LKS Holding Group Limited
樂嘉思控股集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 8415

ANNUAL REPORT 2017

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This report, for which the directors (the "Directors") of LKS Holding Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors:
Ms. Wong Wan Sze *(Chairman)*
Mr. Lam Shui Wah *(Chief Executive Officer)*

Independent Non-executive Directors:
Mr. Ng Man Wai
Mr. Wu Wai Ki
Ms. Tsang Ngo Yin

AUDIT COMMITTEE
Ms. Tsang Ngo Yin *(Chairman)*
Mr. Ng Man Wai
Mr. Wu Wai Ki

REMUNERATION COMMITTEE
Mr. Wu Wai Ki *(Chairman)*
Ms. Tsang Ngo Yin
Ms. Wong Wan Sze

NOMINATION COMMITTEE
Ms. Wong Wan Sze *(Chairman)*
Ms. Tsang Ngo Yin
Mr. Wu Wai Ki

AUDITORS
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Hong Kong

COMPANY SECRETARY
Ms. Yim Sau Ping *(CPA)*

AUTHORISED REPRESENTATIVES
Ms. Wong Wan Sze
Ms. Yim Sau Ping *(CPA)*

COMPLIANCE OFFICER
Ms. Wong Wan Sze

COMPLIANCE ADVISER
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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
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PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited

DBS Bank (Hong Kong) Limited

COMPANY'S WEBSITE
www.ampleconstruction.com.hk

STOCK CODE
08415

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of LKS Holding Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am delighted to present the first annual report of the Group to you since the listing (the "**Listing**") of the shares of the Company on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 12 January 2017 (the "**Listing Date**").

A NOTE OF APPRECIATION

The Company was successfully listed on GEM on 12 January 2017. On behalf of the Group, I wish to take this opportunity to express my gratitude to our shareholders, business partners and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staffs for their diligence, commitment and contribution throughout the years.

REVIEW

The total revenue of the Group increased by approximately HK$25.0 million or 17.8% from approximately HK$140.7 million for the year ended 31 March 2016 to approximately HK$165.7 million for the year ended 31 March 2017.

The Group's profit attributable to the shareholders increased by approximately HK$3.2 million or 32.7% from approximately HK$10.0 million for the year ended 31 March 2016 to approximately HK$13.2 million for the year ended 31 March 2017. The Group's financial performance for the year ended 31 March 2017 was very fruitful.

FORWARD

Looking ahead to the coming years, although certain challenging factors such as (i) the intense competition in the market; (ii) continuously rising the direct labour and material costs; and (iii) the increase in the staff costs and the shortage of the professional may exert pressure on the Group's business, the Group remains cautiously optimistic about the overall business prospects.

LKS Holding Group Limited
Wong Wan Sze
Chairman and Executive Director

Hong Kong, 22 June 2017

BUSINESS REVIEW AND OUTLOOK

The Group is a main contractor capable of (i) interior fitting-out and renovation services; and (ii) alteration and addition ("A&A") works for residential, industrial and commercial properties in Hong Kong. The Group has been running its business since 2005 and gained extensive experience and reputation in the industry. Ample Construction Company Limited ("Ample Construction"), its principal operating subsidiary for the contracting businesses, has been registered as the Registered General Building Contractor under the Building Authority since 2006 and is approved to carry out A&A works, including general building works and street works under the Buildings Ordinance. Ample Design Company Limited, the design department, provides interior design services to clients.

The fitting-out and renovation services mainly include interior fitting-out and renovation works for shops and offices in commercial and industrial properties and residential premises. For A&A works, the scope of works was generally structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement.

For building services engineering projects, the Group is required to complete the engineering works in relation to the installation and/or upgrade of building services systems as set out in the scope of work under the contract. For maintenance projects, the Group is required to provide maintenance services for existing building services systems of a property or portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair.

The Group experienced an increase in revenue and net profit for the year ended 31 March 2017 compared to the same period last year. The Directors consider that the increase was mainly due to an increase in the alteration and addition works services projects provided by the Group and the increase in number of contracting projects undertaking by the Group during the year.

Looking forward, the Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong is the key driver for the growth of the Hong Kong A&A, interior fitting-out & renovation industry.

