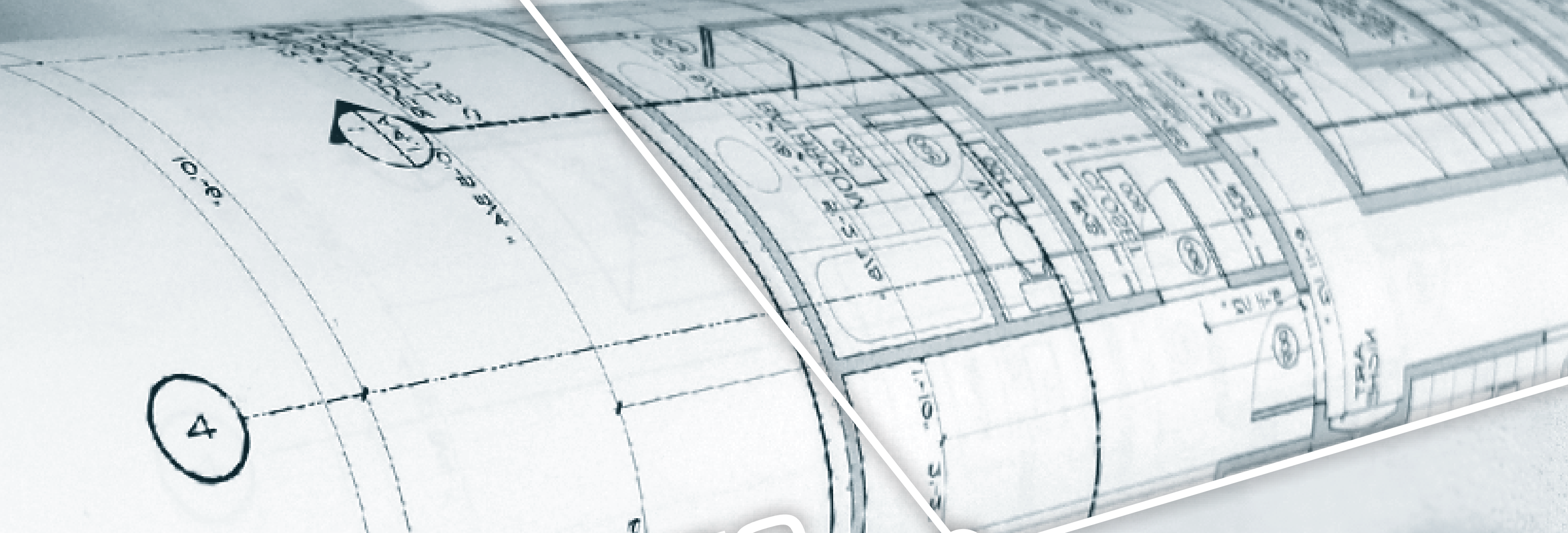
Vision Fame International Holding Limited
允升國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1315

2017
ANNUAL REPORT



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Corporate Information

EXECUTIVE DIRECTORS

Chau Chit *(Co-Chairman and Chief Executive Officer)*
(re-designated as co-chairman and appointed as chief executive officer on 1 March 2017)
Dai Jialong *(Co-Chairman)*
(appointed as executive Director and co-chairman on 1 March 2017)
Xie Xiaotao (appointed on 3 October 2016)
Hu Baoyue (resigned on 21 September 2016)
Kwan Ngai Kit (resigned on 3 October 2016)

NON-EXECUTIVE DIRECTOR

Chen Guobao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan

COMPANY SECRETARY

Au-yeung Lok Man (appointed on 3 October 2016)
Kwan Ngai Kit (resigned on 3 October 2016)

AUDIT COMMITTEE

Tam Tak Kei Raymond *(Chairman)*
Wong Kai Tung Simon
Wong Wai Kwan

REMUNERATION COMMITTEE

Wong Kai Tung Simon *(Chairman)*
Chau Chit
Chen Guobao
Tam Tak Kei Raymond
Wong Wai Kwan
Xie Xiaotao (appointed on 3 October 2016)
Dai Jialong (appointed on 1 March 2017)
Hu Baoyue (resigned on 21 September 2016)

NOMINATION COMMITTEE

Chau Chit *(Chairman)*
Chen Guobao
Tam Tak Kei Raymond
Wong Kai Tung Simon
Wong Wai Kwan
Xie Xiaotao (appointed on 3 October 2016)
Dai Jialong (appointed on 1 March 2017)
Hu Baoyue (resigned on 21 September 2016)

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2002, 118 Connaught Road West
Sai Ying Pun, Hong Kong

AUTHORISED REPRESENTATIVES

Chau Chit
Au-yeung Lok Man (appointed on 3 October 2016)
Kwan Ngai Kit (resigned on 3 October 2016)

AUDITOR

Ernst & Young
22/F., CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong law
Simmons & Simmons
13/F., One Pacific Place
88 Queensway
Hong Kong

As to the Cayman Islands law
Appleby
2206–19 Jardine House, 1 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
DBS Bank Limited
Chong Hing Bank Limited
Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F, Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

COMPANY WEBSITE

www.visionfame.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual results of Vision Fame International Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2017 ("Fy2017").

The Group recorded total turnover of approximately HK$1,508 million for Fy2017, representing a decrease of approximately 39.8% or HK$995 million as compared to the financial year ended 31 March 2016 ("Fy2016"). Loss attributable to shareholders of the Company for Fy2017 is approximately HK$0.1 million (Fy2016: profit of approximately HK$19.9 million).

Basic loss per share for Fy2017 is approximately HK0.002 cent (Fy2016: earnings of approximately HK0.9 cent) and diluted loss per share is approximately HK0.002 cent (Fy2016: earnings of approximately HK0.89 cent). The Board does not recommend any payment of dividends for Fy2017 (Fy2016: Nil).

Fy2017 was a challenging and difficult year. A series of "Black Swan" events around the globe; and the transformation and adjustment in the Chinese economy resulted in fluctuations in exchange rates, interest rates, and commodity prices, as well as volatile financial markets.

However, the Group's result was not significantly affected by the complex and ever-changing political and economic environments. In Fy2016, the Group recorded a gain on disposal of a subsidiary of HK$22.7 million. Should this one-off gain be taken out, the Group would record a loss attributable to shareholders of the Company (the "Shareholders") of HK$2.8 million for that year, based on which the Group's results in Fy2017 was in fact shown a slight improvement. Thank you to the Group's prudent project and cost management approach, we had minimised the adverse impact from the challenging environment.

BUSINESS REVIEW AND PROSPECT

Graphene production business

Graphene, in simple terms, is a thin layer of pure carbon, might be the strongest and thinnest material known to exist in nature. It has excellent properties, including good elasticity, light weight, exceptionally high electronic and thermal conductivities, bacteriostasis, memory function and impermeability, which gives rise to its extensive downstream applications possible. Examples of the varies uses of graphene include but not limited to energy storage (e.g. batteries), anti-corrosion coatings, electromagnetic coatings, thermally-conductive lubricants that reduce wear and friction, conductive paints to reduce the use of volatile organic compounds, high-sensitivity biological and chemical sensor.

Mr. Dai Jialong ("Mr. Dai"), our executive director, co-chairman and chief technology officer, brought into the Group his unique graphene production methodology which accomplished steady production of graphene of good quality at low cost. Our graphene output has a thickness of less than 10 nanometres, proportion of raw two-dimentional structure above 90% and is free from material structure defect; while the graphene currently available in the market in general has thickness ranging from 10 to 90 nanometres with a proportion of raw two-dimensional graphene structure ranging from 10% to 80% and varies in existence of structural defect. In 2015, an independent graphene expert of the National Center for Nanoscience and Technology of China* ("NCNTC") (國家納米科學中心) has conducted due diligence on the Group's graphene production methodology in respect of its effectiveness and commercial practicability, which was found reaching an advanced stage in terms of technical competency and there is a high feasibility of mass commercial production.

During Fy2017, the installation and trial run of the first graphene production line with annual production capacity of approximately 3.5 tonnes was successfully completed. On the other hand, we cooperated with reputable research institutions and universities to develop downstream applications with our high quality graphene output. When commercialisation of relevant downstream application is feasible, we would liaise with potential business partners in the relevant industry to invest and develop downstream applications products for mass production. This approach could help us broadening the graphene market as well as securing our future customers. We had been cautious in selecting downstream graphene application development projects and business partners to minimise both business and financial risk. Up to date of this report, the Group had entered into cooperation agreements with the following universities and research institutes:

(i) The National Centre for Nanoscience and Technology of China ("NCNTC") in respect of the establishment of The Joint Engineering Laboratory for Research and Applications of Graphene for a term of 3 years;

(ii) Marine Chemical Research Institute ("MCRI") for research and applications of graphene in anti-erosion coatings and paints for a term of 3 years; and

(iii) Tonji University and Shanghai Jiao Tong University for the development of graphene-based electrochemical energy storage equipment.

Up to date of this report, two targeted applications, namely anti-corrosive coating and visible light photocatalytic net have been successfully developed using the Group's graphene output.

The anti-corrosive coating or primer is a light weight heavy-duty coating layer for application in the marine and navigating environment. The Group has entered into a joint venture with the subsidiary of Shuangliang Eco-Energy System Holding Company Limited and other investors to set up a joint venture company in the People's Republic of China ("PRC") for the purpose of investing and developing in the Graphene Anti-corrosive Coating Technology. Commercial feasibility studies have been performed with satisfactory results. It is expected that the joint venture company would commence production in one to two years.

The visible light photocatalysis net is designed to decompose the toxic organic matter in the water, it is a deodorant that increases the oxygen content of rivers, and has the strong compatibility of other water treatment technology. The Group has entered into a sales contract with a customer whereby the Group agreed to supply not less than 1,200 kilograms of graphene for production of photocatalytic products for a period of 12 months to the customer, who has submitted tenders for the municipal engineering projects in respect of the water purification treatment of rivers, sewage plants and odour water by using visible light photocatalysis products and technologies. Management expected the related operations would commence in the second half of 2017.

Both anti-corrosive coating and odour water treatment are the key items in the 13th Five-year Plan of China. We are now at a prominent position as the technology is developed based on our high quality graphene output and unique production methodology, substitutes of which could hardly found in the market. The huge potential market is a prime business opportunity to the Group. The Group had already commenced the set up of production lines with annual capacity of 100 tonnes graphene output.

To maintain our foremost position in the market, the Group will continue to cooperate with specialists, universities and research institutes to extend the use of graphene in other areas, such as electrical equipment, military and aerospace facilities and other high-energy and high-power electronic products, further widening the market for graphene products.

Construction related businesses

The Hong Kong building market is still booming under the strong demand for more housing and the commencement of ten major infrastructure projects by government. On the other hand, the keen competition (particularly in new projects tender price among contractors) in both public and private sectors and on-going rise in labour costs are still our major challenges. Under such environment, the Group adheres to its prudent approach in tendering and adopts a more proactive customer reach approach and enhances our project management both in terms of quality and costs, we were able to secure our market position and won premium projects in recent years.

The Group will continue to strengthen our strong market position in the areas of re-vitalization, and repair, maintenance, alteration and addition ("RMAA") by raising clients' satisfaction for ensuring growth and profitability.

The Singapore construction market in Fy2017 registered a moderate decline compared to the previous year. The decrease was largely due to the decrease in private sector demand. Public sector construction volume increased during the year and offset the decline in the private sector. The rise in the public sector construction demand was attributed mainly to several large civil engineering projects.

Looking forward to 2017-2018, private sector construction demand is likely to remain subdued. Public sector construction volume is expected to increase further. Besides civil engineering works, demand pick-up is also forecasted for the public housing, industrial and institutional sectors. In line with the market conditions, the Group will put efforts at these sectors for both new build works as well as addition and alteration or upgrading works.

Demand for construction in Macau keeps slowing down and the Group would maintain local construction license registration and look out the coming market changes.

Other business

In Fy2017 we also reviewed and reformed the business model for non-performing trading and consulting business, to minimize the adverse impact brought by the volatile financial and metal market. The reform has no significant adverse impact to the Group's result for Fy2017.

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to our shareholders and business partners for their support to and trust in the Board. My gratitude also extends to our management and staff for their loyalty and diligence in the achievements of the Group.

Chau Chit
Co-Chairman and Chief Executive Officer
Vision Fame International Holding Limited
29 June 2017

Management Discussion and Analysis

RESULTS OF THE GROUP

The Group recorded total turnover of approximately HK$1,508 million for Fy2017, representing a decrease of approximately 39.8% or HK$995 million as compared to the financial year ended 31 March 2016 ("Fy2016"). Such decrease was mainly attributable to the loss of revenue from the two non-performing business, property development and provision of related management and advisory services and trading of metals, which had contributed HK$36.1 million and HK$886 million to the turnover of the Group for Fy2016 respectively. These businesses entered into hibernation during Fy2017, with no turnover was recorded in the year.

The loss attributable to shareholders of the Company for Fy2017 is approximately HK$0.1 million (Fy2016: profit of approximately HK$19.9 million). For Fy2017, the Group did not recorded any significant non-operating gains as in Fy2016, in which the Group recorded a gain from disposal of a subsidiary of approximately HK$22.7 million. However, we could see a decrease in administrative expenses, other operating expenses and finance costs in Fy2017. Thanks to the stringent cost control imposed by the Group and the gain from the foreign exchange fluctuation between Hong Kong dollars and Renminbi, the result of the Group was not significantly affected by the loss of revenue from the abovementioned non-performing business.

Basic loss per share for Fy2017 is approximately HK0.002 cent (Fy2016: earnings of approximately HK0.9 cent) and diluted loss per share is approximately HK0.002 cent (Fy2016: earnings of approximately HK0.89 cent). The Board does not recommend any payment of dividends for Fy2017 (Fy2016: Nil).

RESULTS OF OPERATIONS

(i) Building Construction

Building construction segment recorded revenue of approximately HK$317 million (Fy2016: approximately HK$470 million) for Fy2017. Segment profit for Fy2017 was approximately HK$9.2 million compared with segment profit approximately HK$22.5 million in Fy2016. The revenue for building construction segment for Fy2016 and Fy2017 was mainly generated from certain large scale contracts secured in the financial year ended 31 March 2015, in which the Group had won 11 contracts with total contract value of approximately HK$712 million. These large scale contracts were in full swing or completed in succession during Fy2016 and Fy2017. On the other hand, fewer building construction contracts and of less contract values were secured in the last and current year (4 contracts with total value of approximately HK$20 million in Fy2016 and 5 contracts with total value of approximately HK$174 million in Fy2017). Accordingly, the segment revenue and profit for building construction decreased in Fy2016 and Fy2017.

(ii) Property Maintenance

Revenue for the property maintenance segment increased from approximately HK$468 million in Fy2016 to approximately HK$651 million in Fy2017 and segment profit increased from approximately HK$22.8 million in Fy2016 to approximately HK$29.8 million in Fy2017.

The property maintenance projects mainly included maintenance works for public sectors, which were negotiated for terms ranging from two to three years. During Fy2016, the Group won 2 property maintenance contracts with total contract value of approximately HK$766 million, for which the related work was commenced in the second quarter of Fy2016 and became in full swing in Fy2017. This explained the increment in both segment revenue and segment profits for Fy2017.

During Fy2017, the Group won a property maintenance contract with total value of approximately HK$780 million. The work of this contract commenced in April 2017.

(iii) Alterations, Renovation, Upgrading and Fitting-out ("A&A") Works

Revenue for the A&A works segment for Fy2017 was approximately HK$346 million (Fy2016: approximately HK$477 million) and segment profit was approximately HK$26.1 million (Fy2016: approximately HK$21.6 million).

