Man King Holdings Limited
萬景控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2193

2017 ANNUAL REPORT

Man King
萬景控股

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lo Yuen Cheong *(Chairman)*
Lo Yick Cheong

Non-executive Director

Chan Wai Ying

Independent non-executive Directors

Leung Wai Tat Henry
Lo Man Chi
Chau Wai Yung

AUDIT COMMITTEE

Leung Wai Tat Henry *(Chairman)*
Chan Wai Ying
Chau Wai Yung
Lo Man Chi

REMUNERATION COMMITTEE

Chau Wai Yung *(Chairman)*
Lo Yuen Cheong
Leung Wai Tat Henry
Lo Man Chi

NOMINATION COMMITTEE

Lo Yuen Cheong (Chairman)
Lo Yick Cheong
Chau Wai Yung
Leung Wai Tat Henry
Lo Man Chi

COMPANY SECRETARY

Wan Ho Yin

SOLICITORS

CFN Lawyers in association
with Broad & Bright
Maples and Calder

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL OFFICE

Unit D, 10/F
Skyline Tower
18 Tong Mi Road
Mongkok, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman
KY1-1102
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

STOCK CODE

2193

WEBSITE

http://www.manking.com.hk

On behalf of the board of Directors (the "Board") of Man King Holdings Limited (the "Company"), I am pleased to report the results for the Company and its subsidiaries (collectively the "Group" or "we") for the year ended 31 March 2017.

STRATEGY AND PERFORMANCE

The Government maintain its annual public infrastructure expenditure over HK$90 billion in the year and years. Though market competition remains tough, we can expect benefit from this expenditure plan as the Group has been focusing on public infrastructure projects. However, the unexpectedly slow progress of obtaining funding by the Legislative Council for public projects during the year due to various political reasons indeed imposed adverse effect to our order book and revenue as planned. The Group's revenue decreased from approximately HK$183.3 million for the last financial year to approximately HK$164.5 million for the current financial year. Gross profit margin also decreased from approximately 42.9% to 24.1% for the year ended 31 March 2017. Further, the new contracts entered this year are in preliminary construction stage and thus have not contributed much profit to the Group yet.

Despite the reduced revenue and profit margin in the year, I am pleased to report that our financial capability including net assets and cash remains robust and healthy. This strong financial capability underpins resilient in operating and expanding our business and positioned us well to extend our integrated offer to a wider portfolio of clients during the year.

Another challenge to us is that the scale of recent public tenders becomes so mega that incur us significant upfront effort in terms of cost and resources to bid the tenders. We see this is undesirable for local contractors, if not favourable to internationally contractors. Take note of this challenge, we were cautious to expand our business and kept sufficient cash reserve ready for operation current projects and future investments.

Our strategy remains what we reported in last year, which is to continuously develop the business in its chosen markets in the coming years and to deliver a safe, robust, sustainable and optimised performance from efficient business processes. We are proud of our proven quality works, zero fatality rate and low accident rate which is far below the industry average this year.

As part of our development plan, we have successfully upgraded our registration with HKSAR Works Bureau to Group C for categories under Site Formation and Roads & Drainage for one of our subsidiaries. This upgraded status positioned us in a wider eligibility and opportunities to submit tenders for different size and categories of public infrastructure works.

OUR PEOPLE

I am pleased to report that the people in our teams continued the important contribution to the progress and success of the Group. Their hard work, skills and diligence underpin the resilience of our operating model and the strength of our order book. The services that our team delivered are well recognised and appreciated by our clients.

We are committed to the safety and wellbeing of our people and have good progress to provide regular opportunities for all the employees across every part of the business to learn and grow their skills. I would like to thank all our people for their loyalty, dedication, contribution and support during the year.

OUTLOOK

Looking ahead, we remain focused on further improving our operation efficiency and investment in new technology and human resources to support our operation with reasonable profit margins. It is foreseeable that the Hong Kong construction industry is likely to remain challenging, but it is not insurmountable. We continue cautiously to maintain a healthy reserve of finance and work force of the Group for the year ending 31 March 2018 for effective operation and further expansion and development of our business.

Lo Yuen Cheong
Chairman
16 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

The Group is principally engaged in providing civil engineering services in Hong Kong as a main contractor.

The engineering works undertaken by the Group are mainly related to (i) roads and drainage (including associated building works and electrical and mechanical works); (ii) site formation (including associated infrastructure works); and (iii) port works. The Group undertakes engineering projects in both public and private sectors and, being a main contractor, participates in the procurement of materials, machineries and equipment, selection of subcontractors, carrying out onsite supervision, monitoring work progress and overall co-ordination of day-to-day work of the projects.

Construction contracts are normally awarded through competitive tendering process. The Group determines a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. One of the principal risks of the Group is that any error or inaccurate estimation of project costs when determining the tender price may result in substantial loss. As such, the Group has tender department formed by a high calibre and committed professional workforce to fully support the tendering process, to ensure the accuracy and to bring the best interests to the Group.

During the year ended 31 March 2017, the Group secured six new contracts with a total value of approximately HK$604.6 million. As at 31 March 2017, the Group had seven projects in progress, and several completed projects which are yet to receive the final contract sum, with a total estimated outstanding contract sum and work order value of approximately HK$527.0 million.

Customers and suppliers

The major customers of the Group are the HKSAR Government and certain reputable organisations. The public sector customers are normally required to make payments to the Group within 21 days after the issue of the progress certificate by the authorised person, while the private sector customers are normally required to make payments to the Group within 60 days after the issue of the invoice. As at the date of this report, all of the trade receivables have been subsequently settled. The management of the Group considers that the credit risk is limited in this regard.

On the other hand, the Group maintains a good relationship with its key subcontractors and suppliers, and no warnings relating to the supply or quality of materials has been received. We have performed subcontractor and supplier annual performance evaluations and the results are satisfactory.

Environmental policies

The Group has also observed the laws and regulations in relation to environmental protection in Hong Kong, such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance, Dumping at Sea Ordinance, Environmental Impact Assessment Ordinance and Public Health and Municipal Services Ordinance. Prior to the commencement of work, the Group will assess the implications and requirements of the aforesaid laws and regulations and apply for necessary permits (if applicable) to conduct its work. The Group also ensures that the subcontractors and their workers comply with the Group's environmental management policy on the basis of appropriate education, training and/or expertise. In particular, the Group holds regular meetings with them to discuss environmental related issues during the course of a project. The breach of the aforesaid laws and regulations may lead to penalty or fine by the relevant government authorities or even suspension of works. During the year ended 31 March 2017, the Group was in compliance with applicable environmental laws and regulations in all material aspects.

Compliance with laws and regulations

Saved as disclosed in the compliance with environmental laws and regulations mentioned above, the Group has been in compliance in all material respects with all the other relevant laws, rules and regulations. The Group will continue to deploy adequate resources and make effort to maintain and enhance internal control in order to mitigate any non-compliance issues.

Future Outlook

The Group has secured 6 contracts of about HK$604.6 million during the year ended 31 March 2017 providing a resilient backdrop for the year ahead, and there are a few other tenders pending final results. The Group is, however, in a transition period from the completion of previous highly profitable projects to less contribution from the new contracts at this preliminary stage, which results in a significant drop of gross profit for the year ended 31 March 2017.

The Hong Kong's public spending on infrastructure has been maintained at high levels, with about HK$85 billion for the year 2017/18 and a huge public expenditure programme in the coming decade. Key major infrastructure projects in the coming years include the Kai Tak Sports Park, Central Kowloon Route and the Tung Chung New Town Extension. The Hong Kong Airport Authority is spending about HK$120 billion for its Third Runway construction over the coming three years. This underpins the resilient of our business focusing on public works. Although operating expenses and compensation of employees of the construction sector remain high, the hard time of recruiting qualified engineers and workers has been eased. The prices for supply of major materials such as concrete, rebars and fuels were under our expectation throughout the year. This helped inhibit the ever rising trend of the overall construction cost in the past few years.

Despite these encouraging market conditions, the Legislative Council has been very slow in their progress of approving funding for public projects. There was only few new works project that have obtained approved funding totalling approximately HK$1.1 billion out of the total estimated funding of approximately HK$90 billion from the Finance Committee of Legislative Council up to March 2017, which brings not only uncertainties and difficulties in tendering and award of tenders in the construction industry but also the financial performance in terms of revenue and profit margins.

We remain focused on further improving our operation efficiency and investment in new technology and human resources to support our operation with reasonable profit margins. It is forseeable that the Hong Kong construction environment is likely to remain challenging, but it is not insurmountable. We continue cautiously to maintain a healthy reserve of finance and work force of the Group for the year ending 31 March 2018 for effective operation and further expansion and development of our business.

Employees and Remuneration Policies

As at 31 March 2017, the Group had an aggregate of 125 full-time employees (2016: 116 full-time employees) and total employee costs excluding directors' emoluments for the year ended 31 March 2017 was approximately HK$42.0 million (2016: HK$46.5 million). The Group was in compliance with Employment Ordinance, Employees' Compensation Ordinance and other applicable regulations, and salary payment was made on time without any dispute. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as performance of the individual.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss

Revenue

Revenue decreased by HK$18.8 million or 10.3% from approximately HK$183.3 million to approximately HK$164.5 million, mainly due to the combined effect of:

(i) lower revenue of approximately HK$61.7 million recognised for four civil engineering projects completed during the year ended 31 March 2017;

(ii) lower revenue of approximately HK$27.4 million for projects for the year ended 31 March 2017 as compared to the revenue of approximately HK$59.1 million recognised for the same projects which had been completed before 2016; and

(iii) higher revenue of approximately HK$70.6 million for the projects in progress during the year ended 31 March 2017, including approximately HK$62.1 million contributed by the five new projects commenced during the year ended 31 March 2017.

Gross profit

Gross profit decreased by HK$39.0 million or 49.7% from approximately HK$78.6 million for the year ended 31 March 2016 to approximately HK$39.6 million for the year ended 31 March 2017. Gross profit margin decreased from approximately 42.9% to approximately 24.1%, primarily due to projects on hand with high profit margin being substantially completed and less additional contract sums agreed at the final stage being recognised for the year ended 31 March 2017. Further, the new contracts entered this year are in preliminary construction stage and thus have not contributed much profit to the Group yet.

Other income

Other income was approximately HK$2,673,000 and HK$2,213,000 for the years ended 31 March 2017 and 2016 respectively. The increase was mainly due to dividend income received from the securities investments.

Other gains and losses

Other gains and losses switched from a loss of approximately HK$4,151,000 for the year ended 31 March 2016 to a gain of approximately HK$775,000 for the year ended 31 March 2017, primarily due to net change in fair value of held-for-trading investments of approximately HK$1,461,000, change in fair value of investment property of HK$110,000, net gain on disposal of property, plant and equipment of approximately HK$500,000, offset with net exchange losses recognised of approximately HK$1,296,000 as a result of the depreciation of Renminbi and British Pound.

Administrative expenses

Administrative expenses for the year ended 31 March 2017 were approximately HK$32.1 million, representing a decrease of 12.4% from approximately HK$36.6 million in the last financial year. This was mainly attributable to the decrease in insurance and motor vehicle expenses as a result of the completion of several projects during the year ended 31 March 2017.

Finance costs

There was no new borrowings and no finance costs incurred during the year ended 31 March 2017.

Income tax expense

The effective tax rates for the years ended 31 March 2016 and 2017 were approximately 20.2% and 22.2% respectively. The effective tax rate for the year ended 31 March 2017 was higher than the statutory profit tax rate of 16.5% which was mainly due to the increase in tax effect of tax losses not recognised by the Company during the year.

Profit for the year

For the year ended 31 March 2017, the Group recorded net profit of approximately HK$8.5 million, a decrease of 68.6% as compared to the net profit of approximately HK$27.2 million for the corresponding period in the last financial year. This was mainly due to the decrease in gross profit, as mentioned in the paragraph headed "Gross profit" above, for the year ended 31 March 2017.

Consolidated Statement of Financial Position

Net assets of the Group increased 6.5% from approximately HK$256.6 million as at 31 March 2016 to approximately HK$273.3 million as at 31 March 2017.

Non-current assets increased from approximately HK$7.2 million as at 31 March 2016 to approximately HK$11.2 million as at 31 March 2017, primarily due to the additions on construction equipment and motor vehicles.

Net current assets increased by 5.1% from approximately HK$249.8 million as at 31 March 2016 to approximately HK$262.7 million as at 31 March 2017, primarily due to an increase in bank balances as a result of share allotments to the share option holders during the year.

Liquidity and financial resources

As at 31 March 2017, the Group had bank balances and cash of approximately HK$181.9 million (2016: HK$167.0 million), which were mainly denominated in Hong Kong dollars, Renminbi and British Pound. The Group is exposed to the currency risks of the fluctuation in exchange rates of Renminbi and British Pound. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policies or other hedging instruments. The Group will continue to monitor its exposure to the currency risks closely.