With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:

i) The Group's contracts are not recurring in nature and the future business depends on its continuing success on project tender.

ii) The Group is exposed to disputes, claims or litigation that may affect its operations and financial positions.

iii) The Group's profit may be substantially reduced if there are changes in its subcontracting and material cost after tender.

iv) The Group is engaged in an industry that require stable supply of labour to carry out its projects.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries for the year ended 31 March 2017.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, water pollution control and waste disposal control.

The Group has established measures and work procedures governing environmental protection compliance that are required to be followed by its employees and subcontractors. Such measures and procedures include, among others:

Emissions and Waste Generations

The Group is systematically collecting its carbon footprint data for disclosure. The carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of equivalent amount of Carbon Dioxide (CO2) emission. Comprising the Group's headquarter office and active projects for the reporting period, the Group's operations in Hong Kong covered a total floor area of 156.63 m2 and accounted for 100% of the Group's emissions.

Green House Gas Emission

There were 90.57 tonnes of carbon dioxide equivalent (tCO2-eq) GHGs (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation during the reporting period. With the total operation area of 156.63 m2, the total emission intensity due to energy usage was 0.578 tCO2-eq/m2. Over 93% of the Group's GHG emission was generated by the use of electricity originated from electrical appliances including lightings, air conditioning, and office and construction use equipment in the office and construction projects locations. Another source of GHG emission was from the disposal of paper waste that contributed to 5.57 tCO2-eq.

Air and Water Emission

All the construction works have to comply with the relevant Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Construction Dust) Regulation. During construction and demolition processes, dust generated by various activities could make a significant contribution to local air pollution. High levels of dust, combined with other outdoor air pollutants, can cause respiratory problems to the employees and the public. In addition, the projects of the Group are usually conducted indoor, noxious odour and volatile organic compound (VOC) are the major molecules that emitted or evaporated from the liquid or solid materials (e.g. solvent, paint or other organic materials) used for construction related works that would affect the indoor air quality (IAQ) and also the health of the employees working indoors.

With the implementation of the Group's new environmental protection policy, the corresponding project management employees on project site are responsible for the effective administration and observation of preventive measures used to minimize the adverse effect caused by indoor air pollutants. Measures including the assurance of adequate indoor ventilation, provision of personal protection equipment (PPE) to employees, and adoption of pollution mitigation procedures to control dust and potential VOC source are administered.

Furthermore, green building concept has been adopted by the Group, two common green building certification schemes, LEED and BEAM were registered in some projects completed by the Group during the reporting period. As a result, the relevant air emission and IAQ requirement have become part of the project plans which needed more environmental protection consideration in the design, building, renovation, and operation phases of the projects.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group's customers mainly include main contractors who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and landlords or occasionally property developers (or its consultants). During the Year, the Group solely served customers from the private sector in Hong Kong. During the year, the Directors consider that the Group is not reliant on any single customer. The Group has had business relationship with most of the top customers ranging from one year to over 10 years which the Directors believe implying that the Group is one of the selected subcontractors on such customers' approved lists of subcontractors and the Group being invited to tender or quote from time to time.

Suppliers and Subcontractors

During the year, the suppliers of goods and services which were specific to the business of the Group and were required on a regular basis to enable the Group to continue to carry on its business included (i) subcontractors engaged by the group to perform the site works; (ii) material and equipment suppliers to supply materials and equipment used in the site work; and (iii) suppliers of other miscellaneous goods and services required for the Group's business operations.

The Group maintains an internal list of approved subcontractors, for each categories of building services engineering where the list is updated on a continuous basis. While engaging subcontractors, the Group generally selects the most suitable subcontractor from the approved list based on their relevant skill sets and experience, subject to their availability and fee quotations.

The Group generally maintains multiple suppliers and subcontractors for products and services to avoid over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers or assigning subcontractors during the year. The Group did not have any significant disputes with any of its top five suppliers and subcontractors during the year.

Employees

The Group recognises employees as valuable assets of the Group and during the year, the Group has complied with the applicable labour laws and regulations and regularly reviewed the existing staff benefits for improvement. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee.