Similar to building construction segment, the decrease in the revenue from A&A works was mainly attributable to the completion of several large scale projects secured in prior years, revenue of which was mainly recognised in Fy2016 and first half of Fy2017. During the year, the Group had won 6 (Fy2016: 16) contracts for A&A works with total contract value of approximately HK$99 million (Fy2016: approximately HK$420 million).

A&A works are mainly performed for private sectors. The profit margins for A&A projects are dependent on a number of factors, including the types of work, labour skills, materials involved, which could vary significantly from project to project. The higher profit margin and segment profit of A&A works in Fy2017 than that of Fy2016 was primarily attributable to the high profit margin contributed by a number of sizable A&A projects in Hong Kong in Fy2017.

(iv) Property Development and Provision of Related Management and Advisory Services ("PDMAS")

The PDMAS segment had entered into a hibernation since April 2016. Following the disposal of the property under development in Australia in Fy2016, there was unexpected hiccups in the development of PDMAS business and there was no income recognised for PDMAS for Fy2017 (Fy2016: approximately HK$36 million). Meanwhile the management is reviewing and re-formulating a better business model of this operation.

(v) Graphene Production and Trading of Metal and Materials

Revenue for this segment for Fy2017 included sales of graphene of approximately HK$2 million (Fy2016: Nil) and sales of metals and materials of approximately HK$191 million (Fy2016: HK$1,052 million). Segment loss was approximately HK$0.9 (Fy2016: segment profit of approximately HK$2 million).

The Group commenced the graphene production business in Fy2016 and completed the installation and trial run of the first graphene production line in April 2016. The Group had entered into cooperation agreements with universities and research institutes on the application of graphene outputs and made certain sales in Fy2017 to manufacturers in the nanometer-scaled/metals material industry for application test purposes.

For trading of metals and materials business, the Group commenced the trading of titanium dioxide, which was widely used in pigment, sunscreen, food coloring, and shrunk the trading of metals in Fy2017. During the year, the Group sold approximately 5,535 tonnes of titanium dioxide. The change was made in view of the declining metal price and the thin profit margin (approximately 0.1%) in trading of metals recorded in prior financial years.

AVAILABLE-FOR-SALE INVESTMENTS

As at 31 March 2017, the Group has available-for-sale investments of approximately HK$22.8 million (as at 31 March 2016: approximately HK$3.4 million), which comprised primarily (1) investment in the certificate of deposit issued by Dah Sing Bank Limited due in April 2017, of approximately HK$14.1 million (as at 31 March 2016: Nil); (2) investment in the 89,400,000 listed shares (as at 31 March 2016: 89,400,000) with market value of approximately HK$5.0 million (as at 31 March 2016: approximately HK$3.4 million) of a listed company in Singapore, HLH Group Limited; and (3) equity investment in a company in the PRC for the purpose of investing and developing in graphene anti-corrosive coating technology of approximately HK$3.4 million (as at 31 March 2016: Nil). For more details, please refer to note 15 to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong and healthy financial position. As at 31 March 2017, the current assets and current liabilities were stated at approximately HK$979.1 million (as at 31 March 2016: approximately HK$944.3 million) and approximately HK$475.7 million (as at 31 March 2016: approximately HK$458.8 million), respectively. The current ratio maintained at 2.06 times as at 31 March 2016 and 2017. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective period. As at 31 March 2017, the Group had total cash and bank deposits of approximately HK$460.5 million (as at 31 March 2016: approximately HK$458.2 million). As at 31 March 2017, total interest-bearing loans and zero-coupon convertible bond amounted to approximately HK$172.0 million (31 March 2016: approximately HK$174.2 million) and HK$14.3 million (31 March 2016: approximately HK$12.5 million) respectively. The Group's net cash balance (the sum of pledged bank deposits and restricted cash and cash and cash equivalents less interest-bearing bank and other borrowings in current portion) has increased from approximately HK$456.2 million as at 31 March 2016 to approximately HK$459.4 million as at 31 March 2017. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. As at 31 March 2017, the Group had obtained credit facilities from various banks and financial institutions up to a maximum amount of approximately HK$142,786,000 (31 March 2016: approximately HK$98,000,000) and approximately HK$51,175,000 (31 March 2016: approximately HK$38,749,000) of the credit facilities has been utilized. As at 31 March 2017, the gearing ratio of the Group was approximately 16.6% (as at 31 March 2016: approximately 18%). The gearing ratio is calculated by dividing total interest-bearing borrowings with total assets as at the reporting date multiplied by 100%. With its available bank balances and cash and existing available bank credit facilities, the Group has sufficient liquidity and financial resources to satisfy the financial requirements of its existing businesses.

PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and insurance companies to secure the banking facilities and performance bonds granted to the Group:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Other receivables	**18,477**	14,692
Available-for-sale investments	**14,099**	—
Bank deposits	**48,005**	39,816
Cash at bank	**6,451**	20,550
	87,032	75,058

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries or associated companies by the Group in Fy2017.

USE OF PROCEEDS FROM ISSUE OF SHARES AND A CONVERTIBLE BOND

On 16 December 2015, the Company entered into:

(i) a subscription agreement with Mr. Dai, an independent third party at that time, pursuant to which the Company will allot and issue, and Mr. Dai will subscribe for, 120,000,000 subscription shares* at the subscription price of HK$0.3 per share (the "Subscription Price");

(ii) a subscription agreement with Mega Start Limited ("Mega Start"), a substantial shareholder and a company wholly owned by Mr. Chau Chit ("Mr. Chau") (being the Co-Chairman of the Company and an executive Director), pursuant to which, the Company will allot and issue, and Mega Start will subscribe for, 90,000,000 subscription shares* at the Subscription Price;

(iii) a convertible bond agreement with Mega Start, pursuant to which, the Company will issue, and Mega Start will subscribe for, a convertible bond in a principal amount of HK$24,000,000 (the "Convertible Bond"); and

(iv) subscription agreements with eight investors (the "Investors"), each of whom is an independent third party and not related to each other, respectively, pursuant to which, the Company will allot and issue, and the Investors will subscribe for, a maximum of 690,000,000 subscription shares* at the Subscription Price (collectively, the "Shares and Convertible Bond Subscriptions").

On 3 February 2016, the Company completed the Shares and Convertible Bond Subscriptions. As a result, a total of 900,000,000 subscription shares* with aggregate nominal value of HK$9,000,000 have been subscribed for cash and duly allotted and issued to the subscribers, included Mr. Dai, Mega Start and the Investors, and the Convertible Bond in the principal amount of HK$24,000,000 has been subscribed for cash and duly issued to Mega Start. The aggregate net proceeds from the Shares and Convertible Bond Subscriptions are approximately HK$289,000,000 after deducting relevant expenses raised. Details of the Shares and Convertible Bond Subscriptions and the intended uses of the net proceeds therefrom are set out in the Company's announcements dated 16 December 2015 and 3 February 2016 and the Company's circular dated 15 January 2016.

* The number of subscription shares represented the ordinary shares of the Company of HK$0.01 each to be issued before the share subdivision as set out below.

As of 31 March 2017, the net proceeds received were utilised as follows:

Intended application of the net proceeds	**Amount to be utilised** (HK$ million)	**Amount utilised at 31 March 2017** (HK$ million)	**Unutilised as at 31 March 2017** (HK$ million)
Setting up of the production plant and ancillary facilities for the new graphene production business	20	15	5
Installation of production lines	110	—	110
Establishment of the product quality control and testing centre	60	16	44
Recruitment of professional staff for the graphene production business, and establishments of scientific laboratories jointly with governmental institutes and universities	20	5	15
General working capital for the Group	79	11	68
Total	289	47	242

SHARE SUBDIVISION

By an ordinary resolution passed at the extraordinary general meeting on 29 April 2016, each of the existing issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company was subdivided into five ordinary shares of HK$0.002 each (the "Subdivided Shares") (the "Share Subdivision"). Upon the Share Subdivision having became effective on 3 May 2016 and at the date of this report, the Company's authorised share capital was HK$20,000,000 divided into 10,000,000,000 ordinary shares of HK$0.002 each, of which 6,000,000,000 ordinary shares were in issue and fully paid. Details of the Share Subdivision are set out in the Company's announcements dated 23 March 2016 and 29 April 2016 and the Company's circular dated 13 April 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risks relating to graphene production segment

(i) The graphene production business of the Group may not compete successfully as more and more companies are expected to enter into the graphene production business and start to engage in the research and development of the production and application of graphene. These companies may eventually be able to achieve research breakthroughs and produce graphene of similar or even higher quality compared to the graphene produced by the Group, or be able to produce it in a faster and more cost-effective way. There is no certainty that the Group will be able to compete successfully in the marketplace when the technology of producing high-quality graphene has become common.

Risks relating to constructions related and other segments

(i) The Group's construction works are labour-intensive in nature. In the event that there is a significant increase in the costs and demand of labour, the Group's staff cost and/or subcontracting cost will increase and thus lower its profitability. On the other hand, if the Group or its subcontractors fail to retain the Group's existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to complete the Group's projects on schedule and within budget, the Group's operations and profitability may be adversely affected.

(ii) The Group needs to estimate the time and costs involved in projects in order to determine the fee. There is no guarantee that the actual amount of time and costs would not exceed the Group's estimation during the performance of the jobs. The actual amount of time and costs involved in completing the jobs may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions. Any material inaccurate estimation in the time and costs involved in a job may adversely affect the profit margin and results of operations of the Group.

(iii) The projects undertaken by the Group are mostly on a case by case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our customers will provide us with new business after the completion of the current projects. The Group has to go through the competitive tendering process to secure new project works. In the event we are unable to maintain business relationship with existing customers or unable to price our tender competitively, our business and hence our revenue will be adversely affected.

Financial Risk

(i) The Group adheres to prudent financial management principle in order to control and minimise financial and operational risks. The Group has certain portion of bank balances and cash denominated in currencies other than the functional currencies of the relevant entities to which they relate. In addition, the Group's sales and purchases are mainly transacted in Hong Kong dollar, United States dollar, Singapore dollar and Renminbi. The Group will, from time to time, review its foreign exchange position and market conditions to determine if any hedging is required. Similarly, the Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

(ii) The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. At 31 March 2017, the Group has obtained credit facilities from various banks and financial institutions of approximately HK$143 million (as at 31 March 2016: approximately HK$98 million). An amount of approximately HK$91.8 million (as at 31 March 2016: approximately HK$59.3 million) remained unutilised.

The financial risk management objectives and policies of the Group are shown in note 36 to the financial statements.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the end of each reporting period, the Group had provided the following guarantees:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Guarantees in respect of performance bonds in favor of its clients	**107,392**	141,189

At the end of each reporting period, the Group had the following capital commitments:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Contracted, but not provided for:		
Land and buildings	**21,420**	—
Plant and machinery	**6,787**	—
	28,207	—

MOVEMENT OF INCOMPLETE CONTRACTS FOR THE YEAR ENDED 31 MARCH 2017

	31 March 2016 HK$'000	Contracts Secured HK$'000	Contracts Completed HK$'000	**31 March 2017 HK$'000**
Building Construction	1,111,301	173,513	613,890	**670,924**
Property Maintenance	1,984,401	779,868	922,188	**1,842,081**
Alteration, Renovation, Upgrading and Fitting-Out Works	809,480	99,479	305,243	**603,716**
	3,905,182	1,052,860	1,841,321	**3,116,721**

Building Construction segment

Contracts secured for the year ended 31 March 2017

Contracts	**Commencement date**	**Contract value** HK$'000
Revitalization of Haw Par Mansion, Hong Kong	June 2016	119,800
Bored piling works for proposed alteration and addition to existing Park View, Elias Park, Pasir Ris and Tampines North Primary School, Singapore	June 2016	8,352
Bored piling works for proposed alteration and addition to existing Fajar Secondary School at 31 Gangsa Road, Singapore	June 2016	4,587
Bored piling works for proposed alteration and addition to Woodgrove Primary School at 2 Woodlands Drive 1 and Bedok Green Primary School at 1 Bedok South Avenue 2, Singapore	May 2016	4,472
Proposed additions and alterations to existing St Gabriel's Primary School at 220 Lorong Chuan, Singapore	November 2016	36,302
Total		173,513

Property Maintenance segment

Contract secured for the year ended 31 March 2017

Contract	Commencement date	Contract value HK$'000
Term contract for the alterations, additions, maintenance and repair of buildings and lands and other properties for designated contract area Sham Shui Po, Tsuen Wan and Kwai Tsing of Kowloon, Hong Kong	April 2017	779,868
Total		779,868

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts secured for the year ended 31 March 2017

Contracts	Commencement date	Contract value HK$'000
Alterations and additions works at Hong Kong Polytechnic University, Hong Kong	August 2016	14,800
Supply and installation of high speed doors and associated works at Hong Kong International Airport, Hong Kong	August 2016	3,259
Renovation works bread automation system for food factory, Tai Po Industrial Estate, Hong Kong	September 2016	18,931
Renovation works at Tsz Wan Shan Shopping Centre, Kowloon, Hong Kong	November 2016	52,400
Retail expansion of G/F to 1/F at Ocean Centre, Kowloon, Hong Kong	March 2017	6,288
Design and build of a new storeroom at Tai Tam campus of Hong Kong International School, Hong Kong	March 2017	3,801
Total		99,479

Building Construction segment

Contracts completed for the year ended 31 March 2017

Contracts	Commencement date	Completion date	Contract value HK$'000
Hotel development at 8A–8B Wing Hing Street, North Point, Hong Kong	June 2014	May 2016	135,000
Bored piling works for proposed multi storey carparks batch 5 at Teck Whye Avenue (CK6) and Bedok Reservoir (KE3), Singapore	June 2015	June 2016	7,356
Bored piling works for proposed erection of a 5-storey residential flat development at Truro Road, Singapore	January 2016	April 2016	1,874
Building works at Bukit Merah Contract 52 (Total 492 dwelling units) Singapore	March 2013	March 2017	452,249
Bored piling works for proposed alteration and addition to existing Park View, Elias Park, Pasir Ris and Tampines North Primary School, Singapore	June 2016	October 2016	8,352
Bored piling works for proposed alteration and addition to Woodgrove Primary School at 2 Woodlands Drive 1 and Bedok Green Primary School at 1 Bedok South Avenue 2, Singapore	May 2016	October 2016	4,472
Bored piling works for proposed alteration and addition to existing Fajar Secondary School at 31 Gangsa Road, Singapore	June 2016	December 2016	4,587
Total			613,890

Property Maintenance segment

Contracts completed for the year ended 31 March 2017

Contracts	Commencement date	Completion date	Contract value HK$'000
Term contract for the alterations, additions, maintenance and repair of buildings and lands and other properties for designated contract area Hong Kong island eastern and outlying islands (South)	April 2014	March 2017	402,643
Term contract for the alterations, additions, maintenance and repair of buildings and lands and other properties for designated contract area Kwun Tong, Yau Ma Tei, Tsim Sha Tsui and Mong Kok	April 2014	March 2017	519,545
Total			922,188

Alterations, Renovation, Upgrading and Fitting-Out Works segment

Contracts completed for the year ended 31 March 2017

Contracts	Commencement date	Completion date	Contract value HK$'000
Main contract for proposed alteration & addition at B/F–3/F, block E & F, Harbour City, Kowloon, Hong Kong	April 2015	April 2016	65,322
Supply, installation and dismantle of fixing for sculptures for Event Horizon, Hong Kong	October 2015	June 2016	1,500
External wall refurbishment work at CLP Shatin Centre, Hong Kong	November 2015	May 2016	10,250
Alterations and additions works of food factory at No. 3 Dai Shun Street, Tai Po Industrial Estate, N.T. Hong Kong	September 2014	April 2016	179,551
Alterations and additions works at Hong Kong Polytechnic University, Hong Kong	August 2016	December 2016	14,800
Renovation and improvement works to Jockey Club Auditorium at the Hong Kong Polytechnic University, Hong Kong	September 2015	October 2016	33,820
Total			305,243

Overall

Contracts secured subsequent to 31 March 2017 and up to the date of the report

Contracts	Commencement date	Contract value HK$'000
Main contract works at nos.600-626, Shanghai Street, Mongkok, Kowloon, Hong Kong	May 2017	155,800
Pure Yoga fit-out works at Pacific Place, 88 Queensway, Admiralty, Hong Kong	May 2017	18,551
Main Contract for asset enhancement works at Sam Shing Commercial Centre, Hong Kong	June 2017	24,480
Alteration and addition works at Yuen Long Industrial Estate, Yuen Long, Hong Kong	June 2017	9,500
Alterations and additions works for laboratories of the Hong Kong Polytechnic University, Hong Kong	June 2017	18,995
Fitout works for Rectangular Wings of Pao Yue-kong Library at the Hong Kong Polytechnic University, Hong Kong	June 2017	17,080
Conversion of event pillar boxes to power safe panels at Marina Bay Sands, Singapore	April 2017	420
Total		244,826

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed a total of 315 staff (as at 31 March 2016: 338 staff) which included Hong Kong, Macau, Singapore and Mainland China employees. The total remuneration for staff was approximately HK$107 million for Fy2017 (Fy2016: approximately HK$111 million).