The Group adopts a prudent approach in cash management and there was no interest bearing borrowings as at 31 March 2017 (2016: nil).

The Group has available unutilised bank borrowings facilities of approximately HK$15.2 million as at 31 March 2017 (2016: HK$15.0 million).

Capital structure and gearing ratio

As at 31 March 2017, total equity was approximately HK$273.3 million (2016: HK$256.6 million) comprising ordinary share capital, share premium and reserves.

The gearing ratio of the Group, defined as a percentage of interest bearing liabilities divided by the total equity, is nil as at 31 March 2017 (2016: nil).

For details of pledged assets and performance bonds and contingent liabilities of the Group, please refer to notes 19 and 29 to the consolidated financial statements accordingly.

New business

During the year ended 31 March 2017, the Company did not commence any new type of business.

Significant investments

During the year ended 31 March 2017, the Company did not hold any significant investment.

Material acquisitions and disposal of subsidiaries and associated companies

During the year ended 31 March 2017, there was no acquisition or disposal of subsidiaries and associated companies by the Company.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Yuen Cheong, 64, is the Chairman and executive Director of the Company and also the chairman of Nomination committee and member of Remuneration Committee. He is responsible for the financial and operational aspects of the Group, and is jointly responsible for the formulation of business development strategies of the Group.

Mr. Lo Yuen Cheong has over 36 years of experience in working in the civil engineering industry. He is qualified as a Chartered Engineer registered with The Engineering Council of the United Kingdom and a Registered Professional Engineer with Engineers Registration Board of Hong Kong. He is also a member of The Institution of Civil Engineers of the United Kingdom and a member of The Hong Kong Institution of Engineers.

Mr. Lo Yuen Cheong obtained a Master degree of Engineering (MEng) from The University of Sheffield in 1979, and a Master degree of Arts (MA) from The University of Oklahoma in 1998.

He is the brother of Mr. Lo Yick Cheong and the brother-in-law of Ms. Chan Wai Ying.

Mr. Lo Yick Cheong, 61, is the executive Director of the Company and also the member of Nomination Committee. He is responsible for the operations and business development and is jointly responsible for the formulation of business development strategies of our Group.

Mr. Lo Yick Cheong has over 35 years of experience in working in the engineering industry. He is qualified as a Chartered Engineer of The Engineering Council of the United Kingdom, and a Registered Professional Engineer with Engineers Registration Board of Hong Kong. He is also a member of The Institute of Marine Engineers of the United Kingdom, and a member of The Hong Kong Institution of Engineers.

Mr. Lo Yick Cheong obtained a diploma in Marine Engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1976, a degree of Bachelor of Engineering with First Class Honours in Mechanical Engineering from University of Newcastle Upon Tyne in the United Kingdom in 1986, and a Master degree of Business Administration from University of Leicester in the United Kingdom in 1995. He attained a certificate of competency (Marine Engineer Officer), class 1 (Steamship and Motorship) at the Department of Transport in the United Kingdom in 1985.

He is the brother of Mr. Lo Yuen Cheong and the brother-in-law of Ms. Chan Wai Ying.

NON-EXECUTIVE DIRECTOR

Ms. Chan Wai Ying, 52, is the non-executive Director of the Company and also the member of Audit Committee. She has over 22 years of experience in accounting profession and she advises the board on internal control and financial management.

Ms. Chan Wai Ying is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

She is the sister-in-law of Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Tat Henry, 68, is the independent non-executive Director of the Company. He has over 40 years of experience working in the engineering industry. He had worked with the Government as structural engineer from May 1980 to December 1982. He also had six years of experience working in Australia. From March 1984 to June 1986, he worked with Macdonald Wagner Pty Limited and was promoted to the position of senior engineer. From June 1986 to May 1989, he worked with Transfield Construction Pty Limited as a structured engineer. He was employed by Jacobs China Limited for the period from September 1990 to March 2005. His last position was managing director.

Mr. Leung graduated with a Bachelor degree of Science in Engineering from The University of Hong Kong in November 1973 and a Master degree of Engineering Science from The University of Sydney, Australia in May 1984. He is a member of The Institution of Civil Engineers of the United Kingdom, a fellow of The Hong Kong Institution of Engineers, and a fellow of The Institution of Structural Engineers of the United Kingdom. He is also a Registered Professional Engineer with Engineers Registration Board of Hong Kong.

Professor Lo Man Chi, 51, is the independent non-executive Director. She has joined The Hong Kong University of Science and Technology since 1992, and is currently a full professor in the Department of Civil and Environmental Engineering. She has extensive research and practical experience in the field of civil and environmental engineering, and produced various academic publications.

Professor Lo is an elected Academician of class VI — Technical and Environmental Sciences of the European Academy of Sciences and Arts in July 2014. She is a fellow of The Hong Kong Institution of Engineers (HKIE) and a fellow of American Society of Civil Engineers. She was the chairperson of the Environmental Division of the HKIE. She obtained a Bachelor of Science degree in Engineering from National Taiwan University in 1988, as well as a Master of Science degree in Engineering and a Doctor of Philosophy degree from The University of Texas at Austin in 1990 and 1992, respectively.

Ms. Chau Wai Yung, 32, is the independent non-executive Director. She is an associate member of Hong Kong Institute of Certified Public Accountants, and has worked as an accountant with Deloitte Touche Tohmatsu for more than 4 years. Thereafter, she joined the corporate recovery & forensic services department of Mazars CPA Limited from March 2011 to September 2012. From 2014 to 2016, she worked as a project manager consultant with Vieste Investments Limited. She currently works in Corporate Strategy and Development Department with Li Tong Group.

Ms. Chau graduated with a Bachelor degree of Social Sciences with first class honours from The Chinese University of Hong Kong in May 2006. She also obtained a postgraduate certificate in professional accounting from City University of Hong Kong in summer 2006.

SENIOR MANAGEMENT

Mr. Chiu Kwok Ming, 53, is the assistant general manager (estimating, procurement, health & safety, and quality assurance) of the Group. He leads the Group's tendering department, and assumes the responsibility for our Group's quality assurance affairs, together with our Group's health and safety, and environmental management.

Mr. Chiu has over 31 years of experience working in the civil engineering industry and he was trained as lead auditor for implementing and monitoring quality assurance of the Group.

Mr. Lam Chun Pan, 42, is the assistant general manager (operation and service) of the Group. He carries out the operational responsibility for the Group's construction and services operations.

Mr. Lam is a member of The Hong Kong Institution of Engineers, and has over 20 years of experience working in the civil engineering industry.

Mr. Wan Ho Yin, 39, is the chief financial officer and company secretary of the Group. He is responsible for the Group's financial affairs, engaging and overseeing all aspects of the corporate financial activities, internal control, treasury, and investors' relation of our Group.

Mr. Wan is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants, and has over 16 years of experience on accounting profession.

Mr. Lam Tat Shing, 39, is the senior project manager of the Group. He is responsible for site operation and management of civil and marine projects.

Mr. Lam is a member of The Hong Kong Institution of Engineers, and has over 17 years of experience working in the civil engineering industry. He also has experience of port works and fill management.

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their annual report together with the audited consolidated financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and provides corporate management services.

The activities of its principal subsidiaries and joint operations (set out in notes 30 and 31 to the consolidated financial statements) are engaged in construction and civil engineering works.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of the annual report and in accompanying notes to the consolidated financial statements.

DIVIDEND

The Board does not recommend final dividend for the year ended 31 March 2017 (2016: nil).

DISTRIBUTABLE RESERVES

Movements in the reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 40 and note 32 to the consolidated financial statements respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 80 of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Monday, 21 August 2017 (the "2017 Annual General Meeting"), the register of members of the Company will be closed from Wednesday, 16 August 2017, to Monday, 21 August 2017, both dates inclusive, during which period no transfer of shares of the Company (the "Shares") will be registered. In order to be eligible to attend and vote at the 2017 Annual General Meeting, the shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 August 2017.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed in note 23 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 March 2017 amounted to HK$50,400.

INVESTMENT PROPERTY

Details of investment property of the Group are set out in note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 22 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Lo Yuen Cheong *(Chairman)*
Lo Yick Cheong

Non-executive Director:

Chan Wai Ying

Independent non-executive Directors:

Leung Wai Tat Henry
Lo Man Chi
Chau Wai Yung

In accordance with the provisions of the Company's bye-laws, one-third of the existing Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Accordingly, Mr. Leung Wai Tat Henry and Ms. Chau Wai Yung will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Biographical details of Directors and senior management are set out in the section headed "Directors and Senior Management" in this report.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company. The service contracts are initially for a fixed term of three years and will continue thereafter until terminated by not less than three months written notice to the other party.

Non-executive Director and independent non-executive Directors have been appointed for an initial term of two years and the appointment is subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence.

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors by reference to the Company's operating results, individual performance and comparable market rates. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

As at 31 March 2017, the Group had an aggregate of 125 (2016: 116) full-time employees. Employee costs excluding directors' emoluments totalled HK$42.0 million for the year ended 31 March 2017 (2016: HK$46.5 million). The Group recruited and promoted individual persons according to their strengths and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale.

Details of Directors', Chief Executive's and employees' emoluments remuneration are set out in note 9 to the consolidated financial statements.

In addition to the above, a share option scheme is adopted for rewarding and retaining Directors and employees for the continual operation and development of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Related Party Transactions and Connected Transactions", no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE INTERESTS IN SECURITIES

A. Directors' and the Chief Executive's interests in the shares of the Company

As at 31 March 2017, the interests and/or short positions of the Directors and Chief Executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), which or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director and Group member/ associated corporation	Capacity/nature	Number of issued ordinary shares held (long position)	Number of Underlying shares (in respect of the share options (unlisted equity derivatives)) of the Company held (Note 2)	Percentage of the issued share capital of the company
Lo Yuen Cheong of the Company	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note 1)	300,000,000	–	71.34%
	Beneficial owner	1,428,000	3,500,000	1.17%
Lo Yick Cheong of the Company	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note 1)	300,000,000	–	71.34%
	Beneficial owner	–	3,500,000	0.83%
Chan Wai Ying of the Company	Beneficial owner	1,500,000	1,500,000	0.71%
Leung Wai Tat Henry of the Company	Beneficial owner	100,000	–	0.02%
Lo Yuen Cheong of Jade Vantage Holdings Limited	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note 1)	50,000 of US$1 each	–	100%
Lo Yick Cheong of Jade Vantage Holdings Limited	Beneficiary and co-founder of a discretionary trust, interest each in a controlled corporation and interest in spouse (Note 1)	50,000 of US$1 each	–	100%

Notes:

1. Jade Vantage Holdings Limited, which owns 71.34% of the issued share capital of our Company, is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the Shares in which Jade Vantage Holdings Limited is interested.

2. The relevant Director was granted options to subscribe for such number of Shares under the Share Option Scheme adopted by the Company on 3 June 2015.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

B. Substantial shareholders and other interests

As at 31 March 2017, so far as the Directors are aware, the following persons (not being a Director or a Chief Executive of the Company) will have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Nature of interest	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
LOs Brothers (PTC) Limited	Interest in a controlled corporation	300,000,000	71.34%
Jade Vantage Holdings Limited	Beneficial owner	300,000,000	71.34%
Tam Wai Sze, Vera	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note)	300,000,000	71.34%
Cheung Suk Ching, Savonne	Beneficiary and co-founder of a discretionary trust, interest in a controlled corporation and interest in spouse (Note)	300,000,000	71.34%

Note: Jade Vantage Holdings Limited, which owns 71.34% of the issued share capital of our Company, is owned as to 100% by LOs Brothers (PTC) Limited, the trustee of the Los Family Trust. Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong and each of their spouses are co-founders of the Los Family Trust, which holds the entire issued share capital of Jade Vantage Holdings Limited, which holds 300,000,000 Shares. By virtue of the SFO, Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong are deemed to be interested in the Shares in which Jade Vantage Holdings Limited is interested.

Save as disclosed above, no other person (other than Directors or Chief Executive of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme on 3 June 2015, and such scheme has become effective on the listing of the Company on the Stock Exchange on 3 July 2015 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to recognize and acknowledge the contribution of the eligible participants made to the Group. The Board may, at its discretion, grant options pursuant to the Share Option Scheme to Directors (including the independent non-executive Directors), the Company's subsidiaries, employees of the Group and other persons the Board considers have contributed or will contribute to the Group. The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the grant date (i.e. 41,500,000 shares), unless otherwise approved by the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share. The Share Option Scheme shall remain effective within a period of 10 years from that date.