The Directors consider that the Group has maintained good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the year. The Directors also consider that the relationship and co-operation between the management team and the employees have been good during the year.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK$140.7 million for the year ended 31 March 2016 to approximately HK$165.7 million for the year ended 31 March 2017, representing a growth of approximately HK$25.0 million or 17.8%. Such increase was mainly due to an increase in the alteration and addition works services projects provided by the Group and the increase in number of contracting projects undertaking by the Group during the year.

Direct Costs

The direct costs increased from approximately HK$110.8 million for the year ended 31 March 2016 to approximately HK$127.1 million for the year ended 31 March 2017, representing an increase of approximately HK$16.3 million or 14.8%. Such increase was mainly attributable to the increase in the subcontracting charges with the increase in the number of contracting projects undertaking by the Group during the year.

Gross Profit

Gross profit of the Group increased by approximately 28.8% from approximately HK$29.9 million for the year ended 31 March 2016 to approximately HK$38.6 million for the year ended 31 March 2017. The increase was mainly driven by the increase in revenue for the year ended 31 March 2017 as discussed above.

Listing Expenses

During the year ended 31 March 2017, the Group recognised non-recurring listing expenses of approximately HK$8.5 million (2016: HK$4.5 million) as expenses in connection with the Listing.

Administrative and other Operating Expenses

Administrative and other operating expenses of the Group increased by approximately 23.9% from approximately HK$15.8 million for the year ended 31 March 2016 to approximately HK$19.6 million for the year ended 31 March 2017. Administrative and other operating expenses primarily consist of rental expenses, staff costs and professional fees. The increase was attributable to the non-recurring listing expenses and the increase in rental expenses, staff salary, and bonus due to business expansion during the year.

Finance Costs

Finance costs of the Group increased by approximately 337.2% from approximately HK$0.1 million for the year ended 31 March 2016 to approximately HK$0.6 million for the year ended 31 March 2017. Finance costs consist of interest on bank borrowings and overdrafts and interest on obligations under finance leases. The increase was mainly due to the increase in bank loans – secured during the year.

Income Tax Expense

Income tax expense for the Group increased by approximately 62.5% from approximately HK$3.0 million for the year ended 31 March 2016 to approximately HK$4.8 million for the year ended 31 March 2017. The increase was mainly due to the increase in profit before tax.

Profit and Total Comprehensive Income for the year attributable to owners of the Company

Profit and total comprehensive income for the year attributable to owners of the Company increased by approximately 32.7% from approximately HK$10.0 million for the year ended 31 March 2016 to approximately HK$13.2 million for the year ended 31 March 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group had total assets of approximately HK$104.3 million (2016: HK$54.1 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$21.3 million (2016: HK$30.7 million) and approximately HK$83.0 million (2016: HK$23.5 million), respectively.

The total interest-bearing borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2017 were approximately HK$6.5 million (2016: HK$2.2 million), and current ratio as at 31 March 2017 was approximately 4.7 times (2016: 1.7 times).

The amounts payable under finance leases with one year of the Group as at 31 March 2017 is nil (2016: HK$0.1 million) and the amounts payable under finance leases in the second to fifth years inclusive of the Group as at 31 March 2017 is nil (2016: HK$0.2 million).

Majority of the Group's borrowings and bank balances are denominated in Hong Kong Dollars and there was no significant exposure to foreign exchange rate fluctuations during the year.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2017 was approximately 7.8% (2016: approximately 9.4%), which remained low as the Group was not in need of any material debt financing during the year.

The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the respective reporting date.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CHARGE ON GROUP ASSETS

As at 31 March 2017, the Group pledged its bank deposits to a bank of approximately HK$3.0 million as collateral to secure banking facilities granted to the Group (2016: Nil).

As at 31 March 2017, the Group pledged its life insurance policies to a bank of approximately HK$2.8 million to secure the banking facilities granted to the Group (2016: HK$2.7 million).

Save for the above disclosed, the Group did not have any charges on its assets.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For the year ended 31 March 2017, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 12 January 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2017, the Company's issued share capital was HK$11.2 million and the number of its issued ordinary shares was 1,120,000,000 of HK$0.01 each.

COMMITMENTS

The Group did not have any capital commitment as at 31 March 2017 (2016: Nil).

