung Ka Fai (梁家輝) ("Mr. Leung"), aged 38, was appointed as an independent non-executive Director on 15 November 2016. He is also the chairman of the nomination committee and a member of the audit committee of our Company.

In October 2008, Mr. Leung obtained his Master degree in Chinese language and literature from The Hong Kong Polytechnic University. He further obtained a Postgraduate diploma in education (teaching in Chinese) from The Hong Kong Baptist University in November 2012 as well as a Master degree in sociology from The Chinese University of Hong Kong in November 2014.

Mr. Leung is a district council member of Sha Tin District Council since January 2008. He is also a committee member of Yunfu City of the Chinese People's Political Consultative Conference in PRC from January 2013 to January 2016.

Mr. Leung has over 5 years of experience in management. He served as a business director of Beta Field Capital Limited from December 2011 to February 2012 and an independent non-executive director of Rui Kang Pharmaceutical Group Investments Limited (stock code: 8037, formerly known as Longlife Group Holdings Limited) since June 2013. He was also appointed as an independent non-executive director of China Investment Fund International Holdings Limited (stock code: 612, formerly known as China Investment Fund Company Limited) from 22 April 2016 (after the trading of its shares was halted since 1 April 2016) to 20 July 2016 and subsequently appointed and redesignated as a non-executive director with effect from 31 October 2016.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Kwok Ka Lok Ken (郭家樂) ("Mr. Kwok"), aged 42, is our project manager. He is currently responsible for management of projects and implementation of quality management on site.

In August 2009, Mr. Kwok obtained his Master degree in engineering management from the University of Technology, Sydney in Australia. He was admitted as an associate member of The Association of Building Engineers in May 2009 and a member of The Institution of Highways and Transportation in September 2009.

Mr. Kwok has over 20 years of experience in the construction industry. He joined our Group in February 2013 as our project manager. Prior to joining our Group, Mr. Kwok served as a site supervisor in Mak Hang Kei (HK) Construction Limited from July 1995 to June 1996, a site engineer in The Express Builders Co., Ltd from July 1997 to August 1999, a work supervisor on certain projects in Chan, Kan & Associates Ltd. from June 1999 to September 2001 and a general foreman in Wai Hung Construction Engineering Company Limited from September 2001 to March 2003. He also served as a site agent in Shun Tat Construction Engineering Company from March 2003 to August 2004, a senior foreman, a sub agent and a site agent in Chun Wo Construction & Engineering Co., Ltd. during the period from August 2004 to May 2010 and a senior site agent in China Harbour Engineering Company Limited from August 2010 to January 2013.

Ms. Kwok Wai Sheung Melody (郭慧嫦) ("Ms. Kwok"), aged 39, is our human resources and administration manager. She is currently responsible for human resources management, training and education of employees.

In 1995, Ms. Kwok completed her secondary school education in Ho Ngai Prevocational School (Sponsored by Sik Sik Yuen) in Hong Kong. Ms. Kwok is the spouse of Mr. Wu.

Ms. Kwok has over 17 years of experience in the construction industry. She joined LYCC in July 2003 as a human resources and administration manager. Prior to joining our Group, Ms. Kwok worked as a site clerk in Dickson Construction Co., Ltd. from September 1998 to December 2000 and China Harbour Engineering Co. from November 1997 to September 1998.

COMPANY SECRETARY

Ms. Lee Ying Ying (李盈熒) ("Ms. Lee"), aged 42, is our chief financial officer and company secretary and was appointed on 13 July 2016. She joined our Group in December 2015 and is currently responsible for finance management and company secretarial works.

In December 2005, Ms. Lee obtained her Master degree in professional accounting from The Hong Kong Polytechnic University. She was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in June 2002 and a fellow member of the Association of Chartered Certified Accountants in April 2007.

Ms. Lee has over 20 years of experience in the auditing and accounting field. She has served a number of auditing position in various private companies from June 1994 to November 2003. From November 2003 to February 2013, Ms. Lee served as an administration and financial director and was promoted to the chief financial officer in 3 Wells Group Holdings Limited. She is also as a director of P&M Corporate Services Limited since December 2013.

CORPORATE GOVERNANCE REPORT

The Company strives to attain and maintain a high standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Board attributes a high priority to identifying and implementing appropriate corporate governance practices to ensure transparency, accountability and effective internal controls.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. Since the Listing Date and up to the date of this report, the Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Since the Listing Date and up to the date of this report, the role of the chairman of the Company is performed by Mr. Wu Wing Hang but the office of the chief executive officer of the Company is vacated. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company.

Having made specific enquiry of all Directors, the Company is satisfied that the Directors have complied with the Model Code for the period from the Listing Date to 31 March 2017.

BOARD OF DIRECTORS

The Board is responsible for formulating business strategies and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules during the Year. The Board constituted by five members, including two executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors
Mr. Wu Wing Hang *(Chairman)*
Mr. Chan Tak Ming

Independent non-executive Directors
Mr. Wong Yiu Kit Ernest
Mr. Lee Man Tai
Mr. Leung Ka Fai

Biographical details of each Director and relationship between board members are set out on page 20 to page 23 of this report.

The Company has signed a letter of appointment with each of the independent non-executive Directors. The commencement date of each of the letter of appointment is 15 November 2016 for a term of two years, which may be terminated earlier by no less than three months' written notice served by either party on the other.

Pursuant to article 108(a) of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company has also complied with Rule 3.10(2) of the Listing Rules. One of the independent non-executive Directors possesses the appropriate professional accounting qualifications and financial management expertise.

CORPORATE GOVERNANCE REPORT

As the Company was only listed on the Main Board of the Stock Exchange on 8 December 2016, no general meeting has been held during the Year. Two Board meetings were held during the period from the Listing Date to 31 March 2017. The attendance record of each Director at the meetings of the Company for the period from the Listing Date to 31 March 2017 is set out below:–

Directors	Attendance/ Number of Board Meetings
Executive Directors	
Mr. Wu Wing Hang	2/2
Mr. Chan Tak Ming	2/2
Independent non-executive Directors	
Mr. Wong Yiu Kit Ernest	2/2
Mr. Lee Man Tai	2/2
Mr. Leung Ka Fai	2/2

Every Director is entitled to have access to Board papers and related materials, and the advice and services of the company secretary of the Company (the "Company Secretary"), and has the liberty to seek independent professional advice at the Company's expense if so reasonably required. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

BOARD DIVERSITY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively. Immediately prior to the Listing, all Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest. Such induction materials and briefing will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors have provided record of their training attendance and the Company will continue to arrange and fund the training in accordance with the CG Code provisions.

BOARD COMMITTEES

The Board has established three committees, namely the audit committee (the "Audit Committee"), the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee"). The table below provides the membership information of these committees on which certain Board members served:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Wu Wing Hang	–	M	M
Mr. Chan Tak Ming	–	–	–
Mr. Wong Yiu Kit Ernest	M	M	C
Mr. Lee Man Tai	C	–	M
Mr. Leung Ka Fai	M	C	–

Notes:

C – Chairman of the relevant Committee

M – Member of the relevant Committee

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established an Audit Committee on 15 November 2016 with written terms of reference in compliance with Rule 3.21 of the Listing Rule and paragraph C.3 of the CG Code. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditors, and performing the corporate governance function.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Man Tai, Mr. Wong Yiu Kit Ernest and Mr. Leung Ka Fai. Mr. Lee Man Tai is the Chairman of the Audit Committee.

The Audit Committee held one meeting during the period from the Listing Date to 31 March 2017 to review, and recommend to the Board for approval, of the Company's interim financial statements for the six-month period ended 30 September 2016. The individual attendance record of each member at the meeting of Audit Committee is set out below:

Name of member of the Audit Committee	Attendance/ Number of Meetings
Mr. Lee Man Tai	1/1
Mr. Wong Yiu Kit Ernest	1/1
Mr. Leung Ka Fai	1/1

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 15 November 2016 with terms of reference in compliance with paragraph A.5.2 of the CG Code and comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Leung Ka Fai and Mr. Wong Yiu Kit Ernest. Mr. Leung Ka Fai is the Chairman of the Nomination Committee. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying and nomination of directors and making recommendations to the Board on appointment and re-appointment of Directors.