The outstanding share options granted as disclosed in the announcement of the Company dated 15 July 2015 entitled the relevant grantees to subscribe for an aggregate 25,000,000 new shares of HK$0.01 each in the share capital of the Company. Detail of movements of the options granted to the Directors under the Share Option Scheme for the year ended 31 March 2017 is as follows:

					Number of share options			
Name of Directors	**Date of grant**	**Exercisable period**	**Exercise price** HK$	**Outstanding at 1.4.2016**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Outstanding at 31.3.2017**
Lo Yuen Cheong	15 July 2015	15 July 2016 to 14 July 2017	1.1	1,750,000	–	–	–	1,750,000
		15 July 2017 to 14 January 2018	1.1	1,750,000	–	–	–	1,750,000
Lo Yick Cheong	15 July 2015	15 July 2016 to 14 July 2017	1.1	1,750,000	–	–	–	1,750,000
		15 July 2017 to 14 January 2018	1.1	1,750,000	–	–	–	1,750,000
Chan Wai Ying	15 July 2015	15 July 2016 to 14 July 2017	1.1	1,500,000	–	(1,500,000)	–	–
		15 July 2017 to 14 January 2018	1.1	1,500,000	–	–	–	1,500,000
				10,000,000	–	(1,500,000)	–	8,500,000

Save as disclosed above, none of the Directors had any interests in the share options to subscribe for the shares.

Employees Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.4.2016	Number of share options Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.3.2017
15 July 2015	15 July 2016 to 14 July 2017	1.1	6,938,000	–	(4,002,000)	–	2,936,000
	15 July 2017 to 14 January 2018	1.1	6,938,000	–	–	–	6,938,000
			13,876,000	–	(4,002,000)	–	9,874,000

No option was granted or cancelled during the year ended 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2017, the five largest customers of the Group and the single largest customer of the Group accounted for 89.8% and 47.5% (2016: 79.5% and 21.5%) of the total revenue of the Group, respectively. The five largest suppliers and the single largest supplier of the Group during the year accounted for approximately 48.0% and 14.4% (2016: 44.9% and 12.1%) of the total purchases of the Group, respectively. The five largest subcontractors and the single largest subcontractor of the Group during the year accounted for approximately 67.5% and 37.4% (2016: 74.2% and 25.5%) of the total subcontracting fee of the Group, respectively.

As far as the Directors are aware, none of the Directors, their associates, within the meaning of the Listing Rules, or those shareholders which to the knowledge of the Directors own more than 5% of the Company's share capital have an interest in any of the five largest customers and/or five largest suppliers/subcontractors of the Group for the year ended 31 March 2017.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 28 to the consolidated financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors has confirmed that he is neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with the Group's business.

NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

Mr. Lo Yuen Cheong, Mr. Lo Yick Cheong, Ms. Tam Wai Sze, Vera, Ms. Cheung Suk Ching, Savonne, Jade Vantage Holdings Limited and LOs Brothers (PTC) Limited entered into a deed of non-competition dated 3 June 2015 (the "Deed of Non-Competition") so as to better safeguard the Group from any potential competition and to formalise the principles for the management of potential conflicts between them and to enhance its corporate governance in connection with the listing of the shares on the Stock Exchange.

The independent non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the Deed of Non-Competition. The independent non-executive Directors were not aware of any non-compliance of Deed of Non-Competition during the year ended 31 March 2017.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate Directors and officers liability insurance coverage for its Directors and officers.

CORPORATE GOVERNANCE

The Board are committed to maintain high standards of corporate governance with the Corporate Governance Code, as set out in Appendix 14 of the Listing Rules with exception of deviation. Detailed information on the Company's corporate governance practices is set out in the "Corporate Governance Report" contained in pages 18 to 26 of the annual report.

BUSINESS REVIEW

Detailed information on the Group's business review is set out in the "Management Discussion and Analysis" contained in pages 4 to 7 of the annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as Auditor of the Company.

On behalf of the Board

Lo Yuen Cheong
Chairman and Executive Director
16 June 2017

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance as it believes that good corporate governance practices are fundamental to the effective operation of a company and can enhance shareholders' value as well as safeguard shareholders' interests. The Company places strong emphasis on a quality Board, accountability, sound internal control, appropriate risk management, monitoring procedures and transparency to all shareholders and stakeholders.

The Company has adopted, applied and complied with the code provisions of Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules on the Stock Exchange for the year ended 31 March 2017, except for provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

According to provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Lo Yuen Cheong is the Chairman and Chief Executive Officer of the Company, responsible for the financial and operational aspects of the Group, and is jointly responsible for the formulation of business development strategies of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer has the benefit of managing the Group's business and overall operation in an efficient manner. The Board considers that the balance of power and authority under the present arrangement will not be impaired in light of the operations of the Board with half of them being independent non-executive Directors. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

THE BOARD

The Board has a balanced composition of members to ensure independent judgement being exercised in all discussions. The Board focuses on the overall strategies, policies and business plans of the Group, monitors the financial performance, internal controls and risk management of the Group. Executive Director and senior management are responsible for the day-to-day operations of the Group.

The composition of the Board and the individual attendance (Board Meetings and annual general meeting) of each Director are set out below:

Attendance	**Board meetings from 1 April 2016 to the date of this report**	**2016 annual general meeting**
Executive Directors		
Lo Yuen Cheong	5/5	1/1
Lo Yick Cheong	4/5	1/1
Non-executive Director		
Chan Wai Ying	5/5	1/1
Independent non-executive Director		
Leung Wai Tat Henry	5/5	1/1
Lo Man Chi	5/5	0/1
Chau Wai Yung	5/5	1/1

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this report. Save for the relationships as detailed in the biographical details, there is no other relationship among the Board to the best knowledge of the Board members. The Company has also maintained on its website and that of the Stock Exchange an updated list of its Directors identifying their roles and functions and whether they are independent non-executive Directors. The independent non-executive Directors are explicitly identified in all of the Company's corporate communications.

Under code provision A.1.1 of the Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. The Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

Directors' resolutions were passed by way of written resolutions or by physical meetings. The Company has to comply with the Code provisions with regard to the conduct of meetings, have annual meeting schedules and draft agenda of each meeting made available to Directors in advance and serve notice of regular Board meetings to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is required to be given.

Board papers together with all appropriate, complete and reliable information have to be sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including the 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. Independent non-executive Directors are invited to serve on the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate directors' and officers' liability insurance for its Directors and Officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and Officers to comply with the requirement of the Code. No claim was made against the Directors and Officers of the Company for the year ended 31 March 2017.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman and chief executive officer are two key aspects of the management of a company. Chairman performs the management of the Board and Chief Executive Officer performs the day-to-day management of the business.

The Company considered that both positions of Chairman and Chief Executive Officer require persons with in-depth knowledge and experience of the Group's business. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

During the year, Mr. Lo Yuen Cheong has been both the Chairman and Chief Executive Officer of the Company. In addition to his responsibilities as Chairman leading and organising the business of the Board, ensuring its effectiveness, setting agenda and formulating overall strategies and policies of the Company, he has taken up the role of Chief Executive Officer to manage the Group's business and overall operation in an efficient manner. The day-to-day business of the Group has been delegated to the divisional heads responsible for the different aspects of the business.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, and will continue thereafter until terminated by not less than three months written notice to the other party.

Each of the non-executive Director and independent non-executive Directors has been appointed for an initial term of two years. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association. Pursuant to the Company's articles of association, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. Where vacancies arise at the Board, candidates will be proposed and put forward to the Board by the Nomination Committee.

BOARD COMMITTEE

The Company established a Nomination Committee, Remuneration Committee and Audit Committee with terms of reference in compliance with the Code, which are posted on the websites of the Company and the Stock Exchange.

Nomination Committee

The Nomination Committee currently comprises five members, being three independent non-executive Directors including Mr. Leung Wai Tat Henry, Prof. Lo Man Chi and Ms. Chau Wai Yung, and two executive Directors including Mr. Lo Yuen Cheong and Mr. Lo Yick Cheong.

The principal responsibilities of the Nomination Committee are regular reviewing of the Board composition, identifying and nominating suitable candidates as Board members, assessing of the independence of the independent non-executive Directors and Board evaluation.

The Board is of the view that the Nomination Committee has properly discharged its duties and responsibilities during the year ended 31 March 2017 and up to the date of this report.

From 1 April 2016 up to the date of this report, three meetings of the Nomination Committee was held to review the size, composition and diversity of the Board, the policy for nomination of Directors and the procedures, process and criteria to select and recommend candidates for directorship during the year. The attendance of individual members in the meeting is set out below:

Attendance	**From 1 April 2016 to date of this report**
Lo Yuen Cheong *(Chairman)*	3/3
Lo Yick Cheong	2/3
Chau Wai Yung	3/3
Leung Wai Tat Henry	3/3
Lo Man Chi	3/3

Remuneration Committee

The Remuneration Committee currently comprises of four members, being three independent non-executive Directors including Mr. Leung Wai Tat Henry, Prof. Lo Man Chi and Ms. Chau Wai Yung, and one executive Director being Mr. Lo Yuen Cheong.

The Remuneration Committee is responsible for reviewing the remuneration of the Directors and senior management and making recommendation to the Board for approval. The fees of the independent non-executive Directors are recommended by the Remuneration Committee to the Board for approval at the annual general meeting of the Company (with the relevant committee members abstaining from voting on the resolution concerning his own remuneration).

The Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the year ended 31 March 2017 and up to the date of this report.

From 1 April 2016 up to the date of this report, two meetings of the Remuneration Committee was held to review the remuneration policy and the remuneration packages for the Directors and senior management. The attendance of individual members in the meeting is set out below:

Attendance	**From 1 April 2016 to date of this report**
Chau Wai Yung *(Chairman)*	2/2
Lo Yuen Cheong	2/2
Leung Wai Tat Henry	2/2
Lo Man Chi	2/2

Details of the directors' emoluments for the year ended 31 March 2017 are set out in note 9 to the consolidated financial statements of this annual report. The emoluments of the senior management of the Group by band for the year ended 31 March 2017 is set out below:

Remuneration band	**Number of senior management**
HK$1,000,000 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	2

Audit Committee

The Audit Committee currently comprises of four members, being three independent non-executive Directors including Mr. Leung Wai Tat Henry, Prof. Lo Man Chi and Ms. Chau Wai Yung, and one non-executive Director being Ms. Chan Wai Ying.

The primary duties of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and assessing their independence and performance, reviewing of the effectiveness of financial reporting processes, risk management and internal control systems, and the financial information and compliance of the Group. The Committee meets at least twice a year with the Company's external auditor to discuss the audit process and accounting issues.

The Audit Committee reviewed with the management the Group's unaudited interim results for the six months ended 30 September 2016 and the audited annual results for the financial year ended 31 March 2017, and discussed internal controls, risk management and financial reporting matters. The Audit Committee also reviewed this report, and confirmed that this report complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities for the year ended 31 March 2017 and up to the date of this report.

From 1 April 2016 up to the date of this report, two meetings of Audit Committee were held with attendance of individual members as set out below:

Attendance	**From 1 April 2016 to date of this report**
Leung Wai Tat Henry *(Chairman)*	2/2
Chan Wai Ying	2/2
Chau Wai Yung	2/2
Lo Man Chi	2/2

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and the management has designed, implemented and monitored the risk management and internal control systems of the Group to provide reasonable assurance for achieving objectives and to review its effectiveness covering all material controls, including financial and operational aspects, and compliance of applicable laws, rules and regulations.

Rather than eliminating the risk of failure, each department within the Group is responsible for identifying, assessing and managing risks, as well as ensuring internal control systems and risk management are effective. The internal audit function handling by our non-executive director is responsible for evaluating the effectiveness of the Group's policies and procedures and submitting the findings, recommendations and follow up actions to the Audit Committee, which provides independent review on effectiveness of the risk management and internal control systems of the Group and gives recommendation to the Board on a semi-annually basis.

The Board oversees the effectiveness of the risk management and internal control systems, and considers the recommendation from the Audit Committee to resolve any internal control weakness, and to approve and take remedial action when necessary.

The review of the effectiveness of the internal control system of the Group including the adequacy of resources, staff qualifications and experience, budget of the Group's accounting and financial reporting function, and their training programmes have been conducted during the year ended 31 March 2017.

Disclosure of inside information

With reference to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission under section 399 of the Securities and Futures Ordinance, the Board has implemented procedures and internal controls for handling and dissemination of inside information. The Group has adopted a policy which aims to set out guidelines to the Group's Directors, officers and all relevant employees to ensure inside information of the Company is to be disseminated to the public in equal and timely manner in accordance with the Securities and Futures Ordinance and the Listing Rules.

QUALITY, HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT

Quality

The Group has instituted an integrated management system, meeting the requirements of ISO9001:2008, the clients and the statutory regulations. The Group is also in progress to apply for ISO14001:2015 which is estimated to complete in late 2017. These requirements are being delivered through professional standards of quality, safety, environmental and operation management.

The Group has consistently delivered products and services of the highest quality through a process of continuous improvement to earn social recognition and become the preferred partner with each of its valued clients.

Health, Safety and Environmental

Health and safety of all those who visit and work on the Group's sites, together with the protection of the environment, have been and will remain key priorities of the Group.