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 6 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 December 2016 (the "**Prospectus**") and in this report, the Group did not have other plans for material investments or capital assets as of 31 March 2017.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the financial year ended 31 March 2017, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the corporate reorganisation (as detailed in the Prospectus).

CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require Ample Construction to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK$2,844,000 (2016: HK$2,984,000) as at 31 March 2017. Ample Construction, Ample Group Limited, a company wholly-owned by Mr. Cheung and Mr. Lam and/or Mr. Cheung and Mr. Lam, have unconditionally and irrevocably agreed to indemnify to the insurance companies that issue such surety bonds for claims and losses the insurance companies may incur in respect of the bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed a total of 32 employees (2016: 27 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$11.8 million for the year ended 31 March 2017 (2016: HK$10.2 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the year ended 31 March 2017.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2017 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2017 as stated in the Prospectus	Actual business progress up to 31 March 2017
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the market share in Hong Kong	• Utilise net proceeds from the Placing to finance the net cash outflows required in the early stage of two new projects with expected aggregate contract sum of not less than approximately HK$7 million, including the upfront payments to the materials suppliers and subcontractors and take out surety bonds if necessary. These payments are paid upfront before the Group receive progress payment from the Group's clients	The Group has used HK$8.5 million to finance the net cash outflows required in the early stage of five new projects with expected aggregate contract sum of not less than HK$25.0 million, including the upfront payments to the materials suppliers and subcontractors.
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	• The Group will participate in one interior design competition, aiming at winning an award which could bolster the market reputation and demonstrate the Group's strength in interior design	The Group is in the progress of finding the appropriate interior design competition.
Expand our manpower for project execution and strengthen the skills of the Group's staff	• Identify suitable candidates to fill the Group's openings of one project manager and one project coordinator with relevant experience	The Group has used HK$0.2 million to employ one experienced project manager and still in the progress of finding one suitable project coordinator with relevant experience.
	• Organise in-house seminars and invite external speakers to provide taught training on construction methodology, project management and work safety in the in-house seminars	The Group is in the progress of organising the in-house seminars and invite the external speakers to provide taught training on construction methodology, project management and work safety in the in-house seminars.
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	• Set up a business development department which is to be headed by Ms. Wong, the executive Director	The Group is in the progress of setting up a business development department which is to be headed by Miss Wong, the executive director.
	• Form a quantity surveying team which will consist of one quantity survey manager, one quantity surveyor and one project assistant, with sufficient relevant quantity surveying experience, which will assist the Group in preparing tenders, payment applications and controlling project costs	The Group is in the progress of forming a quantity surveying team.
	• Identify suitable candidates with business development experience	The Group is in the progress of identifying suitable candidates with business development experience.
	• Design, create and print the corporate brochures	The Group is in the progress of designing of the corporate brochures.
	• New design for the Group's corporate website and its continuing maintenance	The Group has used HK$28.0 thousand to set up the new corporate website.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK$51.2 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing as at 31 March 2017 is set out below:

	Planned use of net proceeds as stated in the Prospectus up to 31 March 2017 HK$'000	**Actual use of net proceeds up to 31 March 2017** HK$'000
Participate further in large scale fitting-out, renovation and A&A projects and enlarge the Group's market share in HK	1,400	8,500
Participate in competitions and exhibitions to promote and develop the Group's interior design and fitting-out business	200	Nil
Expand the Group's manpower for projects execution and strengthen the skills of the Group's staff	300	163
Strengthen the Group's business development and quantity surveying and enhance the Group's marketing resources	900	28
General working capital	5,000	5,000

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Ms. WONG Wan Sze（黃韻詩）("**Ms. Wong**"), aged 38, is the executive Director and chairman of the Board. Ms. Wong was appointed as the executive Director on 5 May 2016. Ms. Wong is responsible for the overall strategic management and development of the Group's business operations and is serving on the Remuneration Committee and Nomination Committee. Ms. Wong joined the Group as a director of Ample Construction in March 2007 and had been responsible for establishing business objectives and exploring business opportunities for the Group. In October 2009, Ms. Wong resigned as a director of Ample Construction and was appointed as the general manager of Ample Construction, and has since been responsible for supervision of marketing, human resources and all administrative functions of the Group. Ms. Wong obtained a Certificate in General Nursing from Enrolled Nurse Training School Tung Wah Eastern Hospital in September 2000. Prior to joining the Group, Ms. Wong worked as an enrolled nurse. Ms. Wong is the spouse of Mr. Cheung Ka Yan.