During the period from the Listing Date to 31 March 2017, the Nomination Committee did not hold any meeting. Subsequent to the year end, the Nomination Committee held a meeting to (i) review the structure, size and diversity of the Board; (ii) assess the independence of the independent non-executive Directors; and (iii) recommend to the Board for consideration the re-election of all the retiring Directors at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 15 November 2016 with written terms of reference in compliance with paragraph B.1 of the CG Code and comprises one executive Director, namely Mr. Wu Wing Hang and two independent non-executive Directors, namely Mr. Wong Yiu Kit Ernest and Mr. Lee Man Tai. Mr. Wong Yiu Kit Ernest is the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, among other things, formulating and making recommendations to the Board on the remuneration policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of independent non-executive Directors.

The Remuneration Committee held one meeting during the period from the Listing Date to 31 March 2017 and the individual attendance record of each member of the Remuneration Committee is set out below:

Name of member of the Remuneration Committee	**Attendance/ Number of Board Meetings**
Mr. Wong Yiu Kit Ernest	1/1
Mr. Wu Wing Hang	1/1
Mr. Lee Man Tai	1/1

No Director takes part in any discussion about his own remuneration. Full details of remuneration of the Directors and the five highest paid employees are provided in Notes 12 and 13 respectively to the consolidated financial statements of this annual report.

COMPANY SECRETARY

Ms. Lee Ying Ying was appointed as the Company Secretary on 13 July 2016. She was admitted as an associate of the Hong Kong Institute of Certified Public Accountants in June 2002 and a fellow member of the Association of Chartered Certified Accountants in April 2007. She is also the Company's chief financial officer. For the period from the Listing Date to 31 March 2017, she has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2017. The Directors aim to present a clear and understandable assessment of the Group's financial position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements of the Group. The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules, and reports to the regulators.

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

One of the major functions of the Board is to maintain an adequate risk management and internal control systems to safeguard shareholders' investments and the Group's assets, and reviewing their effectiveness annually through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board.

Policies and procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The policies and procedures provide a reasonable assurance that material misstatements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the Year, the Company engaged an external independent consulting firm to review the effectiveness of certain of the Group's risk management and internal controls systems. Relevant recommendations made by the consultant have already been implemented in stages by the Group to further enhance its internal control policies, procedures and practices. The Board considered that the Group's risk management and internal control systems were effective during the Year.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

AUDITOR'S REMUNERATION

During the year ended 31 March 2017, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, and its affiliated firms, in respect of their audit and non-audit services was as follows:

	Service Fee HK$'000
Audit services	942
Non-audit services:	
– Reporting Accountant in relation to the Listing	2,850
– Review for interim report	250
– Others*	395
	3,495
Total	4,437

* Performed by SHINEWING (HK) CPA Limited's affiliated firms.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure from the business of the Group since the Listing Date.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with all Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations.

The Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for Shareholders to communicate directly with the Board; (b) printed corporate documents mailing to Shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange; and (d) the Company's web-site providing an electronic means of communication.

SHAREHOLDERS' RIGHTS

How shareholder can convene an extraordinary general meeting

The following procedures for shareholders to convene an extraordinary general meeting ("EGM") are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

(a) Pursuant to article 64 of the Articles, any 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 (the "Eligible Shareholder(s)") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

CORPORATE GOVERNANCE REPORT

(b) The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business at Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

(c) The requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and

(e) If within 21 days of such deposit the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may, at any time, direct enquiries to the Board. Such enquiries can be addressed to the Company Secretary in writing by mail to the Company's principal place of business in Hong Kong at Unit 1108, 11/F., Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong.

Procedures for putting forward proposals at shareholders' meeting

There are no provisions in the Articles or the Companies Law of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph heading "How shareholder can convene an extraordinary general meeting".

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

As of the Listing Date to the date of this annual report, there were no changes made to the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the first year for the Group to prepare an Environmental, Social and Governance (the "ESG") report to highlight its ESG performance. The scope of this report covers the Group's major business and operation in construction works and construction machinery rental services in Hong Kong. This report has satisfied the ESG Reporting Guideline under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange.

In recognition of our quality control system, we have obtained several certifications which are International Organisation for Standardisation ("ISO") 9001:2008, ISO 14001:2004 and Occupational Health Safety Assessment Series ("OHSAS") 18001:2007. Our corporate objective is to achieve distinction in our services, accompanied with the goal of improving environmental and social aspects of public life.

Sustainability is one of the key factors to the Group's development, as well as for the viability of its business and the welfare of the community. We are committed to offering premium products and services to obtain customer satisfaction all round. In recent years, we have been looking for ways to minimise the adverse impact of our businesses on the environment (i.e. air and noise pollution) by improving operational efficiencies and implementing eco-friendly measures.

During the year ended 31 March 2017, the Group strived to improve our standard of corporate social responsibility and strictly complied with relevant laws and regulations reporting. The two main subject areas for reporting are: (I) Environmental and (II) Social.

ENVIRONMENTAL

Emissions

There are multiple sources of emissions generated from our business operations. One of the major sources is the carbon emission from the consumption of energy to power our machineries in the construction. Hence, we have implemented various energy-saving measures to reduce the emission of greenhouse gases. We opted to use a more energy efficient fuel, named Shell Fuelsave Diesel, for most of our vehicles and machineries (i.e. lorry crane and excavator). Based on the Shell Hong Kong Ltd.'s report, this type of diesel helps to lower fuel consumption and prevent increased emissions and smoke over the lifetime of the vehicle, as it is designed to maintain the engine in peak condition. Shell's internal tests in heavy-duty engines used in road transport vehicles have demonstrated that this fuel can help save up to 3% fuel as compared to regular non-economy formula diesel.

Under the amendment of the Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong) in 2008 by the Environmental Protection Department ("EPD"), we ensure all machineries used the diesel-driven with sulphur content not higher than 0.005% and strive to reduce our carbon emission levels when we are operating in any construction sites.

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of NRMMs, including non-road vehicles and Regulated Machines. During the Year, the Group acquired 57 units of approved NRMMs regulated machines to comply with the NRMM Regulation.

Regarding to wastewater pollution control, we strictly comply with the Water Pollution Control Ordinance (Cap 358, Laws of Hong Kong) and follow the main contractors' guidelines to treat the wastewater discharges and closely monitor wastewater generated during the provision of construction works including the foundation and formation works. Immediate attention must be paid each time when deploying wastewater discharge management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to Waste Disposal Ordinance (Cap 354, Laws of Hong Kong), the illegal discharges of construction waste must be prohibited. To comply with the ordinance, we strictly follow the requirements from EPD and the main contractors. We have engaged the qualified construction waste collector to handle the construction waste discharged if necessary.

Use of Resources

With the objective of lower energy consumption, fully utilising resources and recycling wastes in daily office operations, we have introduced a series of green policies to enhance the awareness of environmental protection among staff. To practise the concept of "3Rs" (Reduce, Reuse and Recycle) in our office and site office, we implemented environmental policies in different stages.

Energy Conservation

- Set the air-conditioning temperatures in both office and site office between 24 to 26 degrees Celsius during summer months under the Energy Saving Plan for Hong Kong's Built Environment 2015~2025+ by the Environment Bureau in Hong Kong.
- Ensure lights and electrical facilities/appliances (computer and printer) are switched off when leaving the workplace or not in use.
- Buy and use electrical appliances with efficient Energy Labels.
- Use of natural lighting and ventilation in site offices.

Wastewater Control

- Reuse the treated water to wash the construction vehicles and water the dusty areas to avoid rising dust in construction sites.

General Office Consumable Management

- Setup recycling bins in office to encourage waste recycling.
- Encourage using both side of papers.
- Maintain a paperless work environment for internal and external communication through email.
- Encourage our staff to reuse stationeries such as document folder and envelope in both office and site office.
- Implement green procurement policy in business operations such as purchasing environmental friendly stationery, for example, recycled paper and recycled laser printer toner.