In addition to the three Board Committees of the Company, a robust Safety, Health and Environment Committee has been established to ensure that health, safety and environmental matters are appropriately managed by the Group. During the year, the Safety, Health and Environment Committee has continued to drive the continuous improvement of health, safety and environmental practices throughout the Group.

The committee members include an executive Director, an assistant general manager for operation, an assistant general manager for quality and health, safety and environmental management, and the safety manager and they meet formally bimonthly unless they are notified to the contrary.

The role of the Safety, Health and Environment Committee is to:

- Build and sustain an Incident/Injury-free working environment;
- Create a positive health, safety and environmental culture;
- Implement an effective health, safety and environmental Management System and proactively manage health, safety and environmental performance.

The Group has improved its overall safety performance and achieved its ultimate goal of zero fatal accident and no reportable accident for the year. In the year ahead, the Safety, Health and Environment Committee will continue to promote the benefits of health, safety and environmental and reduce the Group's current accident frequency rate.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. In particular, the representation of men and women on the Board has reached 50%:50%. We believe gender diversity enables better problem solving and brings different perspectives and approach issues differently, leading to improved decision making processes. These differences are taken into account in determining the optimum composition of the Board. The Nomination Committee discusses the measurable objectives for implementing diversity on the Board from time to time and recommends them to the Board for adoption.

The Nomination Committee reports annually on the composition of the Board under diversified perspectives, and monitor the implementation of this policy to ensure the effectiveness of this policy. It also discusses any revisions that may be required, and recommends any such revisions to the Board for consideration and approval.

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, as well as placing an appropriate emphasis on the roles, functions and duties of the Directors.

The Directors confirmed that they have complied with the code provision A.6.5 of the Code on Directors' training and they have provided a record of training they received for the year ended 31 March 2017 to the Company.

A summary of continuous professional development each Director participated in during the year ended 31 March 2017, according to the records provided, is set out below:

Name of Directors	Attending internal briefings or trainings, participating seminars or reviewing materials
Executive Directors	
Lo Yuen Cheong	✓
Lo Yick Cheong	✓
Non-executive Director	
Chan Wai Ying	✓
Independent non-executive Directors	
Leung Wai Tat Henry	✓
Lo Man Chi	✓
Chau Wai Yung	✓

All the Directors attended a training session conducted by the Company's legal adviser relating to directors' duties and responsibilities under the Hong Kong Companies Ordinance (Cap. 622), the Listing Rules and other applicable laws and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 March 2017.

DELEGATION OF MANAGEMENT FUNCTIONS

The Board reserves for its decision all major matters of the Company including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

ACCOUNTABILITY

The Directors are acknowledged of their responsibility for preparing of the financial statements of the Group for the year ended 31 March 2017 under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cashflow of the Group. The Directors ensure that the financial statements for the year ended 31 March 2017 were prepared in accordance with the statutory requirements and the applicable accounting standards, and have been prepared on a going concern basis.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary, Wan Ho Yin, a full time employee of the Company. Please refer to his biographical details as set out on page 9 of this annual report.

SHAREHOLDERS' RIGHTS

The Company is committed to pursue active dialogue with shareholders as well as to provide disclosure of information concerning the Group's material developments to shareholders, investors and other stakeholders.

Any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

To safeguard shareholder interests and rights, a separate resolution would be proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

As regards proposing a person for election as a director, the procedures are available on the website of the Company.

AUDITOR'S REMUNERATION

For the year ended 31 March 2017, the remuneration paid/payable to the Company's auditor, Deloitte Touche Tohmatsu, amounted to HK$1,350,000 in respect of the annual audit and interim review services of the Company.

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in pages 34 to 37 in the Independent Auditor's Report forming part of this annual report.

INDEPENDENT AUDITOR

The Audit Committee reviews and monitors the independent auditor's independence, objectivity and effectiveness of the audit process. It receives each year letter from the independent auditor confirming their independence and objectivity and holds meetings with representatives of the independent auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the independent auditor.

INVESTOR RELATIONS

There was no significant amendments made to the constitutional documents of the Company during the year.

The Group recognises the importance of timely and non-selective disclosure of information. The Company's corporate website www.manking.com.hk, which features a dedicated Investor Relations section, facilitates effective communication with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and in a timely manner. Latest information of the Company includes announcements, press releases and constitutional documents.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome, and they can be addressed to the Group by mail or by email at manking@manking.com.hk.

The Group has implemented internal environmental policies by setting up the Safety, Health and Environment Committee aiming to ensure that the environmental matters are appropriately managed by the Group. We aim to follow and to promote good sustainability practice, to reduce our negative impacts of all our activities by using least resource practicable, developing smarter method of construction, and creating processes to deliver projects more efficiently, and influencing our clients to do the same.

We are in progress of applying for ISO14001:2015- a certified environmental management system which is expected to complete audit and accreditation in late 2017. Indeed most of the ISO14001 requirements have already been well adopted and implemented by our operational companies over years. We have identified material environmental, social and governance ("ESG") issues with reference to Appendix 27 — Environmental, Social and Governance Reporting Guide of the Listing Rules, and discussed each as below:

IDENTIFIED MATERIAL ASSESSMENT FOR ESG ASPECTS

Environmental

Emissions (air, noise, water)
Waste mitigation measures
Use of resources

Social

Employment and labour practices
Training and development
Health and safety
Labour standards
Supply chain management
Anti-corruption
Community investment

ENVIRONMENTAL

(i) Air (Carbon Emissions)

The Air Pollution Control Ordinance provides powers to statutory authorities to control air pollutants from a variety of stationary and mobile sources, including fugitive dust emissions from construction sites. The Ordinance also provides license control on certain polluting industrial processes known as "specified processes" such as concrete batching. The aim is to properly control and monitor the air pollution caused by the industries that have significant pollution potential.

Over 50% of the Group's carbon emissions contribute are from fuel used in cars and goods vehicles owned and operated by the subsidiaries of the Group. We reduced these emissions through a combination of investment in new fuel efficient vehicles and driver training. In this regard, we disposed 13 old diesel vehicles during the year ended 31 March 2017, and target to dispose 2 more vehicles to be replaced by Euro IV or V commercial vehicles, all of which have better air emissions performance than the existing ones. We have also provided to our project clients with cars driven by electric instead of fuel, so as to help mitigating the carbon emission.

(ii) Noise

To help mitigate the negative construction impacts to the public, we carry out all construction activities only during the permitted hours and days. We carry out construction works using powered mechanical equipment with silence devices. In addition, our project sites have set up retrofitting noise barriers and limitation of speed of site vehicles within 20km/h to reduce noise generation.

(iii) Water

To fully comply with The Water Pollution Control Ordinance which governs waste water discharged by our construction site, all our projects apply and maintain valid license before any of these discharges commence.

We have carried out comprehensive water quality mitigation measures to comply with the regulations as well as better management on water resources for each project, mainly focusing on water conversation and discharge quality. Each project monitors its water use and consumption. One of our projects in Shatin has made use of the water flowing through the site for construction use. Such water is suitable for construction purposes and, if not used, will be discharged at the end of Shing Mun River to Tolo Harbour.

(iv) Waste mitigation measures

Managing waste is a key environmental issue of the Group and we recognise that the construction activities may affect the environment in a number of ways and commit to minimise the potential negative impacts on a site-by-site basis, taking into account the size, constraints and type of the project. The hierarchy adopted is based on reuse, recycling, reduction, recovery and at the last resort, treatment prior to disposal.

Type of Waste	Works requiring Waste Mitigation Measures	Mitigation Measures
Construction Waste	Construction mainly comprises: 1. Road works 2. Earthworks 3. Drainage and Sewerage works 4. Water works	(a) Application of proper procedures and controlled conditions to minimise concrete wastage. (b) A reconciliation of concrete supplied and volumes placed will be supplied to the Engineer and/or Foreman to enable him to check that wastage volumes are kept within reasonable limits.
Formwork/ Steel Waste	Construction mainly comprises: 1. Road works 2. Earthworks 3. Drainage and Sewerage works 4. Water works	(a) Reusable metal forms will be used for drainage works so that large wastage of planks and timber can be minimised. (b) Careful design and planning to avoid over ordering of timber for formwork. (c) Maximise the use of standard timber faced panels for repetitive reuse. (d) To minimise steel wastage, steel structure for roofing, walkway, will be prefabricated prior to delivery to site.
Demolition Waste	1. Mainly due to site clearance 2. Existing staircase	(a) As these volumes of waste are unavoidable, site works areas and haul roads will be contained as far as possible to limit site clearance waste. (b) Removal of debris, temporary or permanent structures and other items arising from site clearance.

Type of Waste	Works requiring Waste Mitigation Measures	Mitigation Measures
Chemical Waste	Form oil, retarder, bonding agent, diesel for poker vibrator and generator, etc., used in the construction of 1. Road works 2. Earthworks 3. Drainage and Sewerage works 4. Water works	(a) Adjacent to the sorting facility/site boundary, will be a chemical storage area for keeping chemicals to avoid accidental leakage into the ground and with a chemical waste storage area next to it for placement of chemical waste and it's disposal by a chemical waste collector. (b) Chemicals will be placed in the chemical storage area or in a bunded area to avoid accidental spillage. (c) Accidental spillage of chemicals will be properly treated to avoid passing into the drainage system. (d) Will register as a chemical waste producer with EPD.
Sorting of Waste for recycle prior to disposal	Waste generated from the construction includes: 1. Road works 2. Earthworks 3. Drainage and Sewerage works, 4. Water works Excavation & backfilling 5. Slope works 6. Removal of debris, temporary or permanent structures and other items arising from site clearance.	(a) Sorting Area and Chemical Storage Areas to be arranged. (b) Skip is made available for the collection of general waste for disposal. (c) Sorting will take place at the designated area near the entrance and at the boundary of the site to allow for efficient sorting and disposal (if required). (d) Waste water will be recycled for wheel washing and water spray to prevent dust generation. (e) Site hoarding will be bunded to avoid waste water flowing down the slope to the nearby premises (f) Manhole will also be bunded with sand bags to avoid waste water entering as a result of surface run-off due to rain. (g) Licence to dump at the public fill will be applied for and will dump at the designated area as approved by CEDD.

The amount of materials we purchase and the amount of waste thus generated is a direct cost to our business. Reduction in waste will make our business operated in a more efficient way and thus achieve both economic and financial benefits. For example, we managed to divert a number of tuck loads fell trees from disposal to landfill for re-uses as horticultural features. This gives us great incentive and help to consistently reduce waste to landfill and increase re-use.

(v) Use of resources

The below performance data are for reference only and they may vary significantly subject to the number of projects on hand and the stage of completion of each project:

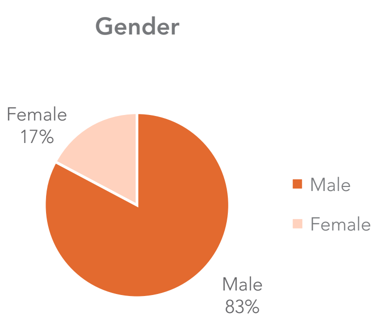
Electricity	222,450 kWh
Water	10,648 m^3
Petrol	36,193 litres
Diesel	75,530 litres
NO_x emissions	480,996 g
SO_x emissions	1,748 g
PM emissions	37,376 g
Scope 1	283 tCo_2e
Scope 2	120 tCo_2e
Total greenhouse gas emissions (Scope 1 + Scope 2)	403 tCo_2e
Non-hazardous waste	96,617 tonnes

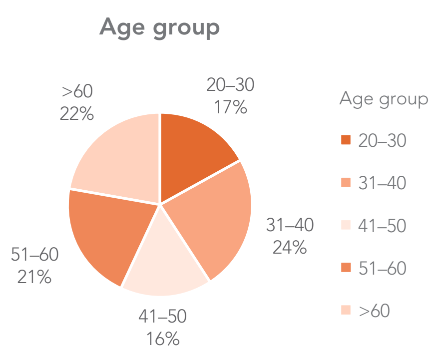
Our hazardous waste mainly refers to the disposal of spent lube oil and empty paint can which the quantities are minimal to the Group. We monitor the usage of resources regularly to prevent any abnormal usage. Explanation is required in our management meeting in the event that there is abnormal usage of resources. We also encourage our employees to reuse non-confidential waste paper and recycling and seasonal free of air-conditioner within the workplace, and always fully utilise the vehicles by planning the routes on daily basis.