The Group establishes its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of remuneration package consist of basic salary, allowances, benefit-in-kind, fringe benefits including medical insurance and contributions to mandatory provident funds, as well as incentives like discretionary bonus. The Group also provides external training programmes which are complementary to certain job functions.

The remuneration packages of the senior management are recommended by the managing director of the respective company and approved by the Board by reference to their respective responsibilities and accountability, target achievements, business results and market competitiveness of the Group. The remuneration packages of the managerial and support staff are determined by the directors of the respective company.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Details of important event of the Group after the financial year are set out in note 37 of the financial statements.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chau Chit ("Mr. Chau"), aged 52, was appointed as an executive Director of the Company on 22 July 2015. He was also appointed as the Chairman of the Board on 23 September 2015 and re-designated to co-chairman of the Board and was appointed as the chief executive officer of the Company on 1 March 2017. Mr. Chau is the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Chau is one of the authorised representatives of the Company. Mr. Chau is also the director of certain subsidiaries of the Company. Mr. Chau currently serves as the chairman of the Hong Kong Jiangyin Trade Association and the vice president of Federation of HK Jiangsu Community Organisations Limited. He holds a bachelor degree in Chemistry from Zhejiang University and an EMBA degree (Executive Master of Business Administration) from Zhejiang University. Mr. Chau has extensive experience in operation management. Mr. Chau held the positions of executive director, managing director, and chairman of the executive committee and member of the investment committee of HNA International Investment Holdings Limited (a company listed on the Stock Exchange) (stock code: 0521) from June 2006 to October 2013. He has been an executive director of Jimei International Entertainment Group Limited (a company listed on the Stock Exchange) (stock code: 1159) since 22 July 2013 and was appointed as the chairman of the nomination committee of Jimei International Entertainment Group Limited on 31 May 2017.

Mr. Dai Jialong ("Mr. Dai"), aged 55, was appointed as an executive Director and the Co-Chairman of the Board on 1 March 2017. He was also appointed as a member of both the nomination committee and the remuneration committee of the Company on 1 March 2017. He was appointed as a consultant and chief technology officer of the Company on 3 February 2016. Mr. Dai graduated from Shanxi Economics Majors School in international economics and trading. Mr. Dai has extensive knowledge in two-dimensional material production technology and has experience in developing relevant equipment. Mr. Dai is an expert in producing artificial mica (a two-dimensional material similar to graphene) and has invented as many as 50 patents relating to artificial mica. He is the Chairman of China Crystal New Material Holdings Co., Ltd (a company listed on Korea Exchange) (stock code: 900250) and executive director of Yat Shing Holdings Limited (a company listed on the Stock Exchange) (stock code: 3708). Mr. Dai is also an executive director of China Non-Metallic Minerals Industry Association ("CNMIA") and is the vice president of the Professional Committee of Mica under CNMIA. Building on his knowledge in two-dimensional material, Mr. Dai has also been studying graphene and conducting researches relating to graphene production method.

Mr. Xie Xiaotao ("Mr. Xie"), aged 37, was appointed as an executive Director on 3 October 2016. He was also appointed as a member of both the nomination committee and the remuneration committee of the Company on 3 October 2016. Mr. Xie holds a double bachelor degree in International Economy and Trade and Energy and Power Engineering from Shanghai Jiao Tong University and a master degree in Finance and Economics from the University of Manchester. Currently, Mr. Xie is the deputy general manager of Jiangyin City Li Shang Transportation Services Co., Ltd. Mr. Xie has extensive working experience in the equity investment and consulting area.

NON-EXECUTIVE DIRECTOR

Mr. Chen Guobao ("Mr. Chen"), aged 42, was appointed as a non-executive Director of the Company on 23 September 2015. Mr. Chen is also a member of both the nomination committee and the remuneration committee of the Company. Mr. Chen currently is the deputy chairman of Ningbo Chamber of Commerce of Shanghai Federation of Industrial & Commerce, chairman of Ninghai Shanghai Chamber of Commerce, chairman of Shanghai Jinhai Industrial Limited. Mr. Chen has more than 20 years of experience in the real estate and construction industry, particularly in operation and strategic management, and has extensive experience in industrial manufacturing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Tak Kei Raymond ("Mr. Tam"), aged 54, was appointed as an independent non-executive Director on 19 December 2011. Mr. Tam is also the chairman of the audit committee and a member of the nomination committee and the remuneration committee of the Company. Mr. Tam holds a Bachelor of Arts degree in accounting with computing from University of Kent at Canterbury, England and is both an associate member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. Mr. Tam was the financial controller of each of Blank Rome Solicitors & Notaries from June 2010 to September 2011 and Barlow Lyde & Gilbert from December 2002 to May 2010 and has over 20 years of professional accounting experience. Mr. Tam was an independent non-executive director of Digital Domain Holdings Limited (formerly known as Sun Innovation Holdings Limited) (a company listed on the Stock Exchange) (stock code: 547) during the period from September 2009 to August 2013, Yin He Holdings Limited (formerly known as Zebra Strategic Holdings Limited) (a company listed on the Stock Exchange) (stock code: 8260) during the period from June 2012 to September 2014, Tianjin Jinran Public Utilities Company Limited (formerly known as Tianjin Tianlian Public Utilities Company Limited (a company listed on the Stock Exchange) (stock code: 1265) during the period from February 2011 to June 2015, Ngai Shun Holdings Limited (a company listed on the Stock Exchange) (stock code: 1246) during the period from September 2013 to July 2015, and Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (a company listed on the Stock Exchange) (stock code: 1250) during the period from June 2013 to July 2016, and the chief financial officer of King Force Security Holdings Limited (a company listed on the Stock Exchange) (stock code: 8315) during the period from April 2014 to November 2014. He is currently an independent non-executive director of CNQC International Holdings Limited (formerly known as Sunley Holdings Limited) (a company listed on the Stock Exchange) (stock code: 1240), Li Bao Ge Group Limited (a company listed on the Stock Exchange) (stock code: 8102), and MEIGU Technology Holding Group Limited (a company listed on the Stock Exchange) (stock code: 8349) and he is also engaged by Branding China Group Limited (a company listed on the Stock Exchange) (stock code: 8219) as an external service provider to the company secretary. The shares of the above-mentioned ten companies are listed on the Stock Exchange.

Mr. Wong Kai Tung Simon ("Mr. KT Wong"), aged 50, was appointed as an independent non-executive Director on 12 November 2013. Mr. KT Wong is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. KT Wong is the Founder and Partner of Tawau Capital Partners Limited, a company principally engaged in private equity/venture capital investments, management consultancy and financial advisory. Mr. KT Wong is an experienced banker and has over 20 years' experience in the corporate and investment banking sector in Asia with Deutsche Bank AG, Hong Kong Branch, DBS Bank Limited, Hong Kong Branch, and Daiwa Securities SMBC Hong Kong Limited, where Mr. KT Wong was responsible for investment banking services in the Greater China Region. Mr. KT Wong was an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Limited) (a company listed on the Stock Exchange) (stock code: 108) from February 2014 to February 2015, and was the General Manager of Mergers and Acquisitions Department and the Head of Investor Relations of Brightoil Petroleum (Holdings) Limited (a company listed on the Stock Exchange) (stock Code: 0933) from September 2011 to September 2012, the shares of both companies are listed on the Stock Exchange. Mr. KT Wong gained corporate finance, mergers and acquisitions and investor relations experience from a listed company perspective. Mr. KT Wong received an Executive MBA degree from Tsinghua University (Beijing, China) in 2013, Mr. KT Wong has also participated in the Young Managers Programme held at INSEAD (Fontainebleau, France) in 1998. Mr. KT Wong received a Bachelor of Arts degree and a Graduate Diploma in Management Consulting and Change from The University of Hong Kong in 1990 and 2008, respectively. Mr. KT Wong is a Certified Management Consultant (CMC), awarded by the Institute of Management Consultants Hong Kong (IMCHK).

Mr. Wong Wai Kwan ("Mr. WK Wong"), aged 49, was appointed as an independent non-executive Director on 22 July 2015. Mr. WK Wong is also a member of the audit committee and the nomination committee of the Company. Mr. WK Wong obtained a bachelor's degree in Accountancy from City University of Hong Kong in 1992 and a master's degree in Business Administration from Washington University in St. Louis, U.S.A in 2009. Mr. WK Wong is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. WK Wong has extensive working experience in auditing and consulting areas, particularly in IPO exercise, risk management and mergers and acquisitions. Mr. WK Wong was the general manager of the financial audit department of Fosun International Limited (a company listed on the Stock Exchange) (stock code: 656). Mr. WK Wong was an independent non-executive director of HNA International Investment Holdings Limited (a company listed on the Stock Exchange) (stock code: 521), for a period from June 2010 to October 2013 and served as a member of each of the audit committee, the nomination committee and the remuneration committee of that company. Mr. WK Wong was also an independent non-executive director of Jimei International Entertainment Group Limited (a company listed on the Stock Exchange) (stock code: 1159) from September 2013 to November 2014 and served as a member of each of the audit committee, the nomination committee, the remuneration committee and the investment steering committee of that company. He was again appointed as independent non-executive director and at the same time appointed as the chairman of the audit committee, a member of the nomination committee, the remuneration committee, the investment steering committee and the anti-money laundering committee of Jimei International Entertainment Group Limited on 31 May 2017.

SENIOR MANAGEMENT

Mr. Wong Law Fai ("Mr. LF Wong"), aged 57, is the managing director of Wan Chung Construction Company Limited. Mr. LF Wong was appointed as a director of the Company on 31 May 2011 and redesignated as an executive Director of the Company on 19 December 2011. Later Mr. LF Wong resigned as an executive Director, the chairman of the Board and authorised representative of the Company on 28 May 2013, and the chief executive officer of the Company on 10 September 2013. Mr. LF Wong has over 30 years of experience in the building construction industry of Hong Kong. Mr. LF Wong is a registered professional engineer (building) in Hong Kong, a registered professional surveyor (quantity surveying) in Hong Kong, a member of The Hong Kong Institution of Engineers, a member of The Hong Kong Institute of Surveyors, a member of The Chartered Institute of Building (the United Kingdom) and a member of The Royal Institution of Chartered Surveyors (the United Kingdom). Mr. LF Wong is currently an independent non-executive director of Fraser Holdings Limited (a company listed on the Stock Exchange) (stock code: 8366).

Mr. So Kwok Lam ("Mr. So"), aged 56, is the project director of Wan Chung Construction Company Limited and is a director of Wan Chung Construction Company Limited and Wan Chung Engineering Co., Limited. He was appointed as an executive Director on 19 December 2011 and resigned on 28 May 2013. Mr. So is responsible for formulating strategic planning, business development of the Group, reviewing and improving the internal management systems, management of construction projects in Hong Kong. Mr. So has over 30 years of experience in the building construction industry of Hong Kong. Mr. So was a member of the Contractors Registration Committee Panel and is also a member of the Contractors Registration Committee of the Buildings Department under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong), (the "Building Ordinance") from January 2009 to December 2012. Mr. So is a member of the Registered Contractors' Disciplinary Board Panel of the Planning and Lands Branch, Development Bureau under the Building Ordinance since June 2014. Prior to joining the Group in 1993, Mr. So had been the project manager of Chevalier (Construction) Co Ltd from 1990 to 1993. He had also been working in Hsin Chong Construction Co Ltd from 1985 and left as an assistant contracts manager in 1990. Mr. So is a professional member of The Royal Institution of Chartered Surveyors (the United Kingdom), fellow members of The Hong Kong Institute of Construction Managers and the Chartered Institute of Building (the United Kingdom). Mr. So obtained a professional diploma in occupational safety and health from the School of Continuing Education of Hong Kong Baptist University in 2008, a postgraduate diploma in arbitration and dispute resolution from City University of Hong Kong in 2004, a master of arts in English for the professions from The Hong Kong Polytechnic University in 2007, and an associateship in building technology and management from Hong Kong Polytechnic (now renamed the Hong Kong Polytechnic University) in 1984.

Mr. Wong Chi Kin, Jesse ("Mr. Jesse Wong"), aged 54, is the commercial director of Wan Chung Construction Company Limited and is responsible for the Group's strategic planning, corporate business development and management of construction projects in Hong Kong. Mr. Jesse Wong has been the representative of our Group in the Hong Kong Construction Association since 1999. Mr. Jesse Wong has been elected as the 68th and 69th council member of the Hong Kong Construction Association for 2015/2017 and 2017/2019 respectively. Mr. Jesse Wong has over 30 years of experience in the building construction industry of Hong Kong. Prior to joining the Group in 1996, Mr. Jesse Wong had held various positions in quantity surveying, including senior quantity surveyor of H.A. Brechin & Co between 1990 and 1994, quantity surveyor of Franklin & Andrews Construction Cost Management Consultants between 1989 and 1990 and trainee of Kumagai Gumi (H.K.) Limited between 1982 and 1985. Mr. Jesse Wong is a registered professional surveyor (Quantity Surveying) in Hong Kong and a fellow member of The Hong Kong Institute of Surveyors. Mr. Jesse Wong obtained a bachelor degree of science in quantity surveying from Southbank Polytechnic of London in 1989. Mr. Jesse Wong also received a master degree of business administration (executive) from the City University of Hong Kong in 2010.

Ms. Ma Pik Fung ("Ms. Ma"), aged 53, is the commercial director of Wan Chung Construction Company Limited and is responsible for the Group's strategic planning, corporate business development, and management of construction projects in Hong Kong. Ms. Ma is also a director of Wan Chung Engineering (Macau) Company Limited and a director of Wan Chung Construction (Singapore) Pte. Ltd.. Ms. Ma is a registered professional surveyor (Quantity Surveying) in Hong Kong, a member of Hong Kong Institute of Surveyors and a professional associate of the Royal Institution of Chartered Surveyors (the United Kingdom).