The Environmental and Natural Resources

The Group strives to minimise environmental damages and nuisance include noise pollution, air pollution and water pollution caused to the public from our construction works. In accordance to ISO 14001:2004, the Environmental Management System Standard, the Group endeavours to manage our waste management and resource provision in our construction works.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Noise Pollution

We strictly implement the guidelines regarding construction noise pollution by our main contractors and comply with the Noise Control Ordinance (Cap.400, Laws of Hong Kong). Under the Ordinance, all constructions activities are controlled by means of a system of Construction Notice Permit ("CNP") by the Environmental Protection Department ("EPD"). In addition, the carrying out of general construction works using powered mechanical equipment are prohibited between 7 p.m. and 7 a.m. or at any time on a general holiday which includes Sunday unless a valid CNP is in force.

Wastewater Pollution

In our daily operations, we seek to minimise the significant impact on the wastewater pollution. We strictly follow the guidelines provided by our main contractors and have the wastewater disposed to a wastewater collection basin set up in each construction site and use the wastewater treatment facilities to treat the wastewater.

SOCIAL

Employment and Labour Practices

1. Employment and Labour Standards

The Group has planned a variety of job opportunities, promotion, and retention of talent for our employees. To attract and retain talent, we conduct annual appraisal to review staff performance.

To maintain diversity and a fair workplace, we strongly advocate equal opportunities for internal promotion, transfer and recruitment. Assessment on applicants and employees are solely depended on their experiences, abilities, performances, talents and skills in our selection process. Additionally, we prohibit any forms of forced labour, child labour and illegal workers in any workplaces and we are committed to complying with the relevant laws and regulations.

In addition, we host annual dinner and festive gathering with our employees in order to enhance their sense of belonging.

As at 31 March 2017, the composition of our staff is shown in the following table.

	Number of Employee	Percentage %
GENDER		
Male	311	94
Female	20	6
DISTRIBUTION OF AGE GROUP		
18 or below	0	N/A
19 to 40	110	33
41 to 60	194	59
Over 60	27	8
TYPE OF EMPLOYMENT		
Full Time	300	91
Daily	31	9

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Under our human resources policies, we firmly comply with the relevant laws and legislations such as Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480) and Disability Discrimination Ordinance (Cap. 487) of the Laws of Hong Kong. Besides, the Group engaged an external Human Resources consultant to verify our employee's monthly salary and Mandatory Provident Fund ("MPF") contribution so as to comply with the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and ensure the accuracy of salary calculation and MPF contribution.

2. *Employee Health and Safety*

The Group recognises the importance of employee health and work safety. From the Group's perspective, we have employed a Registered Safety Officer ("RSO") and established relevant safety policies and procedures with regular review by the Board of Directors. Our RSO is responsible to provide basic safety rules and training to our staffs and sub-contractors, monitor the work environment and staff facilities regularly, act as a key contact on emergency and injuries report and work out annual safety assessments in both office and sites. Besides, we engaged a registered safety auditor to conduct corporate safety audit to ensure the effectiveness of the safety management of the Group. According to the occupational health and safety management system under OHSAS 18001:2007, we commit to take into account the occupational health and safety requirement.

We must provide full set of Personal Protective Equipment ("PPE") such as safety helmets, harness, ear plugs, goggles, dust masks, gloves, safety shoes and reflective waistcoats to our staffs who work in construction sites. All our machineries and site vehicles will also be undertaking performance and safety test regularly.

On the other hand, the close communication and collaboration with main contractor is also important so that we can obtain timely updates from our main contractors. Safety meeting and site inspections will be held regularly to monitor the health and safety of workers.

3. *Training and Development*

Training is important in all companies. We are keen to provide health and safety training to our employees in various aspects including workplace safety and safe use on personal protective equipment. Before commencing onsite work, our employees are required to attend an induction training to ensure they understand the safety and health policies in the workplace.

Operating Practices

1. Supply Chain Management

To develop a sustainable supply chain, we strive to maintain a reliable working relationship with our suppliers and sub-contractors and comply with relevant regulations regarding environment and safety and health. The Group has established a fair and unbiased procurement process. Any form of corruption and bribery is expressly prohibited in the tendering process for construction works and procurement of goods or services.

To carry out a procurement, we ensure that the services or goods are sourced from the approved suppliers list. Besides, we evaluate existing suppliers and sub-contractors performance on a regular basis. For selecting new suppliers or sub-contractors, we take into account their quality of work or services, on time delivery, financial stability, past performance and reputation during our tender process.

2. Product Responsibility

We recognise that good customer and after-sales services are the key influential factors to our success and sustainability. Therefore, we have set up a customer communication channel dedicated to handle customers' queries and feedbacks efficiently. Similarly, customer complaints are thoroughly investigated and root causes are identified and acted accordingly.

In order to keep our competitiveness in the civil engineering works and plant rental service business, the Group has obtained the ISO 9001 Certificate on its quality management system standard. We strive to deliver our construction works and rental services to meet customers' expectation and satisfaction. We committed the following:

- to assure the civil engineering works and machineries rental can meet our customers requirement
- to substantiate compliance with relevant laws and regulations within our construction works and rental services, including but not limited to
    - All machineries must be approved or exempted with a label, called by Non-Road Mobile Machinery ("NRMM") and obtained the Certificate of Test and Thorough Examination of Lifting Appliances under the Environment Protection Department ("EPD") and Labour Department respectively.
    - The plant and equipment operators must hold the licensed construction machinery and vehicle operators registered under the Construction Workers Registration Board of the Construction Industry Council.

We highly value complaints or feedback from our customers to improve our civil engineering works and rental services. With the objective of handling customer's complaints and queries, certain whistleblowing policies have been established.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. Anti-Corruption

The Group has zero tolerance towards any kind of the bribery, corruption and fraud. We have included anti-corruption policies, code of conduct and whistleblowing programme in the staff handbook and internal control manual which are readily accessible to all employees. Besides, the Board of Directors and the Senior Management have attended certain seminars held by Independent Commission Against Corruption ("ICAC").

We have set up a separate email address as a whistleblowing channel for handling any form of suspected bribery, corruption and fraud in the Group.

As at 31 March 2017, the Group was in compliance with the relevant rules and regulations regarding to bribery, extortion, fraud and money laundering. We were not aware any breach of laws and regulations within the Group.

Community Involvement

We are striving to put more effort in contributing to the community. The Group highly encourages our staffs to recycle red pockets and mooncake boxes. In addition, we repay the society via donations to the Scout Association for supporting the development of teenagers in Hong Kong. The Group has also made contributions to support the family members of deceased fireman during the year.

We will be continuously seeking opportunities to make contributions to the society in a hope of providing a better living environment for the local community through community services and charitable sponsorships.

FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

In the future, we will:

- Search for energy-saving and environmentally-friendly equipment and materials for our construction projects;

- Formulate policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation; and

- Be more active in involving various community programs and contributing to society.

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF PROGRESSIVE PATH GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Progressive Path Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 105, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

REVENUE RECOGNITION FROM CONSTRUCTION WORKS

Refer to note 7 to the consolidated financial statements and the accounting policies on page 60.

The key audit matter	How the matter was addressed in our audit
We identified construction works revenue as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole and there are significant degree of management judgement exercised in determining the total outcome of the construction project as well as the percentage of completion of construction works. The Group has recognised revenue from the construction works of approximately HK$217 million for the year ended 31 March 2017.	We assessed whether the stage of completion at the end of the reporting period was reasonable through critically challenging the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs of the construction contracts. We assessed the revenue recognised for the reporting period through checking the supporting documents, such as contracts, variation orders and payment certificates, and recalculated the revenue recognised based on the stage of completion to the total contract sum and work values from variation orders. We assessed reliability of management's assessment in budget cost by considering the historical actual costs and estimation of budget costs of completed project.

IMPAIRMENT ON TRADE AND RETENTION RECEIVABLES

Refer to note 17 to the consolidated financial statements and the accounting policies on page 66.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2017, the Group had trade and retention receivables of approximately HK$216 million. In addition, there were trade receivables which were past due but not impaired amounted to approximately HK$140 million. We identified the impairment of trade and retention receivables as a key audit matter as the amounts are significant to the consolidated financial statements as a whole and there is significant degree of management judgement involved in assessing the ultimate realisation of these receivables, based on the current creditworthiness and the past collection history of each customer.	Our audit procedures were designed to review the management's assessment of the indicators of impairment and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. We have also challenged the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and cash received after year end as well as the recent creditworthiness of each debtor.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, 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 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 judgment 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 of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We communicate with 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.