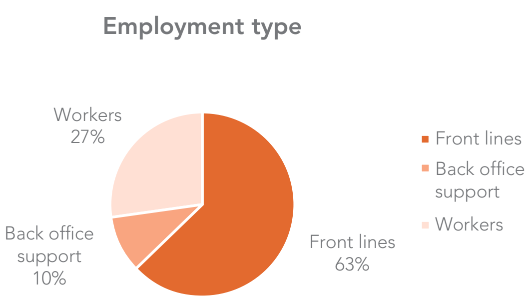
SOCIAL

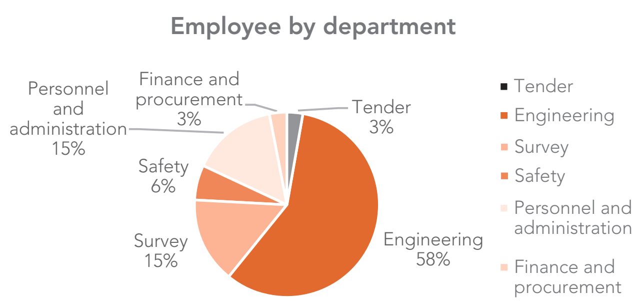
(i) Employment and labour practices

The Group has established and maintained fair and comprehensive employment policies and regulatory standards in compliance with Employment Ordinance, Employees' Compensation Ordinance and other applicable regulations, and provide equal opportunity and career development to all of the employees. As at 31 March 2017, the total workforce by gender, age group, employment type and employee by department are demonstrated as follow:









According to the data by Hong Kong Construction Industry Alliance, there are around 40% of registered workers older than 50 years in Hong Kong. We face the same challenge and we continue to recruit young workers with attractive packages to maintain our productivity.

Diversity
We value the diverse background and experience of our people to make most of their talents. Gender emphasis on male is common in construction industry. However, the gender of our Board are well diversified and balanced. We believe it will bring the same benefit to the front line by recruiting more female employees in the future.

Employee Engagement and Retention
Our growth relies on our people. Although the number of staff depends on the number of projects on hand, our average staff turnover rate for the year is approximately 7.8% which is low in the local construction industry. We are proud of having a loyal and stable workforce. We continue to recruit and develop a number of apprentices, Vocational Training Council (VTC) students and undergraduate placements. The Group, through its operation companies, has sponsored scholarships to VTC students in the past years. This provided a reliable access for recruitment of fresh talents.

(ii) Training and development

Providing training and development opportunities to our workforce is important in recruitment and retention of our employees. We know that work should be challenging, rewarding and stimulating and should be able to provide new opportunities to employees to overcome obstacles and develop skills. With this in mind, we make sure that all the staffs across every part of the business have regular opportunities to learn and grow.

In these two years, we have carried out training programs in two phases. The first phase completed in June 2016 and there was approximately 52% of labour force of the Group attended training courses. The management also nominated 35 employees to attend the core programs which were comprehensive and beneficial to personal development. Average training hours for each employee reached 4.6 hours during the year ended 31 March 2017. The second phase is still on-going till December 2017. We expect that more staff will be covered and trained.

Development is important in recruitment and retention of our employees and we target to provide a minimum of 3 training days for each employee. We continue to sponsor our employees to engage in learning courses in technical apprenticeship programme and degree programme, and sponsor personnel self-development through the taking up of external training programs, seminars or diploma courses.

Furthermore, the designated workers for designated skills ("DWDS") requirement of Construction Workers Registration Ordinance have been implemented since April 2017, which provides that only registered skilled workers or semi-skilled workers of related trade divisions are allowed to independently carry out construction works of specified trade divisions on construction sites. This aims at enhancing the quality of construction works and career status of construction workers.

We provided reminder and assistance to our direct labour for registration. As at 31 March 2017, we have 12 out of 34 workers already registered as qualified instructor under DWDS specialising in concrete and grouting, drain layer, cement sand mortar, asphalter, plumber, carpenter (formwork) master, metal formwork erector, etc. We continue to encourage and support the remaining 22 workers to accumulate relevant experiences and proceed to promote as instructor within the next 2 years.

(iii) Health and safety

The health and safety requirements challenge our management to ensure it creates a safe working environment for all our staff. To ensure adequate protection for employees against accidents, instructions in relation to safety policies and procedures have been issued to departments and work sites. Further, the Group has established Safety, Health and Environment Committee to drive the continuous improvement of health, safety and environmental practices throughout the Group. The Group has developed, implemented and maintained a safety management system to:

- Build a positive health and safety culture within the workforce
- Properly implement safety and health control measures
- Minimize accidents/near misses
- Deliver the project on time
- Improve the effectiveness of safety and health systems
- Efficiently use resources
- Enhance productivity
- Enhance communication between project team and stakeholders.

Through the concerted efforts of all parties concerned, the Group has no reportable accident throughout the year, and no fatal accident in the current and past years. Comparing to the average accident rate of 39.1 and fatality rate of 0.2 in the construction industry in general extracted from the latest Occupational Safety and Health Statistics, the Group's accident and fatality rate are lower than the industry average.

The Group led the culture of "visible leadership" on safety matters, with regular site visits by members of the Board during the year.

(iv) Labour standards

We have complied with all relevant laws and regulations as to protecting labour rights and taking reasonable steps to ensure that no forced labour, child labour and illegal labour are in our business operations, including the subcontractors worked with the Group. The Group has no record of Employment conviction in the past 5 years.

(v) Supply chain management

We have engaged over 120 suppliers and 80 subcontractors to carry out works for our projects based in Hong Kong. The Group maintains long term business relationship with them to ensure stable supply of materials or carrying out subcontracting works on time. Our site agents keep reviewing the performance of each supplier or subcontractor on an annual basis, focusing on their abilities to meet quality, cost, safety and schedule requirements, and other criteria such as competency, cooperation, communication and organisation of work. If the evaluation score for particular supplier/subcontractor is below average, that supplier/subcontractor will be classified as disqualified supplier/subcontractor and removed from the supplier/subcontractor register. Such performance evaluation will be reviewed by the management, and the supplier/subcontractor of unsatisfactory performance will be discussed in the project review meeting.

(vi) Anti-corruption

We always demonstrate strong commitment to anti-corruption business practices and zero tolerance of corruption. We have implemented whistle-blowing policy statement and code of conduct on notice board to listen to the concerns of employee, and to make sure they know about the policy and how to make a disclosure. There is no legal case relating to bribery, extortion, fraud or money laundering brought against the Group or its employees during the year. We continue to carry out regular review and update policy statement if necessary so as to ensure their effectiveness to strengthen the internal controls and compliance regime of the Group.

(vii) Community investment

We believe corporate social responsibility as a viable and necessary part of doing business. Our aim, as a responsible construction group, is to reduce this negative impact by approaching our business objectives responsibly and by responding to the different concerns and demands of those affected by our activities, while remaining profitable and competitive.

Our Group's subsidiaries have been qualified as Caring Company launched by the Hong Kong Council of Social Service which is specifically geared to building strategic partnerships among businesses and non-profit organisations to create a more cohesive society.

In 2016, the Group, through its subsidiaries, participated voluntarily works in different occassions including:

1. donation to Sower Actions by participating 12 hour marathon aiming to support the education development programme in China; and

2. repair/improve 282 meters access road leading to the educational organic farm for the NGO — Produce Green Foundation in Fanling, and donated the used furniture and fixtures from our projects to the non-profit organisation such as Street Sleepers Action Committee for office use.

We see the long-term and sustainable development in Hong Kong is crucial to our business, and that we continue to enhance our integrated strength as well as operating and management expertise to develop a new model for multifaceted investments and business development. We shall strive to create a solid and proactive proprietary framework for securing our position in the ever-changing market environment and be a valuable member of the community.

Deloitte.

德勤

TO THE SHAREHOLDERS OF
MAN KING HOLDINGS LIMITED
萬景控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Man King Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 38 to 79, 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, consolidated statement of changes in equity and 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 requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matters

Recognition of revenue and cost from construction contracts and amounts due from (to) customers for contract works

We identified the recognition of revenue and cost from construction contracts and amounts due from (to) customers for contract works as a key audit matter due to the significance of these balances to the consolidated financial statements as a whole combined with the significant management's judgements and estimation involved in the determination of the total outcome of the construction contracts as well as the percentage of completion of construction contracts.

As at 31 March 2017, the Group recorded amounts due from customers for contract works of HK$64,153,000 and amounts due to customers for contract works of HK$11,481,000. The Group recognised revenue and the cost of services amounting to HK$164,516,000 and HK$124,945,000 respectively for the year ended 31 March 2017.

The Group recognises contract revenue based on the actual payments certified by the customer according to the stage of completion of projects, and recognises cost of construction contracts and amounts due from (to) customers for contract works according to the Group's management's estimation of the total outcome of the construction contracts as well as the percentage of completion of construction contracts. As such, the actual outcome of the contract in terms of its total costs may be different from the estimation and this will have material financial impact on the consolidated financial statements.

Details are set out in note 4 to the consolidated financial statements.

Our procedures in relation to the revenue and cost recognition of construction contracts and amounts due from (to) customers for contract works included evaluating the accuracy and reasonableness of management's estimation of revenue and cost recognised on construction contracts by performing the following procedures on a sampling basis:

- Agreeing the contract sum and budgeted costs to respective signed contracts and approved budgets;
- Understanding the basis of preparation of budgets and determination of stage of completion by discussing with management and project managers who are responsible for the preparation of budgets and determination of stage of completion;
- Challenging the reasonableness of the approved budgets by enquiring the management and project managers about the assumptions used (ie. construction period, cost of materials, staff costs etc) when preparing the budget and make reference to the actual costs of completed projects that were comparable in scale and nature;
- Agreeing the variation orders to correspondence with customers;
- Challenging the management's assessment on the Group's ability to deliver contracts within budgeted timescales by inspecting the certificates issued by independent surveyor and comparing the progress with the budgeted timeline;
- Evaluating the reasonableness of percentage of completion as at year end by obtaining the certificates issued by external surveyors and performing site visits to the construction sites;
- Evaluating the historical accuracy of the approved budgets for completed contracts by comparing the actual revenue and costs of the completed projects against management's estimation; and
- Checking the accuracy of the amounts due from (to) customers for contract works by agreeing the amount of progress billings, to billings issued to customers.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 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	5	**164,516**	183,279
Cost of services		**(124,945)**	(104,666)
Gross profit		**39,571**	78,613
Other income	6a	**2,673**	2,213
Other gains and losses	6b	**775**	(4,151)
Administrative expenses		**(32,058)**	(36,615)
Listing expenses		**–**	(5,873)
Finance costs	7	**–**	(85)
Profit before tax		**10,961**	34,102
Income tax expense	8	**(2,432)**	(6,900)
Profit for the year	10	**8,529**	27,202
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value gain on transfer of owner-occupied property to investment property, net of deferred taxation		**–**	1,193
Total comprehensive income for the year attributable to owners of the Company		**8,529**	28,395
Earnings per share			
Basic and diluted (in HK cents)	12	**2.05**	7.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment property	13	**2,310**	2,200
Property, plant and equipment	14	**8,873**	5,033
		11,183	7,233
Current assets			
Amounts due from customers for contract works	15	**64,153**	60,471
Debtors, deposits and prepayments	16	**49,784**	48,547
Amounts due from joint operations	17	**8,443**	11,926
Tax recoverable		**2,602**	783
Held-for-trading investments	18	**5,485**	11,961
Short-term bank deposits	19	**–**	2,011
Pledged bank deposits	19	**4,644**	4,733
Bank balances and cash	19	**181,926**	167,001
		317,037	307,433
Current liabilities			
Amounts due to customers for contract works	15	**11,481**	19,371
Creditors and accrued charges	20	**35,005**	28,742
Amounts due to other partners of joint operations	17	**7,666**	7,160
Tax liabilities		**225**	2,319
		54,377	57,592
Net current assets		**262,660**	249,841
Total assets less current liabilities		**273,843**	257,074
Non-current liability			
Deferred tax liabilities	21	**502**	452
Net assets		**273,341**	256,622
Capital and reserves			
Share capital	22	**4,205**	4,150
Share premium and reserves		**269,136**	252,472
Total equity		**273,341**	256,622

The consolidated financial statements on pages 38 to 79 were approved and authorised for issue by the Board of Directors on 16 June 2017 and are signed on its behalf by:

LO Yuen Cheong *DIRECTOR*	**LO Yick Cheong** *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000 (note)	Retained earnings HK$'000	Total HK$'000
At 1 April 2015	–*	–	–	–	33,600	108,243	141,843
Profit for the year	–	–	–	–	–	27,202	27,202
Other comprehensive income recognised for the year (note 14)	–	–	–	1,193	–	–	1,193
Total comprehensive income for the year	–	–	–	1,193	–	27,202	28,395
Issue of shares pursuant to the Share Offer (note 22)	1,150	90,850	–	–	–	–	92,000
Share issue expenses	–	(7,675)	–	–	–	–	(7,675)
Capitalisation Issue (note 22)	3,000	(3,000)	–	–	–	–	–
Share-based compensation (note 23)	–	–	2,059	–	–	–	2,059
At 31 March 2016	4,150	80,175	2,059	1,193	33,600	135,445	256,622
Profit and total comprehensive income for the year	–	–	–	–	–	8,529	8,529
Issue of shares upon exercise of share options (note 22)	55	6,881	(884)	–	–	–	6,052
Share issue expenses	–	(3)	–	–	–	–	(3)
Share-based compensation (note 23)	–	–	2,141	–	–	–	2,141
At 31 March 2017	4,205	87,053	3,316	1,193	33,600	143,974	273,341

* Less than HK$1,000

Note: The Company was incorporated on 12 November 2014 with limited liability in the Cayman Islands with an authorised share capital of HK$2,000,000,000 divided into 200,000,000,000 ordinary shares with a par value of HK$0.01 per share. 1 share was allotted and issued to the subscriber, which was transferred to Jade Vantage Holdings Limited ("Jade Vantage") on 12 November 2014. 9,999 ordinary shares were allotted and issued to Jade Vantage on 13 November 2014 at par.