Mr. Datuk Eng Son Yam ("Mr. Datuk Eng"), aged 64, is the managing director of Wan Chung Construction (Singapore) Pte. Ltd. ("Wan Chung Singapore"), responsible for the strategic planning and development of the Wan Chung Singapore. Mr. Datuk Eng has more than 30 years of experience in the building industry of Singapore and Malaysia. Mr. Datuk Eng had undertaken construction projects in housing, hospital, integrated resort and religious establishment. Mr. Datuk Eng has also endeavored in property development ventures in Singapore and Malaysia. Over the years, Mr. Datuk Eng has built up a strong network with key players in this industry. Mr. Datuk Eng was also active in social work particularly education for the young in Malacca (Datuk Eng's birth place). In recognition of his contribution towards the local school, Mr. Datuk Eng was conferred "DSM Datuk" by the Governor of Malacca, Malaysia. Mr. Datuk Eng obtained a diploma in business administration from the Singapore Chinese Chamber Institute of Business in 2008. Mr. Datuk Eng completed an Executive Program on Oriental-Western Wisdom and Business Management at the School of Continuing Education, Tsinghua University in October 2013.

Mr. Tan Chwee Kee ("Mr. Tan"), aged 60, is the deputy managing director of Wan Chung Construction (Singapore) Pte. Ltd.. Mr. Tan has more than 30 years of experience in project management, property development, building design and construction. Prior to joining Wan Chung Singapore in August 2011, Mr. Tan was the project director of HLH Development Pte Ltd, a property development arm of SGX-ST listed group, HLH Group Limited. From 2005–2007, Mr. Tan was with Chip Eng Seng Corporation Ltd, a construction and property development group listed on the SGX-ST, as the assistant general manager of The Pinnacle@Duxton project, the first 50-storey high dense public housing project launched by the government. It was the winning design of an international design competition and features the sky gardens at mix storeys and top storey linking all the blocks together. Mr. Tan led the technical team and was instrumental in addressing the design issues of the technically challenging sky-gardens construction. Between 1995–2004, Mr. Tan was the CEO of Hong Lai Huat Construction Pte Ltd. Mr. Tan started his career as a structural engineer in The Housing and Development Board in 1982. Mr. Tan has a Bachelor Degree in Civil Engineering from The National University of Singapore and is a registered Professional Engineer with the Singapore Professional Engineer Board.

Mr. Au-yeung Lok Man ("Mr. Au-yeung"), aged 36, is the chief financial officer and the company secretary of the Company, as well as a director of certain subsidiaries of the Company. Mr. Au-yeung is one of the authorised representatives of the Company. Mr. Au-yeung has over 10 years' experience in accounting, auditing, taxation, merger and acquisition. He was a principal in the audit and assurance department in RSM Hong Kong prior to joining the Company. Mr. Au-yeung is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University.

The Directors present their report and the audited financial statements for the year ended 31 March 2017.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Room 2002, 20/F., 118 Connaught Road West, Sai Ying Pun, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise (i) provision of building construction services, property maintenance services, alterations, renovation, upgrading and fitting-out works services, (ii) graphene production and metal and materials trading; and (iii) property development and provision of related management and advisory services. The principal activities and other particulars of the subsidiaries of the Company are set out in note 1 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and the Management Discussion and Analysis set out on pages 4 to 7 and pages 8 to 19 of this annual report, respectively. This discussion forms part of this directors' report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out in the five year financial summary on page 122 of this annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 March 2017 and the Group's financial position as at 31 March 2017 are set out in the financial statements on pages 53 to 121.

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2017 (2016: Nil).

CONVERTIBLE BOND, FINANCE LEASE PAYABLE AND OTHER BORROWINGS

Particulars of a convertible bond, finance lease payable and other borrowings of the Group as at 31 March 2017 are set out in notes 22, 23 and 33(b) to the financial statements.

SHARE CAPITAL AND SHARE OPTION

There were no movement in the Company's share capital and share option during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company's reserves available for distribution represent the share premium account less accumulated losses, amounted to approximately HK$157,396,000.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 77.6% of the total sales. The top five suppliers accounted for approximately 22.6% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 42.3% of the total sales and the Group's largest supplier accounted for approximately 7.4% of the total purchases for the year.

At no time during the year ended 31 March 2017 have the then and current Directors of the Company, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CHARITABLE DONATIONS

During the year ended 31 March 2017, the Group made charitable donations amounting to HK$14,255.

DIRECTORS

The directors of the Company during the year ended 31 March 2017 and up to the date of this Directors' report are:

Executive Directors:

Mr. Chau Chit *(Co-Chairman and Chief Executive Officer)* (re-designated as co-chairman and appointed as chief executive officer on 1 March 2016)
Mr. Dai Jialong *(Co-Chairman)* (appointed as executive Director and co-chairman on 1 March 2016)
Mr. Xie Xiaotao (appointed on 3 October 2016)
Mr. Hu Baoyue (resigned on 21 September 2016)
Mr. Kwan Ngai Kit (resigned on 3 October 2016)

Non-executive Director:

Mr. Chen Guobao

Independent Non-executive Directors:

Mr. Tam Tak Kei Raymond
Mr. Wong Kai Tung Simon
Mr. Wong Wai Kwan

By virtue of article 108(a) of the articles of association of the Company, Mr. Chau, Mr. Chen and Mr. WK Wong will retire. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

By virtue of article 112 of the articles of association of the Company, Mr. Dai and Mr. Xie will hold office until the forthcoming annual general meeting and will retire and being eligible, offer himself for re-election.

PERMITTED INDEMNITY PROVISION

Permitted indemnity provisions (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company are currently in force and was in force during the year and at the date of this report.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the details of change in the Company's directorship since the date of the Interim Report for the period ended 30 September 2016 are set out below:

Mr. Dai was appointed as an executive Director of the Company and co-chairman of the Board on 1 March 2017. Upon the appointment of Mr. Dai as a co-chairman of the Board, Mr. Chau has been re-designated from the position of chairman to co-chairman of the Board at the same date. Mr. Chau was also appointed as the chief executive officer of the Company on 1 March 2017. Details of the above are set out in the announcement of the Company dated 1 March 2017.

On 16 December 2016, Mr. Tam was appointed as an independent non-executive Director of MEIGU Technology Holding Group Limited (a company listed on the Stock Exchange) (Stock code: 8349).

On 31 May 2017, Mr. Chau was appointed as the chairman of the nomination committee of Jimei International Entertainment Group Limited ("Jimei") (a company Listed on the Stock Exchange) (Stock Code: 1159).

On 31 May 2017, Mr. WK Wong was appointed as independent non-executive director, the chairman of the audit committee, a member of the nomination committee, the remuneration committee, the investment steering committee and the anti-money laundering committee of Jimei.

DIRECTORS' SERVICE AGREEMENTS

Mr. Chen, a non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 23 September 2015, which may be terminated by either the Company or Mr. Chen by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Both Mr. Chau, an executive Director, and Mr. WK Wong, an independent non-executive Director, have entered into service agreements with the Company for a term of three years commencing from 22 July 2015, which may be terminated by either the Company or the other party by giving six months written notice or otherwise in accordance with the terms of the service agreements.

Mr. Tam, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 19 January 2017, which may be terminated by either the Company or Mr. Tam by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. KT Wong, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 12 November 2016, which may be terminated by either the Company or Mr. KT Wong by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Xie Xiaotao, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 3 October 2016, which may be terminated by either the Company or Mr. Xie by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Dai Jialong, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 1 March 2017, which may be terminated by either the Company or Mr. Dai by giving six months written notice or otherwise in accordance with the terms of the service agreement.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year ended 31 March 2017 are set out in notes 8 and 9 to the financial statements. The remuneration policy for Directors and senior management is set out in the Corporate Governance Report on page 41 of this annual report.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme adopted by the written resolutions of the sole Shareholder passed on 19 December 2011 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

(b) Participants of the Share Option Scheme

The Board may, at its absolute discretion grant any employee (full-time or part-time), director (including executive, non-executive or independent non-executive directors), consultant or adviser of any member of the Group, or any substantial shareholder of any member of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group and any company wholly owned by one or more persons belonging to any of the aforesaid participants, options to subscribe for Shares at a price calculated in accordance with the paragraph below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date.

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 600,000,000 Shares, representing 10% of the issued share capital of the Company.

(d) The maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

(e) Timing for exercising option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(f) Period of acceptance of option

An offer made to a participant shall remain open for acceptance by the participant concerned for a period of 7 days from and inclusive of the date on which an option is offered to a participant.

(g) Payment of acceptance of option

The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) The basis of determining the exercise price of option

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and

(iii) the nominal value of a Share on the date of grant of the option.

(i) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 31 March 2016.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2017 are set out in note 2.4 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the interests or short positions of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

Name of Directors	**Capacity**	**Number of shares held** (note 1)	**Percentage of the issued share capital of the Company** (note 1)
Mr. Chau Chit (note 2)	Interest of Controlled Corporation	1,000,000,000 (L)	16.67%
Mr. Dai Jialong	Beneficial owner	730,000,000 (L)	12.17%
Mr. Chen Guobao (note 3)	Interest of Controlled Corporation	77,768,000 (L)	1.30%
Mr. Xie Xiaotao	Beneficial owner	50,000,000 (L)	0.83%
Mr. Wong Wai Kwan	Beneficial owner	5,000,000 (L)	0.08%

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 31 March 2017 and the percentage of the issued share capital of the Company is calculated on the basis of 6,000,000,000 shares in issue as at 31 March 2017.

2. Mr. Chau Chit, the executive Director, is the ultimate beneficial owner of Mega Start Limited ("Mega Start"). By virtue of the SFO, Mr. Chau Chit is deemed to be interested in the 1,000,000,000 Shares held by Mega Start. The interest in 1,000,000,000 Shares comprises (i) 600,000,000 Shares held by Mega Start and (ii) 400,000,000 Conversion Shares of a convertible bond with principal amount of HK$24,000,000 under which Mega Start could convert it into 400,000,000 Conversion Shares of the Company with a conversion price of HK$0.06 per share if relevant conditions are satisfied during the conversion period. Details of the convertible bond are set out in the Company's announcement dated 16 December 2015.

3. Mr. Chen Guobao owns the entire issued share capital of Full Fortune International Co., Ltd ("Full Fortune"). By virtue of the SFO, Mr. Chen Guobao is deemed to be interested in the 77,768,000 Shares held by Full Fortune.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year ended 31 March 2017 was the Company, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures, of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules of the Stock Exchange:

Name of Shareholders	**Capacity**	**Number of Shares held** (note 1)	**Percentage of the issued share capital of the Company** (note 1)
Mega Start (note 2)	Beneficial owner	1,000,000,000 (L)	16.67%
Fount Holdings Limited	Beneficial owner	475,000,000 (L)	7.92%
Mr. Tang Hao (note 3)	Interest of controlled corporation	475,000,000 (L)	7.92%
Earnstar Holding Limited	Beneficial owner	350,000,000 (L)	5.83%
Dungbao Limited (note 4)	Interest of controlled corporation	350,000,000 (L)	5.83%
Mr. Ma Zenglin (note 5)	Interest of controlled corporation	350,000,000 (L)	5.83%

Notes:

1. The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at 31 March 2016 and the percentage of the issued share capital of the Company is calculated on the basis of 1,200,000,000 shares in issue as at 31 March 2016.

2. The interest in 1,000,000,000 Shares comprises (i) 600,000,000 Shares held by Mega Start and (ii) 400,000,000 Conversion Shares of a convertible bond with principal amount of HK$24,000,000 under which Mega Start could convert it into 400,000,000 Conversion Shares of the Company with a conversion price of HK$0.06 per share if relevant conditions are satisfied during the conversion period. Details of the convertible bond are set out in the Company's announcement dated 16 December 2015.

3. Mr. Tang Hao owns the entire issued share capital of Fount Holdings Limited By virtue of the SFO, Mr. Tang Hao is deemed to be interested in the 475,000,000 Shares held by Fount Holdings Limited.

4. Dungbao Limited owns the entire issued share capital of Earnstar Holding Limited. By virtue of the SFO, Dungbao Limited is deemed to be interested in the 350,000,000 Shares held by Choice Wide Holdings Limited.

5. Mr. Ma Zenglin owns the entire issued share capital of Dungbao Limited. By virtue of the SFO, Mr. Ma Zenglin is deemed to be interested in the 350,000,000 Shares held by Choice Wide Holdings Limited.

Save as disclosed above, as at 31 March 2017, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 16 December 2015, the Company entered into a subscription agreement and a convertible bond agreement with Mega Start, a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the co-chairman and chief executive officer of the Company and an executive Director). Further details of the transactions undertaken in connection therewith are included in the section of "Connected Transactions" below.

Save as disclosed above, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 March 2017.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2017.

CONTRACT OF SIGNIFICANCE

No contract of significance in relation to the Group's in which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2017, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors during the reporting period namely, Mr. Tam, Mr. KT Wong and Mr. WK Wong, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them were independent during the year ended 31 March 2017.

CONNECTED TRANSACTIONS

On 16 December 2015, to provide additional working capital for the Group, the Company and Mega Start, a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the Co-Chairman of the Company and an executive Director), entered into a convertible bond agreement, pursuant to which, the Company will issue, and Mega Start will subscribe for, a convertible bond in a principal amount of HK$24,000,000 (the "Convertible Bond"). The Convertible Bond can be converted into ordinary shares of the Company at the initial conversion price of HK$0.3 per share (adjusted to HK$0.06 per share on 3 May 2016 following the share subdivision of the Company), bearing no interest and will mature in 5 years after the date of issue. The holder of the Convertible Bond shall convert it into ordinary shares in full mandatorily, if and only if the gross profits of the graphene business segment of the Company for the two financial years ending 31 March 2017 and 2018 exceed HK$300 million. Details are stated in the Company's Circular dated 15 January 2016.

Save as disclosed above and in note 33 to the financial statements, there was no connected transaction during the year.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 36 to 47. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year ended 31 March 2017 and as at the date of this annual report as required under the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 37 to the financial statements.

AUDITOR

On 11 April 2016, Ernst & Young ("EY") was appointed by the Directors as the auditor of the Company to fill the casual vacancy so arising following the resignation of Deloitte Touche Tohmastu. A resolution for the reappointment of EY as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chau Chit
Co-Chairman and Chief Executive Officer

Hong Kong, 29 June 2017

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, customers and employees of the Company. During the year ended 31 March 2017, the Board had adopted the principles and the code provisions as set out in Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference and made such terms of reference available on the websites of the Stock Exchange and the Company.

Save as disclosed below, during the year ended 31 March 2017, the Company had complied with the CG Code as set out in Appendix 14 to the Listing Rules.

According to the code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the year, 11 regular Board meetings were held.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. With effect from 1 March 2017, Mr. Chau Chit was the co-chairman of the Board of Directors of the Company and chief-executive officer of the Company.

The Co-Chairmen are the positions in the Board to execute the administrative functions designated to the Co-Chairmen by the Board from time to time. As decided by the Board, Mr. Chau and Mr. Dai will take up the administrative functions of the Board in ensuring that the Board works effectively and performs its responsibilities. They act together to carry out and share the responsibilities of the role of the chairman of the Board. When a Co-Chairman proposed any matters to be considered in a Board meeting, the other Co-Chairman shall be responsible for, amongst other things, drawing up and approving the agenda for such Board meeting, preside the Board meeting and encouraging all directors to make a full and active contributions to the Board's affairs to ensure that Board decisions fairly reflect Board consensus and the Board acts in the best interests of the Group. In respect of other duties and responsibilities of the chairman of the Board contemplated under the articles of association of the Company, A.2 of the CG Code and the Listing Rules (including Rule B.8 of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules), these will be taken up by Mr. Chau.

Besides, Mr. Dai, the other co-chairman, is primarily responsible for providing overall strategic plan in the development of the graphene business of the Group and Mr. Chau, who is the chief executive officer of the Company, carries out executive functions including day-to-day business and operations management of the Group.

Part A.2 of the CG Code set out the principle and code provision of the chairman and chief executive. It stipulated that there should be a clear division of the two key aspects of management, the management of the Board and the day-to-day management of business.