Mr. LAM Shui Wah（林瑞華）("**Mr. Lam**"), aged 41, is the executive Director, chief executive officer and the co-founder of the Group. Mr. Lam was appointed as the Director on 11 February 2016 and re-designated as executive Director on 5 May 2016. Mr. Lam is responsible for overseeing the Group's business development, operations, human resources, finance and administration.

Mr. Lam is an authorised signatory and a technical director for Ample Construction on the Register of General Building Contractors of the Buildings Department. Mr. Lam is also a director of all subsidiaries of the Company. Mr. Lam obtained a Bachelor of Science Degree from the University of Central Lancashire, the United Kingdom in December 2004 and a Certificate of Completion in Building Studies for Building Discipline from the Hong Kong Institution of Engineers in November 2006. Mr. Lam has over 20 years of experience in the construction industry. Mr. Lam started to run Ample Construction in April 2005. His working experience prior to founding the Group includes the following:

Name of organisation	Principal business activity	Position	Period of service
Far East Wager Construction Limited	Construction and civil engineering works	Assistant foreman	September 1995 to May 1998
Eastman Engineering Limited	Construction and civil engineering works	Assistant foreman	June 1998 to October 1999
Hip Hing Construction Company Limited	Construction and civil engineering works	Assistant foreman	October 1999 to February 2000
Hong Kong Housing Authority	An agency of the Government of Hong Kong, main provider of public housing	Contract works supervisor II (civil)	February 2000 to March 2005

Mr. Lam has been the vice president of the fifth council of Association of Enterprises with Foreign Investment（茂名市外商投資企業協會）since January 2016.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Man Wai(吳文偉)("**Mr. Ng**"), aged 37, was appointed as the independent non-executive Director on 20 December 2016. Mr. Ng is serving on the Audit Committee. Mr. Ng is responsible for providing independent judgment and advising on the issue of strategy, performance, resources and standard of conduct of the Company.

Mr. Ng graduated from the University of Melbourne with a Bachelor of Planning and Design (Architecture) Degree in December 2002. Mr. Ng has over 8 years of experience in the interior design industry. Between 2003 and 2010, Mr. Ng worked in the following companies:

Name of organisation	Principal business activity	Position	Period of service
S&D Interior Limited	Interior design consultancy	Interior designer	During 2003
CYS Associates (Hong Kong) Limited	Interior design consultancy	Project-based designer	During 2004
WDA Group Limited	Architectural design, interior design consultancy	Architectural assistant	2004 to 2005
Aceway International Limited	Trading services of toys and gifts	Director	2005 to 2010

In 2009, Mr. Ng co-founded 4N Limited, a company engaged in the provision of interior design and architecture services. Mr. Ng has been involved in the interior design projects for various clients such as catering group and property developers.

Mr. Ng has been a professional member of Hong Kong Interior Design Association since August 2013 and a committee member of Hong Kong Institute of Architects (ARCASIA/CAA Committee, External Affairs) from January 2012 to December 2015.

Mr. WU Wai Ki(胡惠基)("**Mr. Wu**"), aged 42, was appointed as the independent non-executive Director on 20 December 2016. Mr. Wu is serving on the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Wu is responsible for providing independent judgment and advising on the issue of strategy, performance, resources and standard of conduct of the Company.

Mr. Wu graduated from the Chinese University of Hong Kong with a Bachelor of Social Science Degree in Economics in July 1999. Mr. Wu joined Kwok Tai Screws Manufactory Limited as marketing director in April 2002 and has been its director since 2005. Mr. Wu has also been a director of Republic G Limited since 2010. He had worked as president from January 2006 to December 2006 and national president from January 2013 to December 2013 of Junior Chamber International Hong Kong Limited. Mr. Wu has also been a member of the Council on Human Reproductive Technology in Hong Kong since April 2013.