As part of the group reorganisation completed on 31 December 2014, Mr. Lo Yuen Cheong and Ms. Tam Wai Sze, Vera, the ultimate shareholders of the Company, transferred their 100% equity interest in Concentric Construction Limited to Wit Plus Limited, a wholly-owned subsidiary of the Company, for the 5,000 ordinary shares at par value of US$1.00 each in the share capital of Jade Vantage. On the same date, Mr. Lo Yick Cheong and Ms. Cheung Suk Ching, Savonne, the ultimate shareholders of the Company, transferred their 100% equity interest in Peako Engineering Co. Limited ("Peako") to Keytime Developments Limited, a wholly-owned subsidiary of the Company, for the 5,000 ordinary shares at par value of US$1.00 each in the share capital of Jade Vantage. As a result, Concentric and Peako became indirectly wholly-owned subsidiaries of the Company. The share capital of Peako and Concentric of HK$33,600,000 is reclassified to "Other reserve".

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit before tax	10,961	34,102
Adjustments for:		
Change in fair value of held-for-trading investments, net	(1,461)	2,664
Change in fair value of investment property	(110)	–
Depreciation of property, plant and equipment	1,616	912
Finance costs	–	85
Gain on disposal of property, plant and equipment	(500)	(131)
Share-based compensation	2,141	2,059
Unrealised net exchange losses	1,296	1,393
Interest income	(618)	(1,406)
Operating cash flows before movements in working capital	13,325	39,678
Decrease (increase) in held-for-trading investments	7,937	(14,625)
Increase in amounts due from customers for contract works	(3,682)	(21,331)
(Increase) decrease in debtors, deposits and prepayments	(1,237)	9,855
Decrease (increase) in amounts due from joint operations	5,551	(1,324)
Decrease in amounts due to customers for contract works	(7,890)	(10,175)
Increase in creditors and accrued charges	6,263	1,799
(Decrease) increase in amounts due to other partners of joint operations	(946)	187
Decrease in amount due to a fellow subsidiary of a joint operation partner	–	(657)
Cash generated from operations	19,321	3,407
Income tax paid	(6,622)	(9,796)
Income tax refunded	327	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	13,026	(6,389)
INVESTING ACTIVITIES		
Interest received	618	1,406
Purchase of property, plant and equipment	(5,467)	(4,941)
Proceeds from disposal of property, plant and equipment	511	131
Advances to joint operations	(2,263)	(266)
Repayments from other partners of joint operations	–	432
Repayments from joint operations	195	–
Placement of pledged bank deposits	(4,730)	–
Withdrawal of pledged bank deposits	4,733	11,252
Withdrawal of short-term bank deposits	2,011	–
Placement of short-term bank deposits	–	(2,011)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(4,392)	6,003

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Interest paid	–	(85)
Proceeds from issue of shares	–	92,000
Proceeds from exercise of share options	6,052	–
Advance from other partners of joint operations	1,470	–
Repayment to other partners of a joint operation	(18)	–
Repayment of bank borrowings	–	(4,846)
Share issue cost directly attributable to issue of new shares	(3)	(7,675)
NET CASH FROM FINANCING ACTIVITIES	7,501	79,394
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,135	79,008
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	167,001	89,386
Effect of foreign exchange rate changes	(1,210)	(1,393)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	181,926	167,001

1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company is Jade Vantage Holdings Limited. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report. The Company acts as an investment holding company. The principal activities of the subsidiaries (together with the Company referred to as the "Group") are provision of construction and civil engineering. Details of the major subsidiaries are set out in note 31.

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 27	Equity method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized 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 amortized 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets, such as the recognition of credit losses based on the expected loss model. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue 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.

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. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the retrospective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

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

HKFRS 16 Leases *(Continued)*

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$1,747,000 as disclosed in note 25. 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 leases 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 measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except as described above, the directors of the Company do not expect the application of the other new and amendments to HKFRSs in issue but not yet effective in the current year will have material impact on the Group's financial performance and positions and/or on the disclosures set out in the consolidated financial statements of the Group.

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 included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 entities controlled by the Company and its subsidiaries. Control is achieved when 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 a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary. When 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, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group's policy for recognition of revenue from construction contracts is described in the accounting policy on construction contracts below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

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 construction works performed, which are certified by an independent professional architect, relative to the estimated total contract sum, 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 works. 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 works. Amounts received before the related work is performed are included in the consolidated statements 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 debtors, deposits and prepayments.

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

The Group as lessee

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Retirement benefits costs

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

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to directors of the Company and employees of the Group are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 23.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 tax' as reported in the consolidated statement 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 the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint operations, 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 the 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income as directly in equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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.

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.

Transfer from owner-occupied property to investment property carried at fair value

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant property revaluation reserve will be transferred directly to retained earnings.

Investment property

Investment property is property held to earn rentals. Investment property is measured initially at cost or deemed cost which is the fair value of property at the time of transfer from owner-occupied property. Subsequent to initial recognition, investment property is measured at fair value. Gain and loss arising from change in the fair value of the investment property is included in profit or loss in the period in which it arises.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

For the purpose of measuring deferred tax liability for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Provisions

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

The amount recognised as a provision is 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and 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 into financial assets at FVTPL and 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.

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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the 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, other than those financial assets classified as at FVTPL of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets classified as at FVTPL represent the financial assets that are held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial assets and is included in other gains and losses in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 27c.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 debtors and deposits, amounts due from joint operations, short-term bank deposits, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of 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 of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where 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.

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

For financial assets measured at amortised cost, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments 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 the group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including creditors and accrued charges and amounts due to other partners of joint operations) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, 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 equity is recognised in profit or loss.

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

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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 to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on-going 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.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (which is dealt with separately below), that management of the Group has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Joint arrangements

The management of the Group performed an assessment of whether the Group has joint control over the Group's joint arrangements. Pursuant to the respective contractual agreements regarding each of these joint arrangements, all major decisions and the decisions regarding the relevant activities of these joint arrangements require the unanimous consent of all parties to the arrangement. Accordingly, the management of the Group concluded that the Group has joint control over the joint arrangements.

The management of the Group also assessed whether these joint arrangements are joint operations or joint ventures under HKFRS 11. After considering the rights and obligations of parties to the joint arrangements with reference to the structure, the legal form of the arrangements, the contractual terms agreed by the parties in the arrangements, and the relevant facts and circumstances, the management of the Group concluded that all of the Group's joint arrangements should be classified as joint operations under HKFRS 11 as the relevant joint arrangement document specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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.

Construction contracts in respect of civil engineering work

The Group recognises profit of a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Estimated construction revenue is determined in accordance with the terms set out in the relevant contract. Construction costs which mainly comprise subcontracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Variations in contract work and claims are included in revenue to the extent that the amount has been certified by the architect and its receipt is considered probable based on the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgment in applying accounting policies *(Continued)*

Estimated impairment of trade and retention receivables and amounts due from joint operations

Management estimates the recoverability of trade and retention receivables and amounts due from joint operations based on objective evidence. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2017, the carrying amounts of trade and retention receivables of the Group were approximately HK$36,796,000 (2016: HK$38,290,000), while the carrying amounts of amounts due from joint operations of the Group were approximately HK$6,109,000 (2016: HK$11,660,000).

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for revenue arising on civil engineering works and consultancy fee income.

	2017 **HK$'000**	2016 HK$'000
Civil engineering works	**164,481**	183,251
Consultancy fee income	**35**	28
	164,516	183,279

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each individual project constitutes an operating segment. For operating segments that have similar economic characteristics, they are produced using similar production process, distributed and sold to similar classes of customers and under similar regulatory environment, and their segment information is aggregated into civil engineering works as single reportable segment. The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statement of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. No analysis of the Group's assets and liabilities is disclosed as such information is not regularly provided to the management of Group for review.

Geographical information

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers in respect of civil engineering works contributing over 10% of the total revenue of the Group is as follows:

	2017 HK$'000	2016 HK$'000
Customer 1	78,081	39,446
Customer 2	27,035	23,446
Customer 3	16,967	22,569
Customer 4	N/A[1]	31,949
Customer 5	N/A[1]	28,237

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group in the respective year.

No other revenue from transaction with a single external customer amounted to 10% or more of the Group's revenue during both years.

6a. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	**618**	1,406
Rental income from investment property	**78**	46
Dividend income from held-for-trading investments	**687**	–
Others	**1,290**	761
	2,673	2,213

6b. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Net gain on disposal of property, plant and equipment	**500**	131
Change in fair value of held-for-trading investments, net	**1,461**	(2,664)
Change in fair value of investment property	**110**	–
Net exchange losses	**(1,296)**	(1,618)
	775	(4,151)

7. FINANCE COSTS

The finance costs represent interest on bank borrowings.

8. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Income tax		
Current year	**2,389**	6,426
(Over) underprovision in prior years	**(7)**	258
	2,382	6,684
Deferred taxation (note 21)	**50**	216
	2,432	6,900

The Group is subject to Hong Kong Income Tax at a rate of 16.5% for the year. No provision for taxation in Hong Kong was made for a subsidiary and joint operations of the Group as the assessable profits were relieved by the tax losses amounted to HK$5,000 during the year ended 31 March 2017 (2016: HK$2,315,000).

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit before tax	**10,961**	34,102
Tax charge at Hong Kong Profits Tax Rate of 16.5%	**1,809**	5,627
Tax effect of expenses not deductible for tax purpose	**576**	1,061
Tax effect of income not taxable for tax purpose	**(550)**	(474)
Tax effect of tax losses not recognised	**591**	801
Utilisation of tax losses previously not recognised	**(1)**	(382)
(Over) underprovision in prior years	**(7)**	258
Others	**14**	9
Tax charge for the year	**2,432**	6,900

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments of the directors of Company are as follows:

	2017 HK$'000	2016 HK$'000
Fees	504	417
Salaries and other allowances	8,184	7,345
Share-based compensation	1,166	854
Discretionary bonus (note)	697	620
Retirement benefit scheme contributions	54	54
	10,605	9,290

Note: The discretionary bonus is determined with consideration of the progress and performance of construction contract works for the years of the entities.

Directors' and executives' remuneration for the year, disclosed pursuant to applicable Listing Rules and Companies Ordinance, is as follow:

	2017					2016				
	Fees HK$'000	Salaries and other allowance HK$'000	Share-based compensation HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Fees HK$'000	Salaries and other allowance HK$'000	Share-based compensation HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000
Executive directors:										
Lo Yuen Cheong	–	4,471	480	437	18	–	4,197	299	290	18
Lo Yick Cheong	–	3,233	480	150	18	–	2,668	299	150	18
	–	7,704	960	587	36	–	6,865	598	440	36
Non-executive director:										
Chan Wai Ying	–	480	206	110	18	–	480	256	180	18
Independent non-executive directors:										
Leung Wai Tat Henry	168	–	–	–	–	139	–	–	–	–
Lo Man Chi	168	–	–	–	–	139	–	–	–	–
Chau Wai Yung	168	–	–	–	–	139	–	–	–	–
	504	–	–	–	–	417	–	–	–	–
	504	8,184	1,166	697	54	417	7,345	854	620	54

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors *(Continued)*

Mr. Lo Yuen Cheong is also the chief executive of the Company, his emoluments disclosed above include those for services rendered by him as the chief executive. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Employees

Of the five individuals with the highest emoluments in the Group, two (2016: two) are directors and the chief executive of the Company whose emoluments are set out above. The emoluments of the remaining three (2016: three) individuals for the year ended 31 March 2017 are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other allowances	**3,281**	2,973
Share-based compensation	**346**	521
Discretionary bonus	**1,057**	1,173
Retirement benefit scheme contributions	**36**	36
	4,720	4,703

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2017 **No. of** **employees**	2016 No. of employees
HK$1,000,001–HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**2**	2
	3	3

10. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 9)	**10,605**	9,290
Other staff salaries and other allowances	**39,698**	43,698
Other staff share-based compensation	**975**	1,205
Other staff retirement benefit scheme contributions	**1,296**	1,582
Total staff costs	**52,574**	55,775
Less: amounts included in cost of services	**(31,640)**	(35,097)
Total staff costs	**20,934**	20,678
Auditors' remuneration	**1,000**	1,100
Depreciation of property, plant and equipment	**1,616**	912
Less: amounts included in cost of services	**(371)**	–
	1,245	912
Operating lease rentals in respect of land and buildings	**1,425**	1,907

11. DIVIDENDS

No dividend was paid or proposed for shareholders of the Company during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

12. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**8,529**	27,202
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	**416,766**	385,779

The weighted average number of ordinary shares in issue of 385,779,000 shares for the year ended 31 March 2016 was calculated on the assumption that the group reorganisation (explained in the note of consolidated statement of changes in equity) and the Capitalisation Issue (defined and explained in note 22) are deemed to have become effective on 1 April 2014.