Based on this principle, the Company adopts the above corporate governance measures to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Board believes that the Co-Chairmen each acts as a check and balance on each other and that there is a clear understanding and expectation of the Board and within the Company as to the separation of roles and responsibilities of Mr. Chau and Mr. Dai. The Board also considered the composition of the Board and senior management of the Company, which comprises experienced and high calibre individuals. In view of the above, the Board believes that the balance of power and authority is adequately maintained to ensure that the overall interests of the Company and its shareholders are protected.

Further details of the above are set out in the Company's announcements dated 1 March 2017 and 28 March 2017.

A resolution to amend its articles of association to expressly contemplate for the appointment of Co-Chairman will be proposed in the annual general meeting of the Company to be held on 21 September 2017.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive Directors and independent non-executive Directors without the executive Directors present. During the year ended 31 March 2017, the co-chairmen had met the non-executive Director and the independent non-executive Directors respectively and individually without the presence of other executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they had complied with the Model Code during the year ended 31 March 2017.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at the date of this annual report, the Board consisted seven Directors comprising three executive Directors; one non-executive Director and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Chau Chit *(Co-Chairman)*
Mr. Dai Jialong *(Co-Chairman)*
Mr. Xie Xiaotao

Non-executive Director

Mr. Chen Guobao

Independent non-executive Directors

Mr. Tam Tak Kei Raymond
Mr. Wong Kai Tung Simon
Mr. Wong Wai Kwan

The biographical details of all current Directors and senior management of the Company are set out on pages 20 to 24 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among the members of the Board and/or the senior management during the reporting period.

Functions of the Board

The principal functions of the Board are to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function, monitor the implementation of these policies and strategies and the management of the Company. The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business, the Board delegates the authority and responsibility for implementing the Group's policies and strategies.

Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

Directors' Appointment and Re-election

Mr. Chen, a non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 23 September 2015, which may be terminated by either the Company or Mr. Chen by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Both Mr. Chau, an executive Director, and Mr. WK Wong, an independent non-executive Director have entered into service agreements with the Company for a term of three years commencing from 22 July 2015, which may be terminated by either the Company or the other party by giving six months written notice or otherwise in accordance with the terms of the service agreements.

Mr. Tam, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 19 January 2017, which may be terminated by either the Company or Mr. Tam by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. KT Wong, an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 12 November 2016, which may be terminated by either the Company or Mr. KT Wong by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Xie, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 3 October 2016, which may be terminated by either the Company or Mr. Xie by giving six months written notice or otherwise in accordance with the terms of the service agreement.

Mr. Dai, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 1 March 2017, which may be terminated by either the Company or Mr. Dai by giving six months written notice or otherwise in accordance with the terms of the service agreement.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. By virtue of article 112 of the articles of association of the Company, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 108(a) of the articles of association of the Company, at each annual general meeting one-third of the directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring director shall be eligible for re-election.

Non-executive Director

The non-executive Director of the Company was appointed for a specific term, but subject to the relevant provisions of the Articles and Association of the Company or any other applicable laws whereby the Director shall retire from their office but become eligible for re-election. The non-executive Director is serving for a fixed term of not more than three years.

Independent non-executive Directors

The Company has three independent non-executive Directors to comply with Rule 3.10(1) and 3.10A of the Listing Rules. Furthermore, among the three independent non-executive Directors, both Mr. Tam and Mr. WK Wong have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance to Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmation, considers, Mr. Tam, Mr. KT Wong and Mr. WK Wong to be independent.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive Directors and independent non-executive Directors without the executive Directors present. During the year ended 31 March 2017, the chairman had met the non-executive Director and the independent non-executive Directors respectively and individually without the presence of other executive Directors.

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

Continuing Professional Development

According to the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. The Directors are continually updated on the legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

All Directors during the reporting period have participated in continuous professional development to develop and refresh their knowledge and skills through suitable trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

BOARD COMMITTEES

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 19 December 2011 with written terms of reference which were revised on 23 September 2015 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information and risk management of the Group, oversee the financial reporting process and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

The Audit Committee comprised three independent non-executive Directors, namely Mr. Tam (the chairman of the Audit Committee), Mr. KT Wong and Mr. WK Wong.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the interim financial information for the six months ended 30 September 2016 and the consolidated financial statements and annual results for the year ended 31 March 2017.

During the year ended 31 March 2017, the Audit Committee held two meetings to review the audited consolidated financial statements for the year ended 31 March 2016, the unaudited consolidated financial statements for the six months ended 30 September 2016, the appointment of the auditor of the Company, and the internal control and corporate governance issues related to financial reporting of the Company. The Audit Committee also complied with the code provision C.3.3 of the CG Code to meet the auditors in absence of management for reviewing the internal control of the Company.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and determine the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee comprised three independent non-executive Directors, namely Mr. Tam, Mr. KT Wong (the chairman of the Remuneration Committee) and Mr. WK Wong, the non-executive Director, Mr. Chen Guobao, and three executive Directors, namely Mr. Chau, Mr. Dai and Mr. Xie.

During the year ended 31 March 2017, the Remuneration Committee held one meeting to, inter alia, review the remuneration packages of all Directors and senior management of the Company.

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The share option scheme of the Company (the "Share Option Scheme") was adopted by the sole Shareholder by way of written resolution on 19 December 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby the eligible persons will have additional incentives to improve the Company's performance.

Details of the fees and other emoluments paid or payable to the Directors and the remuneration of the members of senior management by band for the year ended 31 March 2017 are set out in notes 8 and 9 to the consolidated financial statements contained in this Annual Report.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 19 December 2011 with written terms of reference which were revised on 28 March 2012 and 26 August 2013 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board succession.

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy or, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group's business.

During the year ended 31 March 2017, the Nomination Committee formulated the board diversity policy of the Company (the "Board Diversity Policy"). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

The Nomination Committee comprised three independent non-executive Directors, namely Mr. Tam, Mr. KT Wong and Mr. WK Wong, the non-executive Director, Mr. Chen, and three executive Directors, namely Mr. Chau (the chairman of the Nomination Committee), Mr. Dai and Mr. Xie.

During the year ended 31 March 2017, the Nomination Committee held one meeting to, inter alia, review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, make recommendations to the Board on the appointment of Directors and assess the Board Diversity Policy.

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the policies and practices on corporate governance of the Group and make recommendations;
- to review and monitor the training and continuous professional development of Directors and senior management; and
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 March 2017 is set out in the table below:

	Number of meetings attended/entitled to attend						
Name of Director	**Board**	**Audit Committee**	**Remuneration Comitte**	**Nomination Committee**	**Annual General Meeting**	**Extraordinary General Meeting**	**Type of training**
Executive directors							
Mr. Chau Chit	11/11	n/a	3/3	3/3	1/1	1/1	B
Mr. Dai Jialong (appointed on 1 March 2017)	n/a	n/a	n/a	n/a	n/a	n/a	B
Xie Xiaotao (appointed on 3 October 2016)	4/4	n/a	1/1	1/1	n/a	n/a	B
Hu Baoyue (resigned on 21 September 2016)	6/6	n/a	1/1	1/1	0/1	1/1	B
Kwan Ngai Kit (resigned on 3 October 2016)	6/7	n/a	n/a	n/a	1/1	1/1	A and B
Non-executive Director							
Mr. Chen Guobao	10/11	n/a	3/3	3/3	1/1	1/1	B
Independent Non-executive Directors							
Mr. Tam Tak Kei Raymond	11/11	2/2	3/3	3/3	1/1	1/1	A and B
Mr. Wong Kai Tung Simon	11/11	2/2	3/3	3/3	1/1	1/1	A and B
Mr. Wong Wai Kwan	10/11	2/2	2/3	2/3	1/1	1/1	A and B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Apart from regular Board meetings, the co-chairmen also held meetings with the independent non-executive Directors without the presence of executive Directors during the year ended 31 March 2017.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2017, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

During the year ended 31 March 2017, the remuneration paid or payable to the auditor of the Company, Ernst & Young, in respect of their audit and non-audit services was as follows:

	HK$
Audit service fee	1,300,000
Non-audit service fee	350,000
Total	1,650,000

The amount of fee incurred for the non-audit services arises from (i) tax services; and (ii) the review of interim financial information for the six months ended 30 September 2016.

Risk Management and Internal Control Responsibility

The Board has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained. Management is responsible for designing, implementing and monitoring the risk management and internal control systems to manage risks. Sound and effective risk management and internal control systems are designed to identify and manage the risk of failure to achieve business objectives. The Group's risk management process include risk assessment, which constitutes the sub-processes of risk identification, analysis, evaluation, mitigation, reporting and monitoring. The Group also adopt a risk whistle-blowing policy to uphold honesty, integrity and fair play as our core values of the Group at all times.

The Group's internal control model is based on that set down by the Committee of Sponsoring Organisations of the U.S. Treadway Commission ("COSO") for internal controls, and has five components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In developing the Group's internal control model based on the COSO principles, management has taken into consideration the Group's organisational structure and the nature of its business activities.

The Group's Internal Audit Department (the "IA Department") has been established with direct reporting to the Audit Committee. The IA Department has rights to access all records, assets and personnel as stipulated in the Internal Audit Charter. The IA Department follows a risk-based approach to formulate the audit plan. The risks for departments and business units are assessed using the pre-determined risk criteria. The assessment results are consolidated and ranked from an enterprise-wide perspective. The Audit Committee reviews and approves annually the audit plan, which is formulated based on the risk assessment result. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The IA Department monitors the followup actions agreed upon in response to recommendations.

Review of Risk Management and Internal Control Effectiveness

During the year, the Audit Committee supports the Board in monitoring the Group's risk exposures, the design and operating effectiveness of the underlying risk management and internal control systems by oversees the following processes:

(i) regular reviews of the principal business risks, and control measures to mitigate, reduce or transfer such risks; the strengths and weaknesses of the overall internal control system and action plans to address the weaknesses or to improve the assessment process;

(ii) regular reviews of the business process and operations reported by the Internal Audit Department, including action plans to address the identified control weaknesses and status update and monitor in implementing its recommendations; and

(iii) regular reports by the external auditors of any control issues identified in the course of their work and the discussion with the external auditors of the scope of their respective review and findings.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's risk management and internal control systems. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of these systems.

INVESTORS AND SHAREHOLDERS RELATIONS

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. Enquiries and suggestions from Shareholders or investors are welcomed, and enquires from Shareholders may be put to the Board through the following channels to the company secretary of the Company (the "Company Secretary"):

1. By mail to the Company's principal place of business at Room 2002, 118 Connaught Road West, Sai Ying Pun, Hong Kong;

2. By telephone number 2811 1602;

3. By fax number 2811 3183; or

4. By email at info@visionfame.com

The Company uses a number of formal communications channels to account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channels between the Company and its Shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely mannered and on a regular basis information of the Group to Shareholders through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The co-chairmen of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 64 of the articles of association of the Company, one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may request an extraordinary general meeting. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's head office and principal place of business of the Company at Room 2002, 20/F., 118 Connaught Road West, Sai Ying Pun, Hong Kong or at the Hong Kong branch share registrar and transfer office of the Company at Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong:

- a notice in writing by the Shareholder indicating the intention to propose a person for election as a Director; and
- a notice in writing by the person proposed by the Shareholder for election as a Director indicating his/her willingness to be elected.

The minimum length of the period, during which such notices may be given, will be at least 7 days.

The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

The Board has established a shareholders' communication policy on 28 March 2012 and reviews it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains a website (www.visionfame.com) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY

Mr. Au-yeung has been appointed as the Company Secretary since 3 October 2016. The former Company Secretary was Mr. Kwan Ngai Kit who resigned on 3 October 2016. Mr. Au-yeung reports to the co-chairmen directly and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, Mr. Au-yeung has taken no less than 15 hours of relevant professional training for the year ended 31 March 2017.

Independent Auditor's Report

EY安永

To the shareholders of Vision Fame International Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vision Fame International Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 121, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction contracts	
The Group has accounted for its revenue from construction contracts by applying the percentage-of-completion method. For the year ended 31 March 2017, the Group recognised revenue from construction contracting businesses amounting to HK$663 million. This involves the use of significant management judgements and estimates, including estimating the progress towards completion of the constructions and the forecasts in relation to costs to complete using key assumptions such as duration of the project, preliminary expenses and subcontracting costs. The significant judgements and estimates are included in note 3 to the financial statements.	To address the key audit matter, we evaluated the significant judgements made by management, through an examination of project documentation, key contracts and variation orders, and discussion of the status of projects under construction with management, finance and technical personnel of the Group. We tested the controls of the Group over its processes to record contract costs and contract revenues and the calculation of the stage of completion. Our testing also included checking the payment certificates issued by the contract customers on a sampling basis and assessing management's budgeted costs by checking to the subcontractors' quotation, comparing the total actual costs incurred with the latest expected costs and checking the subsequent claims issued by subcontractors.
Provision of expected loss from construction contracts	
The Group regularly reviews and, where appropriate, adjusts the budgeted costs of each construction project based on work progress and considerations over the changes in scope of construction and estimates the amount of foreseeable losses or attributable profits of each construction contract after considering any claims, disputes and liquidation damages. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately. The calculation for the total contract profits or contract losses involves significant estimations and judgements made by management in relation to the budgeted costs and the possible outcome of any claims, disputes and liquidation damages. The significant judgements and estimates are included in note 3 to the financial statements.	We selected and reviewed material construction contracts, interviewed the Group's project managers regarding preparation and approval processes for the budgeted cost of these construction contracts, and reviewed their budgets by checking to the subcontractors' quotation, comparing the total actual costs incurred with the latest expected costs and checking the subsequent claims issued by subcontractors. Our testing also included checking to supporting documents including variation orders and a review of correspondences between the Group, contract customers and subcontractors in respect of any changes on revenue and budgeted costs arising from the changes in scope of construction, claims, disputes or liquidation damages.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and retention monies receivables	
As at 31 March 2017, the Group recorded gross trade receivables and retention monies receivables of HK$308 million and HK$60 million, respectively. Management performs an impairment assessment on a regular basis, with the impairment provision estimated through the application of judgement and use of subjective assumptions, such as the customers' creditworthiness, customers' current financial ability and ageing analysis. The significant accounting judgements and estimates and disclosures about the balances of trade receivables and retention monies receivables are included in notes 3 and 17 to the financial statements.	We assessed and tested the Group's processes and controls relating to the monitoring of trade receivables, retention monies receivables and the granting of credit terms. We evaluated the inputs and assumptions used by management in their impairment assessment, including those aged receivables or amounts in dispute, by checking to the payment history, ageing of the receivables, the subsequent settlement of the receivables and other relevant information.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Sai Yu.