We also provide 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 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
30 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	**484,479**	409,349
Cost of services		**(416,736)**	(342,995)
Gross profit		**67,743**	66,354
Other income	8	**5,954**	3,101
Administrative expenses		**(34,763)**	(16,878)
Finance costs	9	**(7,163)**	(7,571)
Profit before taxation		**31,771**	45,006
Income tax expenses	10	**(7,841)**	(8,258)
Profit and total comprehensive income for the year attributable to the owners of the Company	11	**23,930**	36,748
Earnings per share:			
Basic and diluted	15	**2.69 cents**	4.45 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	16	**149,968**	136,434
Deposit paid for acquisition of property, plant and equipment		**843**	1,300
		150,811	137,734
Current assets			
Trade and retention receivables	17	**216,381**	148,735
Amounts due from customers for contract work	18	**20,711**	7,059
Deposits, prepayments and other receivables	19	**10,458**	8,014
Income tax recoverable		**466**	–
Amount due from a controlling shareholder	22	**–**	18,654
Amount due from a related company	22	**–**	1,039
Bank balances and cash	20	**99,342**	15,065
		347,358	198,566
Current liabilities			
Trade, bills and other payables	21	**93,401**	56,703
Amounts due to customers for contract work	18	**96**	2,856
Amount due to a related company	22	**5,354**	12,740
Income tax payable		**–**	14,376
Bank borrowings	23	**41,659**	16,433
Obligations under finance leases – due within one year	24	**39,118**	41,872
		179,628	144,980
Net current assets		**167,730**	53,586
Total assets less current liabilities		**318,541**	191,320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	26	**10,375**	–
Reserves		**236,374**	132,366
		246,749	132,366
Non-current liabilities			
Obligations under finance leases – due after one year	24	**61,685**	48,816
Deferred tax liabilities	25	**10,107**	10,138
		71,792	58,954
		318,541	191,320

The consolidated financial statements on page 44 to 105 were approved and authorised for issue by the board of directors on 30 June 2017 and are signed on its behalf by:

Wu Wing Hang	**Chan Tak Ming**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(Note i)*	Retained profits HK$'000	Total HK$'000
At 1 April 2015	–	–	–	95,618	95,618
Contribution from controlling equity holder in respect of transfer of Construction Machinery Rental Business	–	–	35,457	(35,457)	–
Profit and total comprehensive income for the year	–	–	–	36,748	36,748
At 31 March 2016	**–**	**–**	**35,457**	**96,909**	**132,366**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**23,930**	**23,930**
Interim dividend for the period (note 14)	**–**	**–**	**–**	**(29,000)**	**(29,000)**
Capitalisation issue of shares (note 26(f))	**8,250**	**(8,250)**	**–**	**–**	**–**
Issuing of ordinary shares in connection with the listing of shares of the Company (note 26(g))	**2,125**	**125,375**	**–**	**–**	**127,500**
Share issue expenses	**–**	**(8,047)**	**–**	**–**	**(8,047)**
At 31 March 2017	**10,375**	**109,078**	**35,457**	**91,839**	**246,749**

Note:

i) Other reserve represents the retained earnings in respect of the construction machinery rental business (the "Construction Machinery Rental Business") contribution from the controlling shareholder prior to the transfer of business to the Group. Since 1 April 2015, the Construction Machinery Rental Business has been transferred from the controlling shareholder to Luen Yau Construction Company Limited ("Luen Yau Construction").

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**31,771**	45,006
Adjustments for:		
(Gain) loss on disposal/written off of property, plant and equipment	**(84)**	657
Government subsidy	**(91)**	–
Bank interest income	**(1)**	–
Impairment loss on trade receivables	**4,679**	2,636
Reversal of impairment loss on trade receivables	**(1,322)**	–
Finance costs	**7,163**	7,571
Depreciation of property, plant and equipment	**73,241**	61,715
Operating cash flows before movements in working capital	**115,356**	117,585
Increase in trade and retention receivables	**(71,003)**	(98,160)
Increase in amounts due from customers for contract work	**(13,652)**	(6,319)
Increase in deposits, prepayments and other receivables	**(2,444)**	(2,863)
Increase in trade, bills and other payables	**36,698**	30,620
Decrease in amounts due to customers for contract work	**(2,760)**	(5,340)
Decrease (increase) in amount due from a related company	**1,039**	(678)
Cash generated from operations	**63,234**	34,845
Hong Kong Profits Tax paid	**(183)**	(613)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**63,051**	34,232
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(22,982)**	(27,860)
Prepayment for acquisition of property, plant and equipment	**(843)**	(1,300)
Bank interest income received	**1**	–
Proceed from refund of prepayment for acquisition of property, plant and equipment	**1,300**	–
Proceeds from disposal of property, plant and equipment	**5,051**	2,081
NET CASH USED IN INVESTING ACTIVITIES	**(17,473)**	(27,079)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Repayment of obligations under finance lease	**(55,045)**	(19,743)
Repayment of bank borrowings	**(27,827)**	(5,394)
(Repayment to) advance from a related company	**(13,774)**	28,514
Repayment to controlling shareholder	**(10,346)**	(18,654)
Interest paid	**(7,163)**	(7,571)
Proceeds from public offer and placing of shares	**127,500**	–
Share issue expenses	**(8,047)**	–
Advance from controlling shareholder	**–**	4,158
New bank borrowings raised	**33,310**	18,433
Government subsidy	**91**	–
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**38,699**	(257)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**84,277**	6,896
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**15,065**	8,169
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**99,342**	15,065

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 21 April 2016 and its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK") on 8 December 2016. Its ultimate holding company and immediate holding company is Profit Gold Global Limited, a limited company incorporated in the British Virgin Islands ("BVI"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company while the principal subsidiaries are principally engaged in the construction works and provision of construction machinery rental.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiaries (the "Group").

Pursuant to the reorganisation as set out in the section headed "History, Development and Group Structure" in the prospectus of the Company, dated 28 November 2016 (the "Reorganisation"), the Construction Machinery Rental Business of Luen Yau Construction Company ("Luen Yau Company"), a sole proprietorship established by Mr. Wu Wing Hang (the "Controlling Shareholder"), have been transferred to the Group on 1 April 2015 and the Company became the holding companies now comprising the Group on 13 May 2016, the Group and the Construction Machinery Rental Business have been under the control and beneficially owned by the Controlling Shareholder throughout the two years ended 31 March 2017. The Group comprising the Company and its subsidiaries and the Construction Machinery Rental Business resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group and the Construction Machinery Rental Business throughout the two years ended 31 March 2017.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group and the results of the Construction Machinery Rental Business for the two years ended 31 March 2017 have been prepared as if the current group structure had been in existence throughout the two years ended 31 March 2017. The consolidated statement of financial position of the Group as at 31 March 2016 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at that date.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the above new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycles[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfer of Investment Property[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[5]

1 Effective for annual period beginning on or after 1 January 2017.
2 Effective for annual period beginning on or after 1 January 2018.
3 Effective for annual period beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
4 Effective for annual period beginning on or after 1 January 2019.
5 Effective date not yet been determined.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- It requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be required subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 (2014) Financial Instruments *(Continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 (2014) Financial Instruments (Continued)

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 15 Revenue from Contracts with Customers (Continued)

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied. Far more prescriptive guidances have been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detail review is completed.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$798,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendment to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures 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. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Company Ordinance. The consolidated financial statements have been prepared on historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss is attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combination involving entities under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business and net of discounts.

Revenue recognition for construction contracts in relation to site construction, upgrade services of the infrastructure and foundation works included in the segment of construction works is set out in the section headed "Construction contracts" below.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Sale of scrap material income is recognised when the customer has accepted the goods and the related risks and rewards of ownership. The income is after deduction of any trade discounts.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and retention receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits cost

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight line method for the property, plant and equipment. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets *(Continued)*

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and retention receivables, deposits and other receivables, amount due from a controlling shareholder and a related company, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and retention receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reserved in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and retention receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and retention receivables and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade, bills and other payables, amounts due to a controlling shareholder and a related company, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investments revaluation reserve is recognised in profit or loss.