The diluted earnings per share does not assume the effect from the Company's outstanding share options (note 23) as the exercise price of those options is higher than the average market price for shares during the current and prior years.

13. INVESTMENT PROPERTY

	2017 HK$'000	2016 HK$'000
FAIR VALUE		
At 1 April	2,200	–
Transfer from owner-occupied property (note 14)	–	2,200
Net increase in fair value recognised in profit or loss	110	–
At 31 March	2,310	2,200

The fair value of the Group's investment property at 31 March 2017 has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited (the "Valuer"), an independent qualified professional valuer not connected with the Group.

The fair value, classified as Level 3 of the fair value hierarchy as at 31 March 2017, was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions.

In estimating the fair value of the property, the highest and best use of the property is their current use.

The investment property is a commercial property unit located in Hong Kong.

For the purpose of measuring deferred tax liability arising from investment property that is measured using the fair value model, the directors of the Company have reviewed the Group's investment property and determined that the presumption to recover the carrying amount of investment property through sale is not rebutted. As a result, the Group does not recognise deferred tax on changes in fair value of investment property (if any) as the Group is not subject to any income taxes on disposal of its investment property.

The following table gives information about how the fair value of the investment property is determined (in particular, the valuation technique and inputs used), as well as the fair value hierarchy into which the fair value measurement is categorised (level 1 to 3 as set out in note 3) based on the degree to which the inputs to the fair value measurement are observable.

Investment property held by the Group in the consolidated statement of financial position	Valuation technique and fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input to fair value
Property in Kwai Chung	Direct comparison Method, Level 3	Unit sale rate, taking into account the age, location, and individual factor, such as frontage and size, between the comparable properties, from HK$5,800 to HK$6,800 (2016: from HK$5,800 to HK$6,800) per square feet on saleable floor area basis.	An increase in the unit sale rate used would result in an increase in the fair value of the investment property by the same percentage increase, and vice versa.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
COST						
As at 1 April 2015	892	230	1,385	3,467	838	6,812
Additions	–	909	207	1,849	1,976	4,941
Disposals	–	–	(247)	(204)	(412)	(863)
Transfer to investment property (note)	(892)	–	–	–	–	(892)
As at 31 March 2016	–	1,139	1,345	5,112	2,402	9,998
Additions	–	475	692	1,605	2,695	5,467
Disposals	–	(216)	–	(694)	–	(910)
As at 31 March 2017	–	1,398	2,037	6,023	5,097	14,555
DEPRECIATION						
As at 1 April 2015	111	230	1,385	2,583	728	5,037
Provided for the year	10	76	34	593	199	912
Eliminated upon disposals	–	–	(247)	(204)	(412)	(863)
Eliminated upon transfer to investment property (note)	(121)	–	–	–	–	(121)
As at 31 March 2016	–	306	1,172	2,972	515	4,965
Provided for the year	–	237	99	702	578	1,616
Eliminated upon disposals	–	(216)	–	(683)	–	(899)
As at 31 March 2017	–	327	1,271	2,991	1,093	5,682
CARRYING VALUE						
As at 31 March 2017	–	1,071	766	3,032	4,004	8,873
As at 31 March 2016	–	833	173	2,140	1,887	5,033

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold land and building	40 years or over the lease term, whichever is shorter
Leasehold improvements	5 years or over the lease term, whichever is shorter
Plant and machinery	5 years
Motor vehicles	5 years
Office equipment	5 years

Note: On 1 September 2015, the Group transferred this owner-occupied property to investment property and rented to a third party (note 13). The carrying amount and fair value of the property was approximately HK$771,000 and HK$2,200,000 on the date of transfer, respectively. The excess HK$1,429,000 of the fair value over the carrying amount and the related deferred tax liabilities of approximately HK$236,000 was recorded in other comprehensive income as fair value gain. The fair value of this owner-occupied property at the date of transfer (i.e. 1 September 2015) has been arrived at on the basis of a valuation carried out on that date by the Valuer by reference to market evidence of transaction prices for similar properties in the same location and conditions.

15. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2017 **HK$'000**	2016 HK$'000
Contracts in progress at the end of the reporting periods:		
Contract costs incurred plus recognised profits less recognised losses	**1,078,627**	948,734
Less: progress billings	**(1,025,955)**	(907,634)
	52,672	41,100
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**64,153**	60,471
Amounts due to customers for contract works	**(11,481)**	(19,371)
	52,672	41,100

No advances were received from customers at 31 March 2017 and 2016.

16. DEBTORS, DEPOSITS AND PREPAYMENTS

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**22,284**	17,097
Retention receivables	**14,512**	21,193
Other debtors, deposits and prepayments		
— Deposits and prepaid expenses (note)	**11,698**	9,385
— Others	**1,290**	872
	49,784	48,547

Note: As at 31 March 2017, included in deposits and prepaid expenses is a deposit of HK$2,465,000 (2016: HK$3,370,000) which has been placed and pledged to an insurance institution to secure performance bonds issued by that institution to customers of the Group (note 29).

As at 31 March 2017, there is a rental deposit of HK$162,000 (2016: HK$162,000) paid to C & P (Holdings) Hong Kong Limited, which is the related company of the Group (note 28).

16. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

The Group allows credit period up to 60 days to certain customers. The aged analysis of the Group's trade receivables based on certification/invoice dates at the end of each reporting period are as follows:

	2017 HK$'000	2016 HK$'000
Trade receivables:		
0–30 days	**21,882**	7,628
31–60 days	**402**	6,770
61–90 days	**–**	1,586
Over 90 days	**–**	1,113
	22,284	17,097

	2017 HK$'000	2016 HK$'000
Retention receivables:		
Due within one year	**10,451**	3,440
Due after one year	**4,061**	17,753
	14,512	21,193

As at 31 March 2016, included in the Group's trade receivables were debtors with a carrying amount of HK$2,699,000 (2017: Nil) which were past due but not impaired. As there had not been a significant change in credit quality, the amounts were still considered recoverable.

	2017 HK$'000	2016 HK$'000
Overdue:		
31–60 days	**–**	1,586
61–90 days	**–**	1,113
	–	2,699

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

In determining the recoverability of trade and retention receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. No allowance for doubtful debts is required during the year.

17. AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS

(i) The amounts due from joint operations comprise:

	2017 **HK$'000**	2016 HK$'000
Amounts due from joint operations — trade related	**6,109**	11,660
Amounts due from joint operations (note)	**2,334**	266
	8,443	11,926

The Group allows a credit period of up to 60 days to its joint operations. The aged analysis of the Group's trade-related amounts due from joint operations based on certification/invoice dates at the end of each reporting period are as follows:

	2017 **HK$'000**	2016 HK$'000
Amounts due from joint operations:		
0–30 days	**2,646**	526
31–60 days	**4**	1,728
61–90 days	**–**	758
	2,650	3,012
Retention receivables:		
Due within one year	**3,459**	–
Due after one year	**–**	8,648
	6,109	11,660

Note: The amounts are non trade-related, unsecured, interest-free and expected to be realised within twelve months from the end of the reporting period.

As at 31 March 2016, included in the amounts due from joint operations were receivables with a carrying amount of HK$758,000 (2017: Nil) which were past due but not impaired. As at 31 March 2017, the amount has been fully settled.

	2017 **HK$'000**	2016 HK$'000
Overdue:		
31–60 days	**–**	758

The majority of the amounts due from joint operations that were past due but not impaired had good credit quality with reference to respective settlement history. The Group did not hold any collateral over these balances.

17. AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS *(Continued)*

(ii) The amounts due to other partners of joint operations comprise:

	2017 **HK$'000**	2016 HK$'000
Amounts due to other partners of joint operations — trade related	**5,666**	7,160
Amounts due to other partners of joint operations (note)	**2,000**	–
	7,666	7,160

The credit period on amounts due to other partners of joint operations is 60 days. Ageing analysis of the Group's trade-related amounts due to other partners of joint operations based on certification/invoice dates at the end of each reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
0–30 days	**3,790**	566
31–60 days	**–**	1,137
61–90 days	**–**	767
	3,790	2,470
Retention payables:		
Due within one year	**1,876**	–
Due after one year	**–**	4,690
	5,666	7,160

Note: The amounts are non trade-related, unsecured, interest-free and expected to be realised within twelve months from the end of the reporting period.

18. HELD-FOR-TRADING INVESTMENTS

The Group's held-for-trading investments as at 31 March 2017 are carried at fair value using the market bid prices at that date.

	2017 **HK$'000**	2016 HK$'000
Equity securities listed in Hong Kong	**5,485**	11,961

19. SHORT-TERM BANK DEPOSITS/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Short-term bank deposits were deposits with a bank with an original maturity over three months but less than one year and was therefore classified as current assets as at 31 March 2016.

The pledged bank deposits of the Group are pledged to banks for securing the performance bonds issued by the banks to the Group's customers (see note 29).

The bank balances comprise cash held by the Group and other short-term bank deposits with an original maturity of three months or less.

The short-term bank deposits/pledged bank deposits/bank balances carry interest at market rates which are as follows:

	2017	2016
Range of interest rate per annum:		
Short-term bank deposits	**–**	1.75%
Pledged bank deposits	**1.6%–3.6%**	2.6%
Bank balances and cash	**0.01%–3.7%**	0.01%–5.5%

20. CREDITORS AND ACCRUED CHARGES

	2017 **HK$'000**	2016 HK$'000
Trade payables	**27,001**	17,256
Retention payables	**6,674**	8,967
Other payables and accruals		
Accrued wages	**250**	1,026
Accrued operating expenses	**15**	100
Other payables (note)	**1,065**	1,393
	35,005	28,742

Note: As at 31 March 2016, included in other payables was a provision of HK$200,000 in respect of litigation claims against a subsidiary of the Company, which the provision represented the management's best estimate based on maximum exposure they expected.

20. CREDITORS AND ACCRUED CHARGES *(Continued)*

The credit period on trade purchases is 30 to 60 days. Ageing analysis of the Group's trade payables based on invoice dates at the end of each reporting period is as follows:

	2017	2016
	HK$'000	HK$'000
Trade payables:		
0–30 days	**16,332**	10,084
31–60 days	**8,510**	7,000
61–90 days	**143**	157
Over 90 days	**2,016**	15
	27,001	17,256

	2017	2016
	HK$'000	HK$'000
Retention payables:		
Due within one year	**3,731**	2,935
Due after one year	**2,943**	6,032
	6,674	8,967

21. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation	**Revaluation of property**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2015	–	–	–	–
Charge (credit) to profit or loss	450	–	(234)	216
Charge to other comprehensive income	–	236	–	236
At 31 March 2016	450	236	(234)	452
Charge (credit) to profit or loss	391	18	(359)	50
At 31 March 2017	841	254	(593)	502

At the end of the reporting period, the Group has unutilised estimated tax losses of HK$13,443,000 (2016: HK$7,687,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$3,593,000 (2016: HK$1,414,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$9,850,000 (2016: HK$6,273,000) due to the unpredictability of future profit streams. Tax losses of Hong Kong subsidiaries may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

22. SHARE CAPITAL

Details of the movement of the share capital of the Company are as follows:

	Number of shares	**Amount** HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 March 2015, 31 March 2016 and 31 March 2017	200,000,000,000	2,000,000,000
Issued and fully paid:		
At 1 April 2015	10,000	100
Issue of share on initial public offering (note i)	115,000,000	1,150,000
Issue of shares by capitalisation of share premium account (note ii)	299,990,000	2,999,900
At 31 March 2016	415,000,000	4,150,000
Issue of shares upon exercise of share options	5,502,000	55,020
At 31 March 2017	420,502,000	4,205,020

Notes:

(i) In connection with the initial public offering of the Company on the Main Board of the Stock Exchange, 115,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$0.8 per share for a total cash consideration, before expenses, of HK$92,000,000 (the "Share Offer"). Dealings in the shares of the Company on the Stock Exchange commenced on 3 July 2015.

(ii) Pursuant to the special resolution of the sole shareholder of the Company passed on 3 June 2015, a sum of HK$2,999,900 standing to the credit of the share premium account of the Company was approved to be capitalised and for the allotment and issue of 299,990,000 ordinary shares of HK$0.01 each, credited as fully paid at par on 3 July 2015 (the "Capitalisation Issue").