Ernst & Young
Certified Public Accountants

22/F
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2017

	Notes	**2017 HK$'000**	2016 HK$'000
REVENUE	5	**1,507,561**	2,502,744
Cost of sales		**(1,444,903)**	(2,427,255)
Gross profit		**62,658**	75,489
Other income and gains	5	**19,021**	32,772
Administrative expenses		**(74,124)**	(76,895)
Research and development costs		**(2,770)**	—
Other operating expenses		**—**	(4,788)
Finance costs	7	**(3,584)**	(5,575)
Share of loss of an associate		**(113)**	(6)
PROFIT BEFORE TAX	6	**1,088**	20,997
Income tax expense	10	**(1,233)**	(1,079)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(145)**	19,918
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	15	**2,007**	(4,537)
Reclassification adjustment for losses included in the consolidated statement of profit or loss and other comprehensive income:			
— impairment losses	15	**—**	4,101
		2,007	(436)
Exchange differences:			
Exchange differences on translation of foreign operations		**(20,805)**	1,567
Reclassification adjustment for deregistration of foreign operations during the year		**(681)**	
		(21,486)	1,567
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(19,479)**	1,131
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(19,479)**	1,131
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(19,624)**	21,049
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**(HK0.002 cent)**	HK0.90 cent
Diluted		**(HK0.002 cent)**	HK0.89 cent

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**44,982**	15,855
Investment in an associate	13	**—**	572
Investment in a joint venture	14	**—**	—
Available-for-sale investments	15	**8,655**	3,396
Prepayments, deposits and other receivables	18	**6,375**	4,502
Total non-current assets		**60,012**	24,325
CURRENT ASSETS			
Gross amount due from contract customers	16	**10,785**	27,580
Trade receivables	17	**368,603**	330,191
Prepayments, deposits and other receivables	18	**123,296**	128,397
Available-for-sale investments	15	**14,099**	—
Tax recoverable		**1,769**	—
Pledged bank deposits and restricted cash	19	**54,456**	60,366
Cash and cash equivalents	19	**406,057**	397,801
Total current assets		**979,065**	944,335
CURRENT LIABILITIES			
Gross amount due to contract customers	16	**7,561**	3,872
Trade payables	20	**353,658**	307,385
Other payables and accruals	21	**75,183**	35,110
Amounts due to related parties	33(b)	**36,655**	107,953
Tax payable		**1,548**	2,505
Finance lease payable	23	**1,086**	1,976
Total current liabilities		**475,691**	458,801
NET CURRENT ASSETS		**503,374**	485,534
TOTAL ASSETS LESS CURRENT LIABILITIES		**563,386**	509,859
NON-CURRENT LIABILITIES			
A convertible bond	22	**14,323**	12,529
Loans from a related party	33(b)	**243,009**	170,000
Finance lease payable	23	**905**	2,216
Other payables and accruals	21	**487**	828
Total non-current liabilities		**258,724**	185,573
Net assets		**304,662**	324,286

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	**12,000**	12,000
Equity component of a convertible bond	22	**11,746**	11,746
Other reserves	27	**280,916**	300,540
Total equity		**304,662**	324,286

Chau Chit
Director

Xie Xiaotao
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2017

	Issued capital	Share premium account (note i)	Equity component of a convertible bond	Exchange reserve	Capital reserve (note ii)	Legal reserve (note iii)	Available-for-sale investments revaluation reserve	Other reserve (note iv)	Accumulated losses	Total equity
	HK$'000	HK$'000	HK'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2015	3,000	44,322	–	4,939	3,642	12	436	22,000	(52,362)	25,989
Profit for the year	–	–	–	–	–	–	–	–	19,918	19,918
Other comprehensive income/(loss) for the year:										
Change in fair value of available-for-sale investments	–	–	–	–	–	–	(436)	–	–	(436)
Exchange differences related to foreign operations	–	–	–	1,567	–	–	–	–	–	1,567
Total comprehensive income/(loss) for the year	–	–	–	1,567	–	–	(436)	–	19,918	21,049
Issue of shares (note 25)	9,000	261,000	–	–	–	–	–	–	–	270,000
Share issue expenses (note 25)	–	(4,498)	–	–	–	–	–	–	–	(4,498)
Issue of a convertible bond (note 22)	–	–	11,746	–	–	–	–	–	–	11,746
At 31 March 2016 and 1 April 2016	12,000	300,824	11,746	6,506	3,642	12	–	22,000	(32,444)	324,286
Loss for the year	–	–	–	–	–	–	–	–	(145)	(145)
Other comprehensive income/(loss) for the year:										
Change in fair value of available-for-sale investments	–	–	–	–	–	–	2,007	–	–	2,007
Exchange differences related to foreign operations	–	–	–	(21,486)	–	–	–	–	–	(21,486)
Total comprehensive income/(loss) for the year	–	–	–	(21,486)	–	–	2,007	–	(145)	(19,624)
At 31 March 2017	12,000	300,824*	11,746	(14,980)*	3,642*	12*	2,007*	22,000*	(32,589)*	304,662

* These reserve accounts comprise the consolidated other reserves of HK$280,916,000 (2016: HK$300,540,000) in the consolidated statement of financial position.

Notes:

(i) Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(ii) Capital reserve comprises the following in prior years:

- Wan Chung Construction Company Limited ("Wan Chung Construction") acquired the entire equity interest in Wan Chung Property Company Limited from its then shareholder at a discount of approximately HK$2,776,000 which was deemed to be capital contribution from the owners of the Company.

- Wan Chung Construction recovered indemnified taxation of approximately HK$866,000 from its former shareholder pursuant to the deed of indemnity which was deemed to be capital contribution from the owners of the Company.

(iii) In accordance with the provisions of Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. Legal reserve is not distributable to shareholders. No transfer was made in current and prior years as the subsidiary incurred a loss for both years.

(iv) Other reserve represents the difference between the nominal value of the issued share capital of the subsidiaries acquired and the consideration paid pursuant to the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in January 2012.

Consolidated Statement of Cash Flows

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,088**	20,997
Adjustments for:			
Finance costs	7	**3,584**	5,575
Bank interest income	5	**(2,388)**	(770)
Interest income from sub-contractors	5	**(4,119)**	(4,404)
Investment income from available-for-sale investments	5	**—**	(13)
Share of loss from an associate		**113**	6
(Gain)/loss on disposal of items of property, plant and equipment	6	**(2,373)**	2,056
Depreciation	6	**6,512**	8,266
Impairment loss on available-for-sale investments	6	**—**	4,101
Impairment loss on property, plant and equipment	6	**—**	687
Gain on disposal of a subsidiary	5	**—**	(22,707)
Gain on deregistration of a subsidiaries	5	**(681)**	—
		1,736	13,794
Decrease in properties under development		**—**	25,113
Decrease in gross amount due from contract customers		**16,285**	28,229
Increase in trade receivables		**(39,861)**	(92,405)
Decrease in prepayments, deposits and other receivables		**2,897**	78,897
Increase/(decrease) in gross amount due to contract customers		**3,793**	(2,154)
Increase in trade payables		**47,426**	69,605
Increase/(decrease) in other payables and accruals		**42,044**	(136,844)
Cash generated from/(used in) operations		**74,320**	(15,765)
Hong Kong tax paid		**(2,892)**	(34)
Overseas tax paid		**(934)**	(2,383)
Net cash flows from/(used in) operating activities		**70,494**	(18,182)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(40,327)**	(2,859)
Proceeds from disposal of items of property, plant and equipment		**5,963**	236
Decrease in restricted deposits with a broker		**—**	775
Disposal of a subsidiary	28	**—**	29,800
Investment income received		**—**	13
Interest received		**2,388**	770
Increase in non-pledged time deposits with original maturity of over three months when acquired		**(116,153)**	—
Investment in available-for-sale investments		**(17,482)**	—
Proceeds upon deregistration of an associate		**459**	—
Decrease/(increase) in pledged bank deposits		**18,953**	(20,099)
Net cash flows (used in)/from investing activities		**(146,199)**	8,636

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	270,000
Share issue expenses		**—**	(4,498)
Proceeds from issue of a convertible bond		**—**	24,000
Repayment of bank and other borrowings		**(2,103)**	(32,980)
Interest paid		**(90)**	(1,209)
Movement in balances with related parties		**11**	(16,000)
Net cash flows (used in)/from financing activities		**(2,182)**	239,313
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(77,887)**	229,767
Cash and cash equivalents at beginning of year		**418,351**	188,754
Effect of foreign exchange rate changes, net		**(17,008)**	(170)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**323,456**	418,351
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**274,655**	418,351
Non-pledged time deposits with original maturity of less than three months when acquired		**21,700**	—
Non-pledged time deposits with original maturity of over three months when acquired		**116,153**	—
Restricted cash with original maturity of less than three months when acquired, restricted for bank facilities	19	**(6,451)**	(20,550)
Cash and cash equivalents stated in the consolidated statement of financial position	19	**406,057**	397,801
Time deposits with original maturity of less than three months when acquired, pledged as security for bank facilities		**27,101**	—
Restricted cash with original maturity of less than three months when acquired, restricted for banking facilities	19	**6,451**	20,550
Non-pledged time deposits with original maturity of over three months when acquired		**(116,153)**	—
Cash and cash equivalents as stated in consolidated statement of cash flows		**323,456**	418,351

1. CORPORATE AND GROUP INFORMATION

Vision Fame International Holding Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- Provision of building construction services, property maintenance services, alterations, renovation, upgrading and fitting-out works services;
- Property development and provision of related management and advisory services; and
- Graphene production and trading of metal and materials

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Prosper Ace Investments Limited*	British Virgin Island ("BVI")	US$10,000	100	—	Investment holding
Wan Chung Construction Company Limited	Hong Kong	HK$88,000,000	—	100	(note i)
Wan Chung Engineering (Macau) Company Limited*	Macau	MOP25,000	—	100	(note i)
Wan Chung Construction (Singapore) Pte. Limited*	Singapore	SGD14,700,000	—	100	(note i)
Wan Chung Engineering Company Limited	Hong Kong	HK$10,000	—	100	(note ii)
Vision Foundation Pte. Ltd.*	Singapore	SGD500,000	—	100	Provision of foundation and building construction works
Greatwall Energy Holdings (Hong Kong) Limited	Hong Kong	HK$10,000	—	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Estate International Limited	Hong Kong	HK$1	—	100	Investment holding
Smart Sky Hong Limited*	BVI	US$1	—	100	Investment holding
上海衡途金屬貿易有限公司 Shanghai Hengtu Metal Trading Company Limited (note iii)*	The People's Republic of China ("PRC")/ Mainland China	HK$100,000	—	100	Investment holding
中置國際(青島)地產管理有限公司China Worth International (Qingdao) Real Estate Management Limited (note iii)*	Mainland China	US$500,000	—	100	Provision of property management and advisory services
無錫泰科納米新材料有限公司Wuxi Taike Nano New Material Co. Ltd (note iii)*	PRC/Mainland China	HK$500,000,000	—	100	Graphene production and trading of metal and materials
China Carbon Valley Technology Group Limited	Hong Kong	HK$1	—	100	Investment holding and provision of management services

Notes:

(i) The principal activities of these subsidiaries consisted of the provision of property maintenance services, building construction works, and alterations, renovation, upgrading and fitting-out works.

(ii) The principal activities of this subsidiary consisted of the provision of building construction works and alterations, renovation, updating and fitting-out works.

(iii) Wholly-foreign-owned enterprises under laws of the People's Republic of China (the "PRC").

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of amendments to HKAS 1, and amendments to HKAS 16 and HKAS 38, the adoption of above new and revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

 (i) the materiality requirements in HKAS 1;

 (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

 (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

 (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

 Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[2]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[2]
Annual Improvements 2014–2016 Cycle	Amendments to a number of HKFRSs[5]

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

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

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined but available for adoption

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of its associate and joint venture is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate or joint venture is included as part of the Group's investments in an associate or joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in an associate and a joint venture (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its available-for-sale investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the shorter of lease terms or 1.3%
Leasehold improvements	Over the shorter of lease terms or 25% to 33%
Furniture, fixtures and equipment	20% to 33%
Computers	33%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to related parties, loans from a related party, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) from the rendering of services, upon completion of services rendered;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured either by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Under the laws of Singapore, certain subsidiaries of the Company make contributions to the state pension scheme, the Central Provident Fund ("CPF"). The subsidiaries of the Company in Singapore are required to contribute certain percentages of the monthly salaries of their current employees to the CPF.

Employees employed by the Company's subsidiary in the Macau Special Administrative Region ("MSAR") are members of government-managed retirement benefit schemes operated by the MSAR government and this subsidiary is required to pay a monthly fixed contribution to the retirement benefit schemes to fund the benefits.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, an associate and a joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Contingent liabilities in respect of legal claims

The Group has been engaged in a number of legal claims in respect of certain construction works. Contingent liabilities arising from these legal claims have been assessed by management with reference to legal advice. The directors of the Company considered that adequate provision in respect of the litigations is made after due consideration of each case and with reference to legal opinion.

Estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses arising in Hong Kong, Singapore and Mainland China at 31 March 2017 were HK$4,576,000 (2016: HK$16,374,000), HK$42,590,000 (2016: HK$50,212,000) and HK$2,704,000 (2016: HK$1,657,000), respectively. Further details are contained in note 24 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies an asset as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessments about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. During the year, no impairment loss has been recognised for available-for-sale assets (2016: impairment of loss of HK$4,101,000). The carrying amount of available-for-sale financial assets carried at fair value was HK$19,371,000 (2016: HK$3,396,000). Further details are contained in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Construction contracts revenue recognition and provision of expected losses from construction contracts

The Group recognises contract revenue and profit of a construction contract according to management's estimation of the total outcome of the construction contract as well as percentage of completion of construction works based on contract costs incurred. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expenses immediately.

In estimating the total outcome, the Group determines the amount of attributable profit or foreseeable losses from construction contracts based on the latest available budgets of those construction contracts with reference to the overall performance of each construction contract which requires management's best estimates and judgements of construction revenue and costs. Construction revenue is estimated in accordance with the terms set out in the relevant contracts. Variations in contract works, claims and incentive payments are included to the extent that they have been agreed with the customer and are capable of being reliably measured. Construction costs which mainly comprise preliminary expenses and subcontracting costs are estimated by management on the basis of quotations from time to time provided by the sub-contractors involved and the experience of management. Because of the nature of the construction industry, management regularly reviews the progress report prepared by the project managers and budgets of the construction contracts in determining the percentage of completion of work. Any change in the estimates of construction revenue or construction cost will affect the amount of foreseeable losses, or attributable profits recognised in profit or loss prospectively in each reporting period using the percentage of completion method.

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgement and estimates by reference to ageing analysis and historical payment pattern. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed. The carrying amount of trade receivables was HK$368,603,000 (2016: HK$330,191,000). Further details are contained in note 17 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services provided and has five reportable segments as follows:

(a) building construction and other construction related business;

(b) alterations, renovation, upgrading and fitting-out works;

(c) property maintenance;

(d) property development and provision of related management and advisory services; and

(e) graphene production and trading of metal and materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, investment income, share of loss of an associate, an impairment loss of available-for-sale investments, gain on deregistration of subsidiaries and gain on disposal of a subsidiary as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude investment in an associate and a joint venture, tax recoverable, available-for-sale investments, certain property, plant and equipment, certain other receivables, pledged bank deposits and restricted cash, and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude tax payable, amounts due to related parties, loans from a related party, and certain other payables and accruals, as these liabilities are managed on a group basis.

There were no intersegment sales or transfers during the year (2016: Nil).