Ms. TSANG Ngo Yin(曾傲嫣)("**Ms. Tsang**"), aged 43, was appointed as the independent non-executive Director on 20 December 2016. Ms. Tsang is serving on the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Tsang is responsible for providing independent judgment and advising on the issue of strategy, performance, resources and standard of conduct of the Company.

Ms. Tsang graduated from Simon Fraser University with a Bachelor of Business Administration Degree in September 1999. Ms. Tsang further obtained a Bachelor of Laws Degree from Tsinghua University in the PRC in July 2008, and a Postgraduate Certificate in International Corporate and Financial Law and a Master of Laws Degree from University of Wolverhampton in the United Kingdom in October 2013 and November 2014, respectively. Ms. Tsang has been the director of Good Talent Limited since April 2014. Ms. Tsang's working experience prior to joining Good Talent Limited includes the following:

Name of organisation	Principal business activity	Position	Period of service
Pacific C&B Development Corp. (a company in Canada)	Real estate development	Administrative manager and Accountant	January 2000 to November 2000
CCIF CPA Limited (now merged into Crowe Horwalth (HK) CPA Limited)	Auditing service, bookkeeping and accounting service	Semi-senior auditor	December 2000 to December 2003
PricewaterhouseCoopers Hong Kong	Accountancy firm	Senior associate	December 2003 to August 2005
Hutchison International Limited	Ports services, properties and hotels, retail, infrastructure, energy, telecommunications, finance & investments and others	Officer of group management service	September 2005 to May 2007
Herbalife Asia Pacific (a subsidiary of Herbalife Ltd., which is listed on the New York Exchange (stock code: HLF.NYSE)	Nutrition and direct-selling company	Regional internal audit manager	May 2007 to March 2012
		Regional finance manager	April 2012 to February 2014

Ms. Tsang has obtained the Certificate in International Financial Reporting from the Association of Chartered Certified Accountants in March 2013. Ms. Tsang is a member of the American Institute of Certified Public Accountants.

Senior Management

Mr. CHEUNG Ka Yan（張嘉欣）(“**Mr. Cheung**”), aged 39, is the project director and the co-founder of the Group. Mr. Cheung is responsible for project planning and contract management. Mr. Cheung is an authorised signatory and a technical director for Ample Construction on the Register of General Building Contractors of the Buildings Department. Mr. Cheung is also a director of all subsidiaries of the Company. Mr. Cheung obtained a Bachelor of Science Degree in Construction Management from the University of Wolverhampton, the United Kingdom in October 2004. Mr. Cheung has around 17 years of experience in the construction industry. Mr. Cheung’s working experience prior to founding the Group includes the following:

Name of organisation	Principal business activity	Position	Period of service
Island District Office of Home Affairs Department	N/A	Temporary works supervisor II	June 1999 to November 1999
Water Supplies Department	N/A	Contract works supervisor (Civil)	November 1999 to March 2000
Hong Kong Housing Authority	N/A	Contract works supervisor II (Civil)	March 2000 to June 2005
Cristalla Designs and Contracting Ltd.	Decoration, repair & maintenance works, interior fitting out/contracting services	Assistant project manager	June 2005 to August 2005
Fuji (China) Decoration & Eng. Co., Ltd.	Interior fitting out/contracting service, interior design consultancy, interior fitting design services	Assistant project manager	August 2005 to June 2006

Mr. Cheung is the spouse of Ms. Wong.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Ms. CHAN Ka Wai Cari（陳嘉慧）(“**Ms. Chan**”), aged 31, is the project secretary of the Group. Ms. Chan is responsible for managing office administration and human resources. Ms. Chan joined the Group in August 2011 and was promoted to the current position in September 2014. Ms. Chan obtained a Certificate in Marketing Management in May 2015 and an Advanced Certificate in Administrative and Management Skills in September 2015 from The Hong Kong Management Association. Ms. Chan’s working experience prior to joining the Group includes the following:

Name of organisation	Principal business activity	Position	Period of service
Shun Tat Express Company	Cross border trucking company	Courier	January 2004 to December 2004
Goldbase Steel Company Limited	Steel processing	Clerk	August 2005 to April 2009
Anken Consulting Limited	Accountancy firm	Administrative assistant	June 2009 to August 2011

Mr. CHEUNG Ho（章昊）(“**Mr. Cheung**”), aged 39, is the project manager of the Group. Mr. Cheung is responsible for managing A&A projects. Mr. Cheung joined the Group in August 2008 and was promoted to the current position in May 2012. Mr. Cheung obtained a Bachelor of Science Degree in Building Surveying from the Heriot-Watt University, United Kingdom in June 2012 through distance learning. Prior to joining the Group, Mr. Cheung Ho worked in the Buildings Department as survey officer from November 2001 to September 2008.