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Construction contracts revenue recognition

The Group recognised contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project. The Group's management estimates the percentage of completion of construction works based on actual costs incurred over the total budgeted costs. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful life, using the straight line method. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at 31 March 2017, the carrying amounts of property, plant and equipment are approximately HK$149,968,000 (2016: HK$136,434,000).

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 March 2017, the carrying amounts of property, plant and equipment are approximately HK$149,968,000 (2016: HK$136,434,000), no impairment losses was recognised for the years ended 31 March 2017 and 2016.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment loss recognised in respect of trade and retention receivables

The policy for making impairment loss on trade and retention receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 March 2017, the carrying amounts of trade receivables were approximately HK$186,364,000 (2016: HK$125,283,000) (net of allowance for doubtful debts of approximately HK$6,164,000 (2016: HK$2,807,000). The carrying amounts of retention receivables were approximately HK$30,017,000 (2016: HK$23,452,000), no impairment loss on retention receivables was recognised during the years ended 31 March 2017 and 2016.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings disclosed in note 23, obligations under finance leases disclosed in note 24, and bank balances and cash disclosed in note 20, and equity attributable to the owners of Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through use of debts, payment of dividends and issuance of new shares.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK'000	2016 HK'000
Financial assets		
Loans and receivables (including bank balances and cash)	316,367	184,081
Financial liabilities		
Financial liabilities stated at amortised cost	238,967	176,564

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and retention receivables, deposits and other receivables, amount due from a controlling shareholder, amount due from (to) a related company, bank balances and cash, trade, bills and other payables, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures 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 retention receivables and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considers the credit risk attributable to the amount due from a controlling shareholder is limited because the balances are regularly reviewed and settled.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for all of the total trade receivables as at 31 March 2017 and 2016.

The Group has concentration of credit risk as 3% (2016: 9%) and 32% (2016: 55%) of the total trade receivables was due from the Group's largest customer and the top five largest customers respectively as at 31 March 2017.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (see note 24 for details). The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to bank balances, variable-rate bank borrowings, and obligations under finance leases (see notes 20, 23 and 24). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated borrowings and obligation under finance leases.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2016: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2017 would decrease/increase by approximately HK$743,000 (2016: HK$891,000). This is mainly attributable to the Group's exposure to interest rates on variable-rate bank borrowings and obligation under finance leases.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank borrowings and obligations under finance leases as a significant source of liquidity and the management monitors the utilisation of bank borrowings and obligations under finance leases and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flow. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	At 31 March 2017				
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade, bills and other payables	91,151	–	–	91,151	91,151
Amount due to a related company	5,354	–	–	5,354	5,354
Bank borrowings	42,870	–	–	42,870	41,659
Obligations under finance leases	43,440	30,720	35,135	109,295	100,803
	182,815	30,720	35,135	248,670	238,967

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	At 31 March 2016				
	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade, bills and other payables	56,703	–	–	56,703	56,703
Amount due to a related company	12,740	–	–	12,740	12,740
Bank borrowings	17,667	–	–	17,667	16,433
Obligations under finance leases	46,396	29,567	22,122	98,085	90,688
	133,506	29,567	22,122	185,195	176,564

As at 31 March 2017, bank loans with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$41,659,000 (2016: HK$16,433,000). Taking into account the Group's financial position, the directors of the company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash flows will amount to approximately HK$43,747,000 (2016: HK$17,667,000).

Fair value measurement objective and policies

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of current financial assets, current and non-current financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

7. REVENUE AND SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

– Construction works; and

– Construction machinery rental.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2017

	Construction works HK$'000	Construction machinery rental HK$'000	Total HK$'000
Segment revenue			
External revenue	216,170	268,309	484,479
Inter-segment revenue	–	113,053	113,053
Segment revenue	216,170	381,362	597,532
Eliminations			(113,053)
Group revenue			484,479
Segment profit	30,085	25,569	55,654
Unallocated income			4,632
Unallocated corporate expenses			(21,352)
Unallocated finance costs			(7,163)
Profit before tax			31,771

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 March 2016

	Construction works HK$'000	Construction machinery rental HK$'000	Total HK$'000
Segment revenue			
External revenue	168,949	240,400	409,349
Inter-segment revenue	–	114,454	114,454
Segment revenue	168,949	354,854	523,803
Eliminations			(114,454)
Group revenue			409,349
Segment profit	31,579	25,601	57,180
Unallocated income			3,101
Unallocated corporate expenses			(7,704)
Unallocated finance costs			(7,571)
Profit before tax			45,006

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income and finance costs. This is the measure reported to the directors with respect to the resource allocation and performance assessment.

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

Segment assets

	2017	2016
	HK'000	HK'000
Construction works	**210,356**	144,451
Construction machinery rental	**187,813**	155,028
Total segment assets	**398,169**	299,479
Corporate and other assets	**100,000**	36,821
Total assets	**498,169**	336,300

Segment liabilities

	2017	2016
	HK'000	HK'000
Construction works	**139,320**	103,687
Construction machinery rental	**53,432**	44,060
Total segment liabilities	**192,752**	147,747
Corporate and other liabilities	**58,668**	56,187
Total liabilities	**251,420**	203,934

For the purposes of monitoring segment performance and allocating resources between segments:

– All assets are allocated to operating segment, other than unallocated deposits, prepayments and other receivables, unallocated amount due from a controlling shareholder and a related company, and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

– All liabilities are allocated to operating segments, other than unallocated other payables, amount due to a related company, income tax payable, bank borrowings and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2017

	Construction works HK$'000	Construction machinery rental HK$'000	Unallocated HK$'000	Total HK$'000
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (Note)	41,293	51,292	–	92,585
Depreciation of machinery and equipment	3,617	68,742	882	73,241
Reversal of impairment loss on trade receivables	(217)	(1,105)	–	(1,322)
Impairment loss on trade receivables	196	4,483	–	4,679
Gain on disposal of property, plant and equipment	(30)	(54)	–	(84)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(1)	(1)
Interest expense	–	–	7,163	7,163
Income tax expenses	–	–	7,841	7,841

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 March 2016

	Construction works HK$'000	Construction machinery rental HK$'000	Unallocated HK$'000	Total HK$'000
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (Note)	14,667	21,107	–	35,774
Depreciation of property, plant and equipment	7,203	53,821	691	61,715
Impairment loss on trade receivables	307	2,329	–	2,636
Loss on disposal/written-off of property, plant and equipment	271	386	–	657
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest expense	–	–	7,571	7,571
Income tax expenses	–	–	8,258	8,258

Note: Non-current assets excluded those relating to deposit paid for acquisition of property, plant and equipment.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2017 HK'000	2016 HK'000
Customer A[1]	N/A[3]	82,921
Customer B[2]	N/A[3]	82,561
Customer C[1]	59,141	N/A[3]
Customer D[1]	51,356	N/A[3]
Customer E[2]	50,169	N/A[3]

1 Revenue from both construction work and construction machinery rental segments.

2 Revenue from construction machinery rental segment.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group is organised into a two operating segments as construction works and construction machinery rental primarily in Hong Kong and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to these two segments. Accordingly, no geographical information is presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Sales of scrap materials	1,145	705
Insurance claim	1,238	93
Auxiliary and other service income	1,012	1,089
Reversal of impairment loss on trade receivables	1,322	–
Government subsidy (Note)	91	–
Gain on disposal of property, plant and equipment	84	–
Bank interest income	1	–
Machine repairment service income	124	230
Sundry income	937	984
	5,954	3,101

Note: The income is government subsidy received under the "Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles" upon disposal of certain motor vehicles during the year ended 31 March 2017 (2016: nil), which immediately recognised as other income for the year as the Group has fulfilled the relevant granting criteria.