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 March 2017

	Building construction and other construction related business HK$'000	Alterations, renovation, upgrading and fitting-out works HK$'000	Property maintenance HK$'000	Property development and provision of related management and advisory services HK$'000	Graphene production and trading of metal and materials HK$'000	Total HK$'000
Segment revenue:						
Revenue from external customers	317,159	346,213	651,155	–	193,034	1,507,561
Segment results:	9,221	26,102	29,834	–	(911)	64,246
Reconciliation:						
Unallocated other income						13,982
Administrative expenses						(74,124)
Finance costs						(3,584)
Gain on deregistration of subsidiaries						681
Share of loss of an associate						(113)
Profit before tax						1,088
Segment assets:	60,657	107,528	260,852	23	103,267	532,327
Reconciliation:						
Corporate and other unallocated assets						506,750
Total assets						1,039,077
Segment liabilities:	90,433	104,960	178,985	249	55,256	429,883
Reconciliation:						
Corporate and other unallocated liabilities						304,532
Total liabilities						734,415
Other segment information:						
Depreciation	3,008	2	884	–	1,973	5,867
Capital expenditure	1,291	–	52	–	36,228	37,571

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 March 2016

	Building construction and other construction related business HK$'000	Alterations, renovation, upgrading and fitting-out works HK$'000	Property maintenance HK$'000	Property development and provision of related management and advisory services HK$'000	Graphene production and trading of metal and materials HK$'000	Total HK$'000
Segment revenue:						
Revenue from external customers	469,748	476,564	468,380	36,134	1,051,918	2,502,744
Segment results:	22,525	21,617	22,761	10,374	1,929	79,206
Reconciliation:						
Unallocated other income						5,661
Administrative expenses						(76,895)
Finance costs						(5,575)
Impairment loss on available-for-sale investments						(4,101)
Gain on disposal of a subsidiary						22,707
Share of loss of an associate						(6)
Profit before taxation						20,997
Segment assets:	97,588	88,849	194,463	254	96,676	477,830
Reconciliation:						
Corporate and other unallocated assets						490,830
Total assets						968,660
Segment liabilities:	103,490	95,632	129,044	324	18,976	347,466
Reconciliation:						
Corporate and other unallocated liabilities						296,908
Total liabilities						644,374
Other segment information:						
Depreciation	3,955	6	859	—	3	4,823
Capital expenditure*	24	517	165	—	22	728
Impairment loss on property, plant and equipment	—	—	—	648	39	687

* Capital expenditure consists of additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
Hong Kong	**1,058,836**	1,977,337
Singapore	**255,691**	234,196
Macau	**—**	9,616
Mainland China	**193,034**	256,014
Australia	**—**	25,581
	1,507,561	2,502,744

The revenue information above is based on the locations of the operations.

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Hong Kong	**7,141**	7,140
Singapore	**6,690**	12,351
Mainland China	**37,526**	1,438
Total non-current assets	**51,357**	20,929

The non-current asset information above is based on the locations of the assets and excludes available-for-sale investments.

Information about major customers

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

	2017 HK$'000	2016 HK$'000
Customer A[1]	**637,248**	478,540
Customer B[2]	**238,034**	174,093
Customer C[3]	**161,011**	N/A[#]
Customer D[3]	**—**	473,642
Customer E[3]	**—**	294,695

1 Revenue from building construction and property maintenance.

2 Revenue from building construction.

3 Revenue from graphene production and trading of metal and materials.

\# Revenue from this customer amounted to less than 10% of the total revenue of the Group for the year ended 31 March 2016.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents revenue from building construction; alterations, renovation, upgrading and fitting-out works; property maintenance; property development and provision of related management and advisory services; and graphene production and trading of metal and materials during the year.

An analysis of revenue, other income and gains is as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Building construction	317,159	469,748
Alterations, renovation, upgrading and fitting-out works	346,213	476,564
Property maintenance	651,155	468,380
Property development and provision of related management and advisory services	—	36,134
Graphene production and trading of metal and materials	193,034	1,051,918
	1,507,561	2,502,744
Other income		
Rental income	—	156
Interest income from sub-contractors	4,119	4,404
Bank interest income	2,388	770
Investment income from available-for-sale investments	—	13
Government grants	1,163	2,114
Others	2,473	2,608
	10,143	10,065
Gains		
Gain on disposal of a subsidiary (note 28)	—	22,707
Gain on deregistration of subsidiaries	681	—
Foreign exchange difference, net	5,824	—
Gain on disposal of items of property, plant and equipment	2,373	—
	8,878	22,707
Total other income and gains	19,021	32,772

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	2017 HK$'000	2016 HK$'000
Cost of services provided		**1,253,728**	1,377,307
Cost of inventories sold		**191,175**	1,049,948
Auditor's remuneration		**1,300**	1,200
Depreciation	12	**6,512**	8,266
Minimum lease payments under operating leases on land and buildings		**4,510**	3,814
Loss/(gain) on disposal of items of property, plant and equipment		**(2,373)**	2,056
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**102,982**	106,713
Pension scheme contributions*		**4,321**	3,886
		107,303	110,599
Foreign exchange differences, net		**(5,824)**	3,821
Impairment loss on available-for-sale investments^		**—**	4,101
Impairment loss on property, plant and equipment^	12	**—**	687

* At 31 March 2017, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2016: Nil).

^ These amounts are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on loans from a related party	**1,700**	4,091
Interest on obligations under finance leases	**87**	116
Interest on bank loans and other loans (including a convertible bond)	**1,797**	1,368
	3,584	5,575

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 **HK$'000**	2016 HK$'000
Fees	**600**	629
Other emoluments:		
Salaries, bonuses and allowances	**4,152**	4,925
Pension scheme contributions	**35**	54
	4,187	4,979
	4,787	5,608

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017 **HK$'000**	2016 HK$'000
Chiu Sai Chuen Nicholas*	**—**	147
Tam Tak Kei, Raymond	**150**	150
Wong Kai Tung, Simon	**150**	150
Wong Wai Kwan**	**150**	104
	450	551

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

* Mr. Chiu Sai Chuen Nicholas resigned as an independent non-executive director of the Company with effect from 23 September 2015.

** Mr. Wong Wai Kwan was appointed as an independent non-executive director of the Company with effect from 22 July 2015.

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2017				
Executive directors:				
Chau Chit*	—	2,600	18	2,618
Dai Jialong**	—	200	—	200
Xie Xiaotao***	—	297	—	297
Hu Baoyue^	—	460	8	468
Kwan Ngai Kit^^	—	595	9	604
	—	4,152	35	4,187
Non-executive director:				
Chen Guobao#	150	—	—	150
	150	4,152	35	4,337
2016				
Executive directors:				
Wang Zhijun##	—	940	8	948
Hu Baoyue (acting chief executive officer)^	—	1,020	20	1,040
Kwan Ngai Kit^^	—	1,099	18	1,117
Chau Chit*	—	1,866	8	1,874
	—	4,925	54	4,979
Non-executive director:				
Chen Guobao#	78	—	—	78
	78	4,925	54	5,057

* Mr. Chau Chit was appointed as an executive director of the Company with effect from 22 July 2015.

** Mr. Dai Jialong was appointed as an executive director of the Company with effect from 1 March 2017.

*** Mr. Xie Xiaotao was appointed as an executive director of the Company with effect from 3 October 2016.

^ Mr. Hu Baoyue was resigned as an executive director of the Company with effect from 21 September 2016.

^^ Mr. Kwan Ngai Kit was resigned as an executive director of the Company with effect from 3 October 2016.

Mr. Chen Guobao was appointed as an non-executive director of the Company with effect from 23 September 2015.

Mr. Wang Zhijun resigned as an executive director of the Company with effect from 23 September 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2016: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2016: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, bonuses and allowances	7,011	6,076
Pension scheme contributions	72	72
	7,083	6,148

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
HK$1,000,001 to HK$1,500,000	—	3
HK$1,500,001 to HK$2,000,000	4	1
	4	4

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax had been made as the Company had available tax losses brought forward from prior years to offset the assessable profits generated during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017 HK$'000	2016 HK$'000
Current — Hong Kong		
Charge for the year	1,233	—
Current — Elsewhere		
Charge for the year	—	2,445
Overprovision in prior years	—	(62)
Deferred (note 24)	—	(1,304)
Total tax charge for the year	1,233	1,079

10. INCOME TAX (Continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2017 HK$'000	2016 HK$'000
Profit before tax	1,088	20,997
Tax at the statutory tax rate	397	3,666
Adjustments in respect of current tax of previous periods	—	(62)
Income not subject to tax	(928)	(3,783)
Expenses not deductible for tax	3,578	4,423
Tax losses utilised from previous periods	(2,624)	(5,064)
Tax losses not recognised	646	1,899
Others	164	—
Tax charge at the Group's effective rate of 113% (2016: 5.1%)	1,233	1,079

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,000,000,000 (2016: 2,213,114,754 after taking into account the share subdivision which became effective on 3 May 2016) in issue during the year.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on a convertible bond, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	2017	2016
	HK$'000	HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**(145)**	19,918
Interest on a convertible bond	**1,794**	275
Profit attributable to ordinary equity holders of the parent before interest on a convertible bond	**1,649***	20,193

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation (note)	**6,000,000,000**	2,213,114,754
Effect of dilution — weighted average number of ordinary shares:		
A convertible bond	**390,388,125**	60,820,165
	6,390,388,125*	2,273,934,919

* Because the diluted earnings/(loss) per share amount is increased when taking convertible bond into account, the convertible bond had an anti-dilutive effect on the basic earnings/(loss) per share for the year and was ignored in the calculation of diluted earnings/(loss) per share. Therefore, the diluted earnings/(loss) per share amount is based on the loss for the year, and the weighted average number of ordinary shares of 6,000,000,000 in issue during the year.

Note: The weighted average number of ordinary shares for the prior year has been adjusted as if the share subdivision (note 25) had occurred at the beginning of the earliest period presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2017						
At 31 March 2016 and at 1 April 2016:						
Cost	–	3,072	26,032	2,708	4,127	35,939
Accumulated depreciation and impairment	–	(1,461)	(13,554)	(2,011)	(3,058)	(20,084)
Net carrying amount	–	1,611	12,478	697	1,069	15,855
At 1 April 2016, net of accumulated depreciation and impairment	–	1,611	12,478	697	1,069	15,855
Additions	–	13,247	12,542	399	14,139	40,327
Disposals	–	–	(3,544)	–	(46)	(3,590)
Depreciation provided during the year	–	(439)	(3,263)	(628)	(2,182)	(6,512)
Exchange realignment	–	(289)	(580)	(1)	(228)	(1,098)
At 31 March 2017	–	14,130	17,633	467	12,752	44,982
At 31 March 2017:						
Cost	–	16,001	28,496	3,106	17,693	65,296
Accumulated depreciation and impairment	–	(1,871)	(10,863)	(2,639)	(4,941)	(20,314)
Net carrying amount	–	14,130	17,633	467	12,752	44,982
31 March 2016						
At 1 April 2015:						
Cost	9,000	3,039	30,369	2,553	4,111	49,072
Accumulated depreciation	(1,440)	(1,827)	(10,314)	(1,535)	(2,459)	(17,575)
Net carrying amount	7,560	1,212	20,055	1,018	1,652	31,497
At 1 April 2015, net of accumulated depreciation	7,560	1,212	20,055	1,018	1,652	31,497
Additions	–	1,483	823	553	–	2,859
Disposals	–	(487)	(1,802)	–	(3)	(2,292)
Disposal of a subsidiary (note 28)	(7,410)	–	–	–	–	(7,410)
Depreciation provided during the year	(150)	(597)	(6,363)	(572)	(584)	(8,266)
Impairment	–	–	(392)	(295)	–	(687)
Exchange realignment	–	–	157	(7)	4	154
At 31 March 2016	–	1,611	12,478	697	1,069	15,855
At 31 March 2016:						
Cost	–	3,072	26,032	2,708	4,127	35,939
Accumulated depreciation and impairment	–	(1,461)	(13,554)	(2,011)	(3,058)	(20,084)
Net carrying amount	–	1,611	12,478	697	1,069	15,855

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixture and equipment as at 31 March 2017 were HK$4,359,000 (2016: HK$9,343,000).

13. INVESTMENT IN AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Share of net assets	–	572
Goodwill on acquisition	–	487
	–	1,059
Provision for impairment#	–	(487)
	–	572

In the prior year, impairment of HK$487,000 was recognised for an investment in an associate with a carrying amount of HK$1,059,000 because the directors reviewed the carrying amount of the investment in an associate with reference to its business performance prepared by the investee's management and considered the amount could not be recovered.

Particulars of the Group's associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of equity attributable to the Group	Principal activities
Castilia Development Pte. Ltd. ("Castilia")	Ordinary	Singapore	— (2016: 20)	Inactive*

* Castilia was struck off on 6 February 2017.

13. INVESTMENT IN AN ASSOCIATE (Continued)

The following table illustrates the summarised financial information in respect of Castilia adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Current assets	–	3,347
Current liabilities	–	(485)
Net assets	–	2,862
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	–	20%
Group's share of net assets of the associate, excluding goodwill and carrying amount of the investment	–	572
Revenue	–	—
Loss and total comprehensive loss for the year	(565)	(30)

14. INVESTMENT IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Share of net assets	–	—

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Keat Seng-Vision Foundation JV Pte. Ltd.	Ordinary	Singapore	— (2016: 50%)	Inactive#

The Group has discontinued the recognition of its share of losses of the joint venture because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. In prior year, the amounts of the Group's unrecognised share of loss of this joint venture for that year and cumulatively were HK$12,000 and HK$2,324,000, respectively.

The joint venture was liquidated on 10 February 2017.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Listed equity investments, at fair value	**4,974**	3,090
Listed debt securities, at fair value	**298**	306
Unlisted equity investments, at cost	**3,383**	—
Unlisted debt investment, at fair value	**14,099**	—
	22,754	3,396
Classified as current assets	**(14,099)**	—
	8,655	3,396

During the year, the gross fair value gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$2,007,000 (2016: gross fair value loss of HK$4,537,000).

The above investments consist of investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate and investment in debt securities with a fixed interest rate of 4.7% per annum.

There was a significant decline in the market value of certain listed equity investments during the prior year. The directors considered that such a decline indicated that the listed equity investments had been impaired and an impairment loss of HK$4,101,000, which included a reclassification from other comprehensive income, had been recognised in profit or loss for the prior year.

As at 31 March 2017, certain unlisted equity investments with a carrying amount of HK$3,383,000 (2016: Nil) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Included in available-for-sale investments is an amount of approximately HK$14,099,000 (2016: Nil) pledged to secure bank facilities and performance bonds granted to the Group.

16. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2017 HK$'000	2016 HK$'000
Gross amount due from contract customers	**10,785**	27,580
Gross amount due to contract customers	**(7,561)**	(3,872)
	3,224	23,708
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	**1,269,150**	1,533,816
Less: Progress billings	**(1,265,926)**	(1,510,108)
	3,224	23,708

17. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**308,257**	271,718
Retention monies receivables (note)	**60,346**	58,473
	368,603	330,191

Note: The amount represents retentions held by customers for contract works, of which approximately HK$40,735,000 (2016: HK$45,610,000) is expected to be recovered or settled in more than twelve months from the end of the reporting period.

The Group does not have a standardised and universal credit period granted to its customers, and the credit periods of individual customers are considered on a case-by-case basis and stipulated in the project contract, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

17. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	**299,474**	227,516
1 to 3 months	**8,783**	43,888
Over 3 months	**—**	314
	308,257	271,718

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**298,439**	244,795
Less than 3 months past due	**9,818**	26,813
More than 3 months past due	**—**	110
	308,257	271,718

Receivables that were neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	**78,553**	94,924
Deposits and other receivables	**51,118**	37,975
	129,671	132,899
Less: non-current portion	**(6,375)**	(4,502)
	123,296	128,397

The financial assets included in the above net balances relate to receivables for which there was no recent history of default.

Included in other receivables is an amount of approximately HK$18,477,000 (2016: HK$14,692,000) pledged to secure bank facilities and performance bonds granted to the Group.

19. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED CASH

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**274,655**	418,351
Time deposits at banks	**185,858**	39,816
	460,513	458,167
Less: Pledged deposits for banking facilities	**(48,005)**	(39,816)
Restricted cash for banking facilities	**(6,451)**	(20,550)
	(54,456)	(60,366)
Cash and cash equivalents	**406,057**	397,801

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$259,007,000 (31 March 2016: HK$97,976,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between fourteen days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**280,655**	236,547
Retention monies payables	**73,003**	70,838
	353,658	307,385

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	**257,112**	224,443
1 month to 3 months	**13,412**	6,713
Over 3 months	**10,131**	5,391
	280,655	236,547

Trade payables are non-interest-bearing and are normally settled on 30 to 60 day terms.

21. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Advance receipts	**54,968**	18,655
Other payables and accruals	**20,702**	17,283
	75,670	35,938
Less: non-current portion	**(487)**	(828)
Current portion	**75,183**	35,110

Other payables are non-interest-bearing and repayable on demand.

22. A CONVERTIBLE BOND

On 3 February 2016, the Company issued a convertible bond with a principal amount of HK$24,000,000 to Mega Start Limited ("Mega Start"), which is a substantial shareholder and a company wholly owned by Mr. Chau Chit (being the Co-Chairman and an executive director of the Company). The convertible bond can be converted into ordinary shares of the Company at the initial conversion price of HK$0.3 per conversion share which was revised to HK$0.06 per conversion share after the share subdivision on 3 May 2016, bearing no interest and will mature in 5 years after the date of issue. The holder of the convertible bond shall convert the outstanding principal amount of the convertible bond into ordinary shares in full mandatorily, if and only if, the gross profits of the new graphene business of the Group for the two financial years ending 31 March 2017 and 2018 exceed HK$300 million in aggregate.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bond issued during the prior year had been split into the liability and equity components as follows:

	2017 **HK$'000**	2016 HK$'000
Nominal value		
At 31 March 2016, 1 April 2016 and 31 March 2017	**24,000**	24,000
Liability component		
At 1 April 2016/3 February 2016 (issuance date)	**12,529**	12,254
Interest expense	**1,794**	275
At 31 March	**14,323**	12,529
Equity component		
At 31 March 2016, 1 April 2016 and 31 March 2017	**11,746**	11,746

23. FINANCE LEASE PAYABLE

The Group leases certain of its plant and machinery for its building construction business. These leases are classified as finance leases and have remaining lease terms ranging from one to two years. These leases have no terms of renewal and escalation clauses.

As at 31 March 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2017 HK$'000	Minimum lease payments 2016 HK$'000	**Present value of minimum lease payments 2017 HK$'000**	Present value of minimum lease payments 2016 HK$'000
Amounts payable:				
Within one year	**1,161**	2,069	**1,086**	1,976
In the second year	**968**	1,357	**905**	1,278
In the third to fifth years, inclusive	**—**	1,002	**—**	938
Total minimum finance lease payments	**2,129**	4,428	**1,991**	4,192
Future finance charges	**(138)**	(236)		
Total net finance lease payables	**1,991**	4,192		
Portion classified as current liabilities	**(1,086)**	(1,976)		
Non-current portion	**905**	2,216		

24. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000
At 1 April 2015	1,634
Deferred tax credited to profit or loss during the year (note 10)	(1,304)
Disposal of a subsidiary (note 28)	(333)
Exchange realignment	3
Deferred tax liabilities at 31 March 2016, 1 April 2016 and 31 March 2017	—

The Group has tax losses arising in Hong Kong and Singapore of HK$47,166,000 (2016: HK$66,586,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$2,704,000 (2016: HK$1,657,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 March 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$15,041,000 (2016: HK$15,206,000) at 31 March 2017.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

	2017 HK$'000	2016 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.002 each (2016: 2,000,000,000 ordinary shares of HK$0.01 each)	**20,000**	20,000
Issued and fully paid:		
6,000,000,000 ordinary shares of HK$0.002 each (2016: 1,200,000,000 ordinary shares of HK$0.01 each)	**12,000**	12,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 April 2015	300,000,000	3,000	44,322	47,322
New issues (note i)	900,000,000	9,000	261,000	270,000
Share issue expenses	—	—	(4,498)	(4,498)
At 31 March 2016 and 1 April 2016	1,200,000,000	12,000	300,824	312,824
Subdivision (note ii)	4,800,000,000	—	—	—
At 31 March 2016	6,000,000,000	12,000	300,824	312,824

Notes:

(i) On 3 February 2016, 900,000,000 ordinary shares of HK$0.01 each were issued at a subscription price of HK$0.3 per share for a total cash consideration, before expense, of HK$270,000,000.

(ii) On 3 May 2016, each of the existing issued and unissued shares of HK$0.01 in the share capital of the Company were subdivided into five ordinary shares of HK$0.002 each. The share subdivision was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 29 April 2016.

Share options

Details of the Company's share option scheme are included in note 26 to the financial statements.

26. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 19 December 2011, the Company adopted a share option scheme (the "Scheme") to attract and retain the best available personnel, to provide additional incentive to eligible participants and to promote the success of the business of the Group.

Eligible participants of the Scheme include employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, and business partners or service providers of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

No share options have been granted since the adoption of the Scheme and there were no outstanding share options at the end of the reporting period.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 56 and 57 of the financial statements.

28. DISPOSAL OF A SUBSIDIARY

	Notes	2017 HK$'000	2016 HK$'000
Net assets disposed of:			
Property, plant and equipment	12	–	7,410
Prepayments, deposits and other receivables		–	16
Deferred tax liabilities	24	–	(333)
Deferred tax liabilities			7,093
Gain on disposal of a subsidiary	5	–	22,707
			29,800
Satisfied by:			
Cash			29,800

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2017 HK$'000	2016 HK$'000
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	29,800

The gain on disposal of a subsidiary represented the disposal of an office premise in substance by the Group.

29. CONTINGENT LIABILITIES

Performance bonds amounting to HK$107,392,000 (2016: HK$141,189,000) were given by banks or insurance companies in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the construction contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks or insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks or insurance companies accordingly. The performance bonds will be released upon completion of the contract works for the relevant customers.

In addition, a subsidiary of the Company is a defendant in a number of claims, lawsuits, arbitrations and potential claims relating to subcontracting fees, damages of personal injuries and breach of construction contracts. The directors of the Company considered that the possibility of any outflow in settling the legal claims is remote, after due consideration of each case and with reference to legal advice.

30. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in note 15, 18 and 19 to the financial statements.

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties, machinery and staff quarters under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

As at 31 March 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**3,975**	4,123
In the second to fifth years, inclusive	**2,325**	2,562
	6,300	6,685

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	2017 **HK$'000**	2016 HK$'000
Contracted, but not provided for:		
Land and buildings	**21,420**	—
Plant and machinery	**6,787**	—
	28,207	—

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2017	2016
	HK$'000	HK$'000
Interest expense paid to a director of certain subsidiaries of the Company (note)	**1,700**	4,091

Note: The interest expense was loan interest charged on a loan from Mr. Wong Law Fai, a director of certain subsidiaries of the Company, pursuant to a loan agreement dated 1 December 2013. Details of the amounts due to related parties and loan from a related party are detailed in note 33(b) below.

(b) Outstanding balances with related parties:

The loans from a related party were advanced by Mr. Wong Law Fai, a director of certain subsidiaries of the Company. Pursuant to the loan agreements dated 1 December 2013, loans of approximately HK$170,000,000 (2016: HK$170,000,000) are unsecured and bear interest at 1% (2016: 1%) per annum and are repayable in June 2018 as extended by Mr. Wong Law Fai. Pursuant to the loan agreement dated 31 October 2016, another loan of approximately HK$73,000,000 is unsecured, interest-free and is repayable in June 2018.

The amounts due to a related party of approximately HK$36,644,000 (2016: approximately HK$107,953,000) and HK$11,000 (2016: Nil) were advanced by Mr. Wong Law Fai and Mr. So Kwok Lam, directors of certain subsidiaries of the Company. They are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the financial statements.

(d) The Company and Mega Start Limited entered into a subscription agreement on 16 December 2015 in relation to subscription for 90,000,000 shares of the Company and an agreement on 16 December 2015 in relation to subscription of a convertible bond in a principal amount of HK$24,000,000. Details are stated in the Company's the circular dated 15 January 2016. Details of the convertible bond are included in note 22 to the financial statements.

(e) Performance bond of approximately HK$35,271,000 (2016: HK$40,134,000) was guaranteed by Mr. Wong Law Fai, a director of certain subsidiaries of the Company.

The related party transactions in respect of items (a) and (e) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2017

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	—	22,754	22,754
Trade receivables	368,603	—	368,603
Deposits and other receivables (note 18)	51,118	—	51,118
Pledged deposits and restricted cash	54,456	—	54,456
Cash and cash equivalents	406,057	—	406,057
	880,234	22,754	902,988

Financial liabilities

	At amortised cost HK$'000
Trade payables	353,658
Financial liabilities included in other payables and accruals	18,240
Amounts due to related parties	36,655
Finance lease payable	1,991
Convertible bond	14,323
Loans from a related party	243,009
	667,876

34. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2016

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	—	3,396	3,396
Trade receivables	330,191	—	330,191
Deposits and other receivables (note 18)	37,975	—	37,975
Pledged deposits and restricted cash	60,366	—	60,366
Cash and cash equivalents	397,801	—	397,801
	826,333	3,396	829,729

Financial liabilities

	At amortised cost HK$'000
Trade payables	307,385
Financial liabilities included in other payables and accruals	5,094
Amounts due to related parties	107,953
Finance lease payable	4,192
Convertible bond	12,529
Loans from a related party	170,000
	607,153

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Financial asset				
Available-for-sale investments, at fair value	**19,371**	3,396	**19,371**	3,396
Financial liability				
Convertible bond	**14,323**	12,529	**14,261**	12,529

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits and restricted cash, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, available-for-sale investments, financial liabilities included in other payables and accruals, certain bank and other borrowings and balances with related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of other borrowings, other payables and accruals, loans from a related party have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bond is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity and debt investments classified as available-for-sale investments are based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2)** HK$'000	**Significant unobservable inputs (Level 3)** HK$'000	**Total** HK$'000
31 March 2017				
Available-for-sale investments	**5,272**	**14,099**	**—**	**19,371**
31 March 2016				
Available-for-sale investments	3,396	—	—	3,396

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 March 2016 and 31 March 2017.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, balances with related parties, and loans from a related party, available-for-sale investments cash and cash equivalents and pledged bank deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as available-for-sale investments, trade and bills receivables, trade payables, deposits and other receivables, and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has certain pledged bank deposits, cash and cash equivalents denominated in currencies other than the functional currency of the group entities to which they relate. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Singapore dollar ("SGD"), Australian dollar ("AUD") and Renminbi ("RMB") exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	%	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2017			
If the Hong Kong dollar weakens against SGD	5	**(131)**	**264**
If the Hong Kong dollar strengthens against SGD	(5)	**131**	**(264)**
If the Hong Kong dollar weakens against RMB	5	**13,977**	**—**
If the Hong Kong dollar strengthens against RMB	(5)	**(13,977)**	**—**
2016			
If the Hong Kong dollar weakens against SGD	5	(948)	—
If the Hong Kong dollar strengthens against SGD	(5)	948	—
If the Hong Kong dollar weakens against AUD	5	10	—
If the Hong Kong dollar strengthens against AUD	(5)	(10)	—
If the Hong Kong dollar weakens against RMB	5	17,220	—
If the Hong Kong dollar strengthens against RMB	(5)	(17,220)	—

* Excluding retained profits

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise other receivables, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group has concentrations of credit risk as 42% (2016: 19%) and 78% (2016: 63%) of the total trade receivables were due from the Group's single largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 17 and 18 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against that of its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance a stable liquidity.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2017				
Trade payables	**—**	**353,658**	**—**	**353,658**
Financial liabilities included in other payables and accruals	**—**	**18,240**	**—**	**18,240**
Amounts due to related parties	**36,655**	**—**	**—**	**36,655**
Loans from a related party	**—**	**—**	**245,133**	**245,133**
Convertible bond	**—**	**—**	**24,000**	**24,000**
Finance lease payable	**—**	**1,161**	**968**	**2,129**
	36,655	**373,059**	**270,101**	**679,815**
2016				
Trade payables	—	307,385	—	307,385
Financial liabilities included in other payables and accruals	—	5,094	—	5,094
Amounts due to a related party	107,953	—	—	107,953
Loan from a related party	—	—	171,700	171,700
Convertible bond	—	—	24,000	24,000
Finance lease payable	—	2,069	2,359	4,428
	107,953	314,548	198,059	620,560

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes gross amount due to contract customers, trade payables, other payables and accruals, amounts due to related parties, loans from a related party, finance lease payable and a convertible bond, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2017 **HK$'000**	2016 HK$'000
Gross amount due to contract customers	**7,561**	3,872
Trade payables	**353,658**	307,385
Other payables and accruals	**75,670**	35,938
Amounts due to related parties	**36,655**	107,953
Finance lease payable	**1,991**	4,192
Convertible bond	**14,323**	12,529
Loans from a related party	**243,009**	170,000
Less: cash and cash equivalents	**(406,057)**	(397,801)
Net debt	**326,810**	244,068
Total capital	**304,662**	324,286
Total capital and net debt	**631,472**	568,354
Gearing ratio	**52%**	43%

37. EVENT AFTER THE REPORTING PERIOD

On 12 December 2016, the Group entered into a sale and purchase agreement to acquire an office property in Hong Kong (the "Property") at a consideration of HK$23,800,000. The acquisition was completed on 7 April 2017. On 21 April 2017, the Company entered into a mortgage agreement for a mortgage loan facility of up to HK$9,120,000 from a bank, charging the Property as a security.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**–**	–
CURRENT ASSETS		
Other receivables	**365**	191
Amounts due from subsidiaries	**377,800**	405,560
Cash and bank balances	**39**	88
Total current assets	**378,204**	405,839
CURRENT LIABILITIES		
Other payables	**1,066**	748
Amounts due to subsidiaries	**58,455**	68,629
Total current liabilities	**59,521**	69,377
NET CURRENT ASSETS	**318,683**	336,462
TOTAL ASSETS LESS CURRENT LIABILITIES	**318,683**	336,462
NON-CURRENT LIABILITIES		
Convertible bond	**14,323**	12,529
Net assets	**304,360**	323,933
EQUITY		
Issued capital	**12,000**	12,000
Equity component of a convertible bond	**11,746**	11,746
Reserves (note)	**280,614**	300,187
Total equity	**304,360**	323,933

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

Note:

A summary of the Company's reserves is as follows:

	Share premium account (note i) HK$'000	**Contributed surplus** (note ii) HK$'000	**Capital reserve** (note iii) HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2015	44,322	119,427	3,791	(46,481)	121,059
Total comprehensive loss for the year	—	—	—	(77,374)	(77,374)
Issue shares	261,000	—	—	—	261,000
Share issue expenses	(4,498)	—	—	—	(4,498)
At 31 March 2016 and 1 April 2016	300,824	119,427	3,791	(123,855)	300,187
Total comprehensive loss for the year	—	—	—	(19,573)	(19,573)
At 31 March 2017	300,824	119,427	3,791	(143,428)	280,614

(i) Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date of which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(ii) Contributed surplus represents the difference between the nominal value of the shares issued for the acquisition of Prosper Ace Investments Limited and the consolidated net asset value of Prosper Ace Investments Limited and its subsidiaries at the date of acquisition.

(iii) Capital reserve represents a fair value adjustment of an amount due to a subsidiary, which is non-current and interest-free, at initial recognition.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2017.

Five Year Financial Summary

CONSOLIDATED RESULTS

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Revenue	965,386	863,928	1,776,238	2,502,744	**1,507,561**
Profit/(loss) before taxation	30,558	(48,568)	(115,787)	20,997	**1,088**
Income tax expense	(4,685)	250	(1,476)	(1,079)	**(1,233)**
Profit/(loss) attributable to owners of the parent	25,873	(48,318)	(117,263)	19,918	**(145)**

CONSOLIDATED ASSETS AND LIABILITIES

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Total assets	426,624	657,315	774,791	968,660	**1,039,077**
Total liabilities	(228,458)	(512,536)	(748,802)	(644,374)	**(734,415)**
Total equity	198,166	144,779	25,989	324,286	**304,662**