23. SHARE-BASED PAYMENT TRANSACTIONS

The Group adopted a share option scheme on 3 June 2015 ("Share Option Scheme"). The purpose of Share Option Scheme is to provide any directors and full-time employees of any members of the Group, have contributed or will contribute to the Group ("Participants") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

Pursuant to the Share Option Scheme, the directors of the Company may invite Participants to take up options at a price determined by the board of directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made by the Company to the grantee (which date must be a business day, "Offer Date"); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 41,500,000 shares, representing 10% of the total number of shares in issue as at 31 March 2017 unless the Company obtains a fresh approval from the shareholders to refresh the limit.

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

The maximum entitlement for any one Participant is that the total number of the shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless otherwise approved by the shareholders at a general meeting of the Company.

The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which would be determined and notified by the board of directors to the grantee at the time of making an offer.

On 15 July 2015, the Company offered to grant an aggregate of 25,000,000 share options to certain directors of the Company and employees of the Group. Fair value of these share options was calculated using the binomial model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

Grant date share price	HK$1.1
Exercise price	HK$1.1
Exercisable period	50%: 15 July 2016 to 14 July 2017 50%: 15 July 2017 to 14 January 2018
Expected life	2 to 2.5 years
Expected volatility	56.37% to 59.58%
Dividend yield	2.82% to 2.85%
Risk-free interest rate	0.374% to 0.551%

Expected volatility was determined by using the historical volatility of comparable companies within the industry and listed in Hong Kong.

Dividend yield was determined with reference to historical dividend yields of comparable companies. Risk-free interest rate was determined based on two-year and three-year yields of Hong Kong Government bond curve at grant date.

The table below discloses movement of the Company's share options held by the Group's directors and employees:

	Number of share options
Outstanding as at 31 March 2016	23,876,000
Exercised during the year	(5,502,000)
Outstanding as at 31 March 2017	18,374,000

In respect of share options exercised during the year, the weighted average share price at the date(s) of exercise is HK$1.36.

The share-based compensation recognised during the year ended 31 March 2017 was approximately HK$2,141,000 (2016: HK$2,059,000).

24. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of 5% of relevant payroll costs monthly to the MPF Scheme, subject to a maximum amount of HK$1,500 for each employee, which contribution is matched by employees. The total contribution to MPF Schemes amounted to HK$1,350,000 (2016: HK$1,636,000) for the year ended 31 March 2017.

25. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting periods, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**1,186**	1,116
In the second to fifth year inclusive	**561**	1,088
	1,747	2,204

The leases are generally negotiated for lease terms ranging from 2 to 3 years at fixed rentals.

The Group as lessor

Property rental income earned during the year was HK$78,000 (2016: HK$45,500). The Group's investment property is held for rental purpose. The property held has committed tenant for one year.

At the end of the reporting periods, the Group had contracted tenant for the following future minimum lease payments:

	2017 **HK$'000**	2016 HK$'000
Within one year	**7**	33

26. 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 stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged throughout both years.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising fully paid share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debt and redemption of existing debt.

27. FINANCIAL INSTRUMENTS

27a. Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at FVTPL		
— Held-for-trading investments	5,485	11,961
Loans and receivables (including bank balances and cash)	234,786	226,615
	240,271	238,576
Financial liabilities		
Amortised cost	42,406	34,576

27b. Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, amounts due from (to) joint operations/other partners of joint operations, debtors and deposits, short-term bank deposits, pledged bank deposits, bank balances and cash and creditors and accrued charges. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The group entities have foreign currency denominated monetary assets which expose the Group to foreign currency risk. The management of the Group believes the Group does not have significant foreign exchange exposures and will consider the use of foreign exchange forward contracts to reduce the currency exposures in case the foreign exchange exposures become significant.

The carrying amounts of the foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2017 HK$'000	2016 HK$'000
United States Dollar (''USD'')	176	153
Renminbi (''RMB'')	13,291	13,743
British Pound (''GBP'')	3,282	3,783

27. FINANCIAL INSTRUMENTS *(Continued)*

27b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of RMB and GBP. The management of the Group considers that the Group does not have significant foreign currency exposure in relation to monetary items that are denominated in USD as HK$ is pegged to USD. The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in the group entity's respective functional currency, HK$ against RMB and GBP. 5% (2016: 5%) sensitivity rate is used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit for the year where HK$ strengthen against RMB and GBP. For a 5% (2016: 5%) weakening of HK$ against RMB and GBP, there would be an equal and opposite impact on the post-tax profit for the year, and the balances shown as negative below would be positive.

	Decrease in profit	
	2017	2016
	HK$'000	HK$'000
RMB	**(555)**	(574)
GBP	**(137)**	(158)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Other price risk

The Group is exposed to equity securities price risk through its held-for-trading investments at 31 March 2017.

The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in banking and infrastructure industries quoted on the Stock Exchange of Hong Kong Limited.

The sensitivity analysis below have been determined based on the exposure to equity price risks at 31 March 2017.

If the prices of the respective equity instruments had been 10% (2016: 10%) higher or lower, the post-tax profit for the year ended 31 March 2017 would increase or decrease by HK$458,000 (2016: HK$999,000) as a result of changes in fair value of held-for-trading investments.

27. FINANCIAL INSTRUMENTS *(Continued)*

27b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group is exposed to cash flow interest rate risk mainly in relation to bank balances and variable-rate pledged deposits.

The management of the Group considers that the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balances and pledged deposits are minimal. Accordingly, no sensitivity analysis is prepared and presented.

Credit risk

At the end of respective reporting periods, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 March 2017 on trade and retention receivables from the Group's major customers amounting to HK$30,598,000 (2016: HK$35,739,000) and accounted for 83% (2016: 93%) of the Group's total trade and retention receivables. The major customers of the Group are the HKSAR Government and certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard.

Other than concentration of credit risk on trade and retention receivables and liquid funds, the Group has concentration of credit risk on amounts due from joint operations. As at 31 March 2017, amounts due from joint operations which are trade in nature amounted to HK$6,109,000 (2016: HK$11,660,000). The management of the Group considers that there are no significant credibility problems of the counterparties as they have good historical repayment patterns.

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

27. FINANCIAL INSTRUMENTS *(Continued)*

27b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings, as appropriate.

The following table details the Group's remaining contractual maturity for its 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.

Liquidity table

	Weighted average effective interest rate %	**Repayable on demand or less than 3 months HK$'000**	**3 months to 1 year HK$'000**	**Over 1 year HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying HK$'000**
At 31 March 2017						
Creditors and accrued charges	–	28,066	3,731	2,943	34,740	34,740
Amounts due to other partners of joint operations	–	5,790	1,876	–	7,666	7,666
		33,856	5,607	2,943	42,406	42,406

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying HK$'000
At 31 March 2016						
Creditors and accrued charges	–	18,600	2,784	6,032	27,416	27,416
Amounts due to other partners of joint operations	–	2,470	–	4,690	7,160	7,160
		21,070	2,784	10,722	34,576	34,576

27. FINANCIAL INSTRUMENTS *(Continued)*

27c. Fair value measurements of financial instruments

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value of the Group's financial asset that is measured at fair value on a recurring basis

Held-for-trading non-derivative financial asset is measured at fair value at 31 March 2017. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement is categorised (levels 1 to 3 as set out in note 3) based on the degree to which the inputs to the fair value measurement is observable.

Financial asset	Fair value as at 31 March 2017	Fair value hierarchy	Valuation technique and key input
Held-for-trading non-derivative financial assets	Listed equity securities in Hong Kong: HK$5,485,000 (2016: HK$11,961,000)	Level 1	Quoted bid prices in an active market

There is no transfer between the different levels of the fair value hierarchy during the year.

28. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following transactions with a related party during the year:

Name of related party	Nature of transaction	2017 HK$'000	2016 HK$'000
C&P (Holdings) Hong Kong Limited	Rental expense (note)	**979**	564

Note: C & P (Holdings) Hong Kong Limited is a related company in which a sibling of the director and a shareholder of the Company own its entire interest. In November 2014, the Group entered into a written tenancy agreement for a term of two years at a monthly rent of HK$13,000, and renewal of further two years at a monthly rental of HK$14,300 in November 2016. In addition, in August 2015, the Group further entered into another written tenancy agreement for a term of three years at a monthly rent of HK$68,000.

(ii) Balances and other transactions

Details of balances and other transactions with related parties are set out in notes 16 and 17.

(iii) Compensation of key management personnel

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

	2017 HK$'000	2016 HK$'000
Short term benefits	**14,704**	14,967
Post-employment benefits	**108**	108
	14,812	15,075

29. PERFORMANCE BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for the performance of contract works in the form of performance bonds and secured either by other deposits or pledged bank deposits (see notes 16 and 19). The performance bonds are released when the construction contracts are completed or substantially completed.

At the end of each reporting period, the Group had outstanding performance bonds as follows:

	2017 **HK$'000**	2016 HK$'000
Issued by the Group's banks	**14,117**	14,937
Issued by an insurance institution	**2,465**	3,370
	16,582	18,307

30. JOINT OPERATIONS

Particulars of the Group's material joint operations at the end of each reporting period are as follows:

Name of joint operation	Place of establishment and operation	Form of business structure	Equity interest attributable to the Group 2017	2016	Principal activities
Concentric — Hong Kong River	Hong Kong	Unincorporated	**51.00%**	51.00%	Construction and civil engineering
Peako — Wo Hing	Hong Kong	Unincorporated	**70.00%**	–	Construction and civil engineering
Penta Ocean — Concentric	Hong Kong	Unincorporated	**–** **(Note)**	33.00%	Construction and civil engineering
Penta Ocean — Concentric — Alchmex	Hong Kong	Unincorporated	**26.00%**	26.00%	Construction and civil engineering

Note: Dissolved in February 2017

31. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ operations	Paid up capital	Proportion of ownership interest held by the Company 2017	2016	Proportion of voting power held by the Company 2017	2016	Principal activities
Peako	Hong Kong	Ordinary shares HK$20,680,000	**100%**	100%	**100%**	100%	Construction and civil engineering
Concentric	Hong Kong	Ordinary shares HK$20,680,000	**100%**	100%	**100%**	100%	Construction and civil engineering

None of the subsidiaries had issued any debt securities at the end of the year.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

At 31 March 2017

	2017 HK$'000	2016 HK$'000
Non-current asset		
Investments in subsidiaries	–*	–*
Current assets		
Amounts due from subsidiaries (note)	5,732	73,078
Other receivables	163	108
Bank balances and cash	75,695	4,781
	81,590	77,967
Current liability		
Other payables	266	342
Total assets less current liability/Net assets	81,324	77,625
Capital and reserves		
Share capital	4,205	4,150
Reserves	77,119	73,475
Total equity	81,324	77,625

* Less than HK$1,000

Note: The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The Group expects to realise the amount within 12 months from the end of reporting period.

Movement in the Company's share capital and reserves

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 March 2015 and 1 April 2015	–*	–	–	(2,199)	(2,199)
Loss for the year	–	–	–	(6,560)	(6,560)
Issue of shares pursuant to the Share Offer	1,150	90,850	–	–	92,000
Share issued expenses	–	(7,675)	–	–	(7,675)
Capitalisation Issue	3,000	(3,000)	–	–	–
Share-based compensation	–	–	2,059	–	2,059
At 31 March 2016	4,150	80,175	2,059	(8,759)	77,625
Loss for the year	–	–	–	(4,491)	(4,491)
Issue of shares	55	6,881	(884)	–	6,052
Share issued expenses	–	(3)	–	–	(3)
Share-based compensation	–	–	2,141	–	2,141
At 31 March 2017	4,205	87,053	3,316	(13,250)	81,324

* Less than HK$1,000.

FINANCIAL SUMMARY

RESULTS

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Revenue	255,330	201,030	260,845	183,279	**164,516**
Operating profit	33,912	48,850	48,660	40,060	**10,961**
Listing expenses	–	–	(7,089)	(5,873)	**–**
Finance costs	(131)	(264)	(203)	(85)	**–**
Profit before tax	33,781	48,586	41,368	34,102	**10,961**
Income tax expense	(5,432)	(7,876)	(6,383)	(6,900)	**(2,432)**
Profit for the year	28,349	40,710	34,985	27,202	**8,529**
Other comprehensive income	–	–	–	1,193	**–**
Total comprehensive income for the year attributable to owners of the Company	28,349	40,710	34,985	28,395	**8,529**
Earnings per share Basic and diluted (in HK cents)	10.80	15.51	12.66	7.05	**2.05**

FINANCIAL POSITION

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Total assets	205,243	204,779	215,456	314,666	**328,220**
Total liabilities	103,157	94,743	73,613	58,044	**54,879**
Total equity	102,086	110,036	141,843	256,622	**273,341**

Note: The figures for the years ended 31 March 2013 and 2014 have been extracted from the Company's prospectus dated 19 June 2015.