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on:		
bank overdraft and borrowings	795	417
obligations under finance leases	6,368	7,154
	7,163	7,571

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. INCOME TAX EXPENSES

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong Profits Tax	**7,983**	9,292
Over-provision:		
Hong Kong Profits Tax	**(111)**	–
Deferred taxation (note 25)	**(31)**	(1,034)
	7,841	8,258

Notes:

a) Pursuant to rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

b) During the years ended 31 March 2017 and 2016, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

The income tax expenses can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit before taxation	**31,771**	45,006
Tax calculated at the domestic income tax rate of 16.5%	**5,242**	7,426
Tax effect of expenses not deductible for tax purposes	**2,750**	852
Over-provision for previous year	**(111)**	–
Effect of tax exemption granted	**(40)**	(20)
Income tax expense for the year	**7,841**	8,258

Note: Tax exemption represented a reduction of Hong Kong Profits Tax for both years of assessment 2016/2017 and 2015/2016 by 75%, subject to a ceiling of HK$20,000 for each entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

11. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs		
Salaries, wages and other benefits	110,157	112,796
Contribution to defined contribution retirement benefits scheme	4,457	5,209
Total staff costs (excluding directors' remuneration (note 12))	114,614	118,005
Auditor's remuneration	942	80
Depreciation of property, plant and equipment	73,241	61,715
Impairment loss on trade receivables	4,679	2,636
Operating leases rental relates to office premises and storage area	1,189	356
Loss on disposal/written off of property, plant and equipment	–	657
Listing expenses	11,729	4,849

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of directors' emoluments and chief executive are as follows:

Emoluments paid or receivable in respect of a persons services as a director, whether of the Company or its subsidiary undertaking:	**Fees** HK$'000	**Salaries, allowances and other benefits** HK$'000	**Employer's contributions to retirement benefits scheme** HK$'000	**Total** HK$'000
Year ended 31 March 2017				
Executive directors				
Mr. Wu Wing Hang (Notes i,ii)	–	3,600	16	3,616
Mr. Chan Tak Ming (Notes i,iii)	–	390	18	408
Independent non-executive directors				
Mr. Wong Yiu Kit Ernest (Note iv)	20	–	–	20
Mr. Lee Man Tai (Note iv)	20	–	–	20
Mr. Leung Ka Fai (Note iv)	20	–	–	20
	60	3,990	34	4,084
Year ended 31 March 2016				
Executive directors				
Mr. Wu Wing Hang (Notes i,ii)	2,000	–	3	2,003
Mr. Chan Tak Ming (Notes i,iii)	–	308	11	319
	2,000	308	14	2,322

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Notes:

i) The remuneration includes remuneration received from the Group by the director in his capacity as an employee of the subsidiaries.

ii) Mr. Wu Wing Hang was a director of the Company's subsidiaries, Luen Yau Construction and Luen Yau Machinery Construction Company Limited ("Luen Yau Machinery"). On 13 July 2016, he was re-designated as chairman and executive director of the Company.

iii) Appointed on 31 May 2016.

iv) Appointed on 15 November 2016.

No chief executive was appointed during the years ended 31 March 2017 and 2016.

The directors of the Company did not waive or agree to waive the emolument paid by the Group during the years ended 31 March 2017 and 2016. No emoluments were paid by the Group to the directors as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2017 and 2016.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments, one (2016: one) was director of the Company whose emoluments are set out in note 12. The emoluments of the remaining four (2016: four) highest paid individuals were as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and other benefits	**2,519**	2,516
Contributions to defined contribution retirement benefits scheme	**72**	70
	2,591	2,586

Their emoluments were within the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	**4**	4

No emoluments were paid by the Group to the five highest paid individuals as an inducement for joining the Group or as compensation for loss of office during the years ended 31 March 2017 and 2016.

14. DIVIDEND

	2017 HK$'000	2016 HK$'000
Dividend recognised as distribution during the year	**29,000**	–

An interim dividend was paid by a subsidiary, Luen Yau Construction, to the controlling shareholder, Mr. Wu Wing Hang, during the year ended 31 March 2017 amounted to HK$29,000,000 per share.

Subsequent to the end of the reporting period, there was no final dividend in respect of the year ended 31 March 2017 per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

15. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**23,930**	36,748

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	**888,596**	825,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 March 2017 and 2016 have been retrospectively adjusted for the effects of the issue and capitalisation of the ordinary shares of the Company as a result of Reorganisation as disclosed in note 26 (a) to note 26 (f).

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2017 and 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Machinery	Furniture and equipment	Leasehold improvement	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 April 2015	–	49,864	208,869	63	–	258,796
Additions	–	21,550	12,758	50	116	34,474
Disposals/write-off	–	(940)	(7,645)	–	–	(8,585)
At 31 March 2016 and 1 April 2016	–	70,474	213,982	113	116	284,685
Additions	9,686	43,276	38,431	62	287	91,742
Disposals/write-off	–	(521)	(10,049)	–	–	(10,570)
At 31 March 2017	9,686	113,229	242,364	175	403	365,857
ACCUMULATED DEPRECIATION						
At 1 April 2015	–	19,179	73,186	18	–	92,383
Charge for the year	–	14,582	47,059	19	55	61,715
Eliminated on disposals/write-off	–	(918)	(4,929)	–	–	(5,847)
At 31 March 2016 and 1 April 2016	–	32,843	115,316	37	55	148,251
Charge for the year	65	20,708	52,341	33	94	73,241
Eliminated on disposals/write-off	–	(187)	(5,416)	–	–	(5,603)
At 31 March 2017	65	53,364	162,241	70	149	215,889
NET CARRYING VALUES						
At 31 March 2017	9,621	59,865	80,123	105	254	149,968
At 31 March 2016	–	37,631	98,666	76	61	136,434

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	Over the shorter of the term of the lease, or 25 years
Motor vehicles	4 years
Machinery	4 years
Furniture and equipment	5 years
Leasehold improvement	2 years

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The buildings are situated in Hong Kong and held under medium lease term.

At 31 March 2017, the Group's buildings with carrying values of approximately HK$9,621,000 (2016: nil) have been pledged to secure banking facilities granted to the Group.

The net carrying values of property, plant and equipment held under finance leases were as follows:

	2017 **HK$'000**	2016 HK$'000
Machinery	**44,124**	51,738
Motor vehicles	**59,276**	36,999
	103,400	88,737

17. TRADE AND RETENTION RECEIVABLES

The following is an analysis of trade and retention receivables at the end of each reporting period:

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**192,528**	128,090
Less: allowance for impairment of trade receivables	**(6,164)**	(2,807)
	186,364	125,283
Retention receivables (note)	**30,017**	23,452
	216,381	148,735

Note: Except for the amounts of approximately HK$18,334,000 (2016: HK$9,995,000), which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

The Group does not hold any collateral over these balances.

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For the year ended 31 March 2017

17. TRADE AND RETENTION RECEIVABLES *(Continued)*

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the certified report or invoices which approximates revenue recognition date at the end of each reporting period.

	2017 HK$'000	2016 HK$'000
Within 30 days	38,931	26,236
31 to 60 days	73,088	23,949
61 to 90 days	15,583	14,987
91 to 180 days	33,924	40,266
Over 180 days	24,838	19,845
	186,364	125,283

The movement in the allowance for impairment of trade receivables is set out below:

	2017 HK$'000	2016 HK$'000
At the beginning of the year	2,807	171
Impairment loss recognised on trade receivables	4,679	2,636
Reversal on impairment loss of trade receivables	(1,322)	–
At the end of the year	6,164	2,807

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$6,164,000 (2016: HK$2,807,000) due to long outstanding and unsatisfactory repayment record.

17. TRADE AND RETENTION RECEIVABLES *(Continued)*

The aged analysis of trade receivable that were past due but not impaired are as follows:

	2017 **HK$'000**	2016 HK$'000
Past due but not impaired:		
Within 30 days	**68,497**	23,187
31 to 60 days	**14,474**	24,183
61 to 90 days	**12,027**	16,325
91 to 180 days	**29,568**	17,680
Over 180 days	**15,476**	6,054
	140,042	87,429

Included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK$140,042,000 (2016: HK$87,429,000) as at 31 March 2017 which were past due at the end of the reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and there is no recent history of default, therefore the amounts are considered recoverable. The average age of these receivables as at 31 March 2017 were 102 days (2016: 130 days).

18. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2017 **HK$'000**	2016 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**664,985**	456,602
Less: progress billings	**(644,370)**	(452,399)
	20,615	4,203
Analysed for reporting purpose as:		
Amounts due from customers for contract work	**20,711**	7,059
Amounts due to customers for contract work	**(96)**	(2,856)
	20,615	4,203

At 31 March 2017, retentions held by customers for contract work amounted to approximately HK$30,017,000 (2016: HK$23,452,000) respectively and have been included in trade and retention receivables under current assets.

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19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Deposits	191	99
Prepayments	489	2,680
Staff advance	446	484
Insurance prepayment	9,325	4,746
Other receivables	7	5
	10,458	8,014

20. BANK BALANCES AND CASH

Bank balances earned interest at floating rates based on daily bank deposit rates which range from 0.01% to 0.05% per annum (2016: 0.01% to 0.05% per annum).

21. TRADE, BILLS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	70,204	37,516
Bills payables	2,494	–
Receipt in advance	2,250	–
Other payables	6,301	4,000
Accruals	12,152	15,187
	93,401	56,703

21. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017	2016
	HK$'000	HK$'000
Within 30 days	**20,562**	16,049
31 to 60 days	**30,832**	4,389
61 to 90 days	**9,984**	5,384
91 to 365 days	**7,501**	10,202
Over 365 days	**1,325**	1,492
	70,204	37,516

The average credit period granted is 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

22. AMOUNT DUE FROM (TO) A CONTROLLING SHAREHOLDER AND A RELATED COMPANY

The detail of amount due from (to) a controlling shareholder and a related company is as follows:

	2017	2016
	HK$'000	HK$'000
Related company		
Trade in nature		
中聯機械工程有限公司 ("中聯機械")	**–**	1,039
Non-trade in nature		
Luen Yau Company	**(5,354)**	(12,740)
Controlling shareholder		
Non-trade in nature		
Mr. Wu Wing Hang	**–**	18,654

The amounts are unsecured, non-interest bearing and repayable on demand.

中聯機械 and Luen Yau Company are companies controlled by Mr. Wu Wing Hang, the director of the Company. On 19 April 2016, Mr. Wu Wing Hang has disposed all entire shares of 中聯機械.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

23. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loans	41,659	16,433

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2017 HK$'000	2016 HK$'000
Within one year	22,908	8,136
After one year but within two years	7,241	2,311
After two years but within five years	8,442	5,833
Over five years	3,068	153
	41,659	16,433
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	18,751	8,297
Carrying amount repayable within one year	22,908	8,136
	41,659	16,433
Amount shown under current liabilities	(41,659)	(16,433)
Amount shown under non-current liabilities	–	–

(a) The bank borrowings were denominated in HK$ for both years ended 31 March 2017 and 2016.

(b) At 31 March 2017, bank loans carried interest at floating rates ranging from 2.5% to 5.75% per annum (2016: 2.5% to 4.0% per annum).

23. BANK BORROWINGS *(Continued)*

(c) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	2017 **HK$'000**	2016 HK$'000
Facility amount	**106,892**	20,992
Utilisations		
– Bank borrowings	**41,659**	16,433
– Bills payables (note 21)	**2,494**	–
	44,153	16,433
	62,739	4,559

As at 31 March 2016, all banking facilities were secured by personal guarantees provided by Mr. Wu Wing Hang, the director of the Company. The guarantees have been released and replaced by guarantees of the Company as at 31 March 2017.

As at 31 March 2016, one of the banking facilities was secured by a personal guarantee limited to HK$22,000,000 provided by Ms. Kwok Wai Sheung Melody ("Ms. Kwok"), the spouse of a director of the Company. The guarantee is supported by a mortgage charged over a property which is owned by Ms. Kwok. The guarantee was cancelled in January 2017.

As at 31 March 2017, one of the banking facilities was secured by guarantees provided by subsidiaries. One of the guarantees is supported by a mortgage charged over a property which is owned by a subsidiary.

As at 31 March 2017, one of the banking facilities was secured by buildings with carrying amounts of approximately HK$9,621,000 (2016: nil).

As at 31 March 2017, certain banking facilities were secured by insurance prepayments with carrying amounts of approximately HK$9,325,000 (2016: HK$4,746,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

24. OBLIGATIONS UNDER FINANCE LEASES

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**39,118**	41,872
Non-current liabilities	**61,685**	48,816
	100,803	90,688

It is the Group's policy to lease certain of its motor vehicles and machinery under finance lease. The average lease term is 4 years. The obligation under finance leases carried interest in ranged from 3.81% to 9.33% per annum (2016: 5.64% to 10.68% per annum).

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Amounts payable under finance leases				
Within one year	**43,440**	46,396	**39,118**	41,872
More than one year but less than two years	**30,720**	29,567	**28,405**	27,572
More than two years but less than five years	**35,135**	22,122	**33,280**	21,244
	109,295	98,085	**100,803**	90,688
Less: future finance charges	**(8,492)**	(7,397)		
Present value of obligations under finance leases	**100,803**	90,688		
Less: amounts due for settlement within 1 year (shown under current liabilities)			**(39,118)**	(41,872)
Amounts due for settlement after 1 year			**61,685**	48,816

As at 31 March 2017, the finance leases are secured by certain property, plant and equipment with carrying amounts of approximately HK$103,400,000 (2016: HK$88,737,000) of subsidiaries and guarantee provided by the subsidiary (2016: unlimited personal guarantees given by a director, which was released in January 2017).

25. DEFERRED TAX LIABILITIES

The following is the analysis of the deferred tax assets (liabilities), before set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	2017 **HK$'000**	2016 HK$'000
Deferred tax assets	**1,017**	878
Deferred tax liabilities	**(11,124)**	(11,016)
	(10,107)	(10,138)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Allowances HK$'000	**Accelerated tax depreciation** HK$'000	**Accumulated tax losses** HK$'000	**Total** HK$'000
At 1 April 2015	28	(11,899)	699	(11,172)
Credit (charge) to profit or loss	435	883	(284)	1,034
At 31 March 2016	463	(11,016)	415	(10,138)
Credit (charge) to profit or loss	554	(108)	(415)	31
At 31 March 2017	1,017	(11,124)	–	(10,107)

At 31 March 2016, the Group had unused tax losses of approximately HK$2,515,000 available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such losses have been utilised for the year ended 31 March 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

26. SHARE CAPITAL

The share capital as at 31 March 2016 represented the sum of share capital of the companies then comprising the Group. The share capital as at 31 March 2017 represented the share capital of the Company.

The Company

	Number of shares	Share capital HK$
Authorised		
Ordinary share of HK$0.01 each at the date of incorporation (Note a)	38,000,000	380,000
Increased during the year (Note b)	9,962,000,000	99,620,000
	10,000,000,000	100,000,000
Issued and fully paid		
Ordinary share of HK$0.01 each at the date of incorporation (Note a)	1	–
Issue in consideration for the acquisition of the issued share capital of Neotime Global Limited ("Neotime Global") (Note c)	1	–
Issue in consideration for the acquisition of the issued share capital of Lufa Global Investment Limited ("Lufa Global") (Note d)	1	–
Issue in consideration for the acquisition of the issued share capital of Luen Yau Holdings Limited ("Luen Yau Holdings") (Note e)	1	–
Capitalisation issue (Note f)	824,999,996	8,250,000
Issue upon listing of the Company (Note g)	175,000,000	1,750,000
Issue upon the exercise of over-allotment (Note g)	37,500,000	375,000
	1,037,500,000	10,375,000

Notes:

a) On 21 April 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. At the date of incorporation, one nil-paid share of HK$0.01 was allotted and issued.

b) Pursuant to the written resolutions of the then shareholder of the Company passed on 15 November 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of 9,962,000,000 new shares of HK$0.01 each.

c) On 28 April 2016, the Company acquired the entire issued share capital of Neotime Global by allotting and issuing one share of HK$0.01 each as consideration to the Company.

d) On 28 April 2016, the Company acquired the entire issued share capital of Lufa Global by allotting and issuing one share of HK$0.01 each as consideration to the Company.

26. SHARE CAPITAL *(Continued)*

The Company *(Continued)*

e) On 13 May 2016, the Company acquired the entire issued share capital of Luen Yau Holdings by allotting and issuing one share of HK$0.01 each as consideration to its then shareholder, Profit Gold Global Limited.

f) On 15 November 2016, pursuant to the written resolutions of the then shareholder of the Company, it was approved to issue 824,999,996 ordinary shares of HK$0.01 each to the shareholder by way of capitalisation of approximately HK$8,250,000 from the share premium account of the Company. Such shares were issued on 15 November 2016, being the date of capitalisation.

g) In connection with the Company's placing and listing, on 7 December 2016, the Company issued 175,000,000 ordinary shares HK$0.01 each at a price of HK$0.60 per share. Of the gross proceeds amounting to HK$105,000,000, HK$1,750,000 representing the par value of the shares issued was credited to the Company's share capital, and HK$103,250,000, before the share issue expenses, were credited to the share premium account.

On 30 December 2016, the Company issued additional 37,500,000 ordinary shares HK$0.01 each at a price of HK$0.60 per share as a result of exercise of over-allotment options by the underwriter. Of the gross proceeds amounting to HK$22,500,000, HK$375,000 representing the par value of the shares issued was credited to the Company's share capital, and HK$22,125,000 were credited to the share premium account.

h) All shares issued during the year ended 31 March 2017 and 2016 rank pari passu with existing shares in all aspects.

27. COMMITMENTS

Operating lease commitment

The Group as lessee

The Group leases its office properties and storage area under operating lease arrangement. Lease is negotiated for an original term of two years. At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	648	388
In the second to fifth years inclusive	150	31
	798	419

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

28. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure the banking facilities and finance leases granted to the Group:

	2017	2016
	HK$'000	HK$'000
Property, plant and equipment	**113,021**	88,737
Insurance prepayment	**9,325**	4,746
	122,346	93,483

29. CONTINGENT LIABILITIES

A subsidiary has been named as defendant in five (2016: four) High Court actions in respect of claims for compensation of personal injury for an amount of approximately HK$8,774,000 (2016: HK$8,774,000) in aggregate. Directors of the Company considered the claims are covered by the relevant insurance policies. No provision for potential liability has been made in the consolidated financial statements.

30. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 15 November 2016 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7 December 2026. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's 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 of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company *(Continued)*

Options granted must be taken up on the date of grant, upon payment of HK$1.00. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted since the adoption of the scheme and during the years ended 31 March 2017 and 2016.

31. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group entered into transactions with related party as follows:

Related party	**Nature of transaction**	**2017 HK$'000**	2016 HK$'000
中聯機械	Machines rental income	–	1,013
	Other income	–	26

The above transaction was conducted at terms determined on a basis mutually agreed between the Group and the related party. The director of the Company, Mr. Wu Wing Hang, has beneficial interest in the above mentioned related party.

Note: Mr. Wu Wing Hang has disposed all entire shares of 中聯機械 on 19 April 2016.

(b) Banking facilities

For the year ended 31 March 2016, a director of the Company and his spouse provided unlimited personal guarantee and limited personal guarantee respectively for the grant of banking facilities to the Group and obligation under finance leases, which was released in January 2017, as disclosed in note 23 and 24.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

31. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the year was as follows:

	2017 HK$'000	2016 HK$'000
Short-term benefits	5,798	3,196
Post-employment benefits	76	43
	5,874	3,239

32. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by employees.

During the year ended 31 March 2017, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$4,491,000 (2016: HK$5,223,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

33. MAJOR NON-CASH TRANSACTIONS

(a) During year ended 31 March 2017, the Group entered into finance lease arrangements in respect of motor vehicles and machinery with a total capital value at the inception of the leases of approximately HK$65,160,000 (2016: HK$6,614,000).

(b) During year ended 31 March 2017, the Group purchased new buildings by obtaining a bank borrowing with a principle amount of approximately HK$3,600,000 (2016: nil).

(c) During year ended 31 March 2017, the Group obtained a bank borrowing with a principle amount of approximately HK$16,143,000 (2016: nil) to settle income tax payables.

33. MAJOR NON-CASH TRANSACTIONS *(Continued)*

(d) During year ended 31 March 2017, income tax payables at approximately HK$6,388,000 (2016: nil) was settled by LYCC on behalf of the Group.

(e) During the year ended 31 March 2017, the interim dividend of total amount at HK$29,000,000 (2016: nil) was settled by set off with the amount due to a controlling shareholder.

(f) Pursuant to the written resolutions passed by the shareholder of the Company on 15 November 2016, the directors of the Company were authorised to capitalise a sum of approximately HK$8,250,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 824,999,996 shares for allotment and issue to the then shareholder of the Company as at 15 November 2016 in proportion to his then respective shareholdings in the Company.

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 HK$'000
Non-current assets		
Investments in subsidiaries		106,532
Current assets		
Deposits, prepayments and other receivables		182
Amounts due from subsidiaries	(a)	36,033
Bank balances and cash		89,075
		125,290
Current liabilities		
Bills and other payables		4,041
Amounts due to subsidiaries	(a)	18,160
		22,201
Net current assets		103,089
Total assets less current liabilities		209,621
Capital and reserves		
Share capital		10,375
Reserves	(b)	199,246
		209,621

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note (a):

The amounts are unsecured, non-interest bearing and repayable on demand.

Note (b):

Movements in reserves

	Share premium HK$'000	**Other reserve** HK$'000 (Note)	**Accumulated losses** HK$'000	**Total** HK$'000
At date of incorporation on 13 April 2016	–	–	–	–
Loss and total comprehensive expense for the year	–	–	(16,364)	(16,364)
Capitalisation issue of shares (note 26(f))	(8,250)	–	–	(8,250)
Arising from reorganisation	–	106,532	–	106,532
Issuing of ordinary shares in connection with the listing of shares of the Company (note 26(g))	125,375	–	–	125,375
Share issue expenses	(8,047)	–	–	(8,047)
At 31 March 2017	109,078	106,532	(16,364)	199,246

Note: Other reserve represents the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company upon the Reorganisation on 13 May 2016.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
			Direct		Indirect		
			2017	2016	2017	2016	
Neotime Global	BVI	United States dollar ("USD") 1	100%	100%	–	–	Investment holding
Lufa Global	BVI	USD 1	100%	100%	–	–	Investment holding
Luen Yau Holdings	BVI	USD 1	100%	100%	–	–	Investment holding
Luen Yau Construction	Hong Kong	HK$1	–	–	100%	100%	Construction works and construction machinery rental service
Luen Yau Machinery Construction Company Limited	Hong Kong	HK$1	–	–	100%	100%	Construction machinery rental service
Luen Yau Management Services Limited	Hong Kong	HK$1	–	–	100%	100%	Investment holding
Luen Yau Management Company Limited	BVI	USD 1	–	–	100%	100%	Investment holding

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

FINANCIAL SUMMARY

	For the year ended 31 March			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and Profit				
Revenue	**484,479**	409,349	366,729	159,693
Cost of services	**(416,736)**	(342,995)	(314,539)	(122,884)
Gross profit	**67,743**	66,354	52,190	36,809
Other income	**5,954**	3,101	2,974	2,751
Administrative expenses	**(34,763)**	(16,878)	(6,817)	(3,258)
Finance costs	**(7,163)**	(7,571)	(5,384)	(1,632)
Profit before taxation	**31,771**	45,006	42,963	34,670
Income tax expenses	**(7,841)**	(8,258)	(7,100)	(5,429)
Profit and total comprehensive income for the year attributable to the owners of the Company	**23,930**	36,748	35,863	29,241
Earnings per share (HK$) Basic and diluted	**2.69 cents**	4.45 cents	4.35 cents	3.54 cents

	As at 31 March			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities				
Current assets	**347,358**	198,566	124,916	65,348
Non-current assets	**150,811**	137,734	166,413	115,714
Current liabilities	**(179,628)**	(144,980)	(116,819)	(82,614)
Non-current liabilities	**(71,792)**	(58,954)	(78,892)	(38,693)
Total equity	**246,749**	132,366	95,618	59,755

Note: No financial statements of the Group for the year ended 31 March 2013 have been published. The summary above does not form part of the audited financial statements.