Mr. POON Yau Cheung（潘柔翔）(“**Mr. Poon**”), aged 39, is the project manager of the Group. Mr. Poon is responsible for managing fitting-out and renovation projects. Mr. Poon joined the Group in June 2008 and was promoted to the current position in May 2012. Mr. Poon obtained a Bachelor of Science Degree in Engineering – Building Services from West Coast Institute of Management & Technology, Australia in December 2008 and a Bachelor of Science in Building Surveying from the Heriot-Watt University, the United Kingdom in June 2012 both through distance learning. In September 2015, Mr. Poon further obtained a Master of Science in Project Management from the Hong Kong Polytechnic University. Prior to joining the Group, Mr. Poon worked in Sanfield (Management) Ltd as an assistant land surveyor from September 2000 to June 2008.

Mr. KWOK Man Ho（郭文浩）(“**Mr. Kwok**”), aged 41, is the financial manager of the Group, responsible for managing financial and accounting matters. Mr. Kwok joined the Group in April 2016. Mr. Kwok obtained a Bachelor Degree in Business Administration from American Central University, United States of America in January 2007 and a Master Degree in Business Administration from Rochville University, United States of America in September 2008, both through distance learning. Mr. Kwok also obtained the Certificates of Accounting (3rd Level), Management Accounting (3rd Level) and Cost Accounting (3rd level) awarded by the London Chamber of Commerce and Industry since April 1999, January 2000 and April 2000, respectively. Mr. Kwok has more than 20 years of experience in the accounting field, including the following:

Name of organisation	Principal business activity	Position	Period of service
Wilson Ho & Co. CPA	Auditing service, bookkeeping and accounting service	Accounting assistant	October 1994 to July 1995
Precieux Garment Factory Ltd.	Manufacturer of suits & jackets, children’s wear, denim garments, high fashion wear and babies’ wear	Assistant accountant	December 1996 to April 1999
Creative Technology Consultancy	Accounting and software	Accountant	May 1999 to February 2004
Mike & Kremmel Ltd	Exporter of kitchen utensils and household products	Accounting manager	March 2004 to February 2016

Company Secretary

Ms. YIM Sau Ping（嚴秀屏）(“**Ms. Yim**”), aged 34, graduated from The Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy in December 2007 and has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since January 2010. She has accumulated more than 9 years of experience in accounting, auditing and financial management. Ms. Yim was appointed as the Company’s secretary on 8 August 2016.

Ms. Yim’s working experience prior to joining the Group includes the following:

Name of organisation	Principal business activity	Position	Period of service
JC Group Holdings Limited (now known as “Tonking New Energy Group Holdings Limited”) (Stock code: 8326), a company listed on GEM	Food & beverage group	Company secretary	April 2012 to December 2013
		Accounting manager	November 2013 to December 2013
Ngai Shun Holdings Limited (stock code: 1246), a company listed on the Main Board of the Stock Exchange	Foundation subcontractor	Company secretary	October 2014 to May 2015
		Financial controller	October 2014 to August 2015

She is currently the director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of LKS Holding Group Limited (the "**Company**") and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in (i) interior fitting-out and renovation services; and (ii) alteration and additions works for residential, industrial and commercial properties in Hong Kong. Details of the principal activities of its subsidiaries are set out in Note 37 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this report.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 11 February 2016. The companies now comprising the Group underwent a reorganisation ("**Reorganisation**") to rationalise the structure of the Group in preparation for the placing of the shares of the Company on GEM of the Stock Exchange. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" to the Prospectus. The shares of the Company were listed on the GEM of the Stock Exchange by way of Placing with effect from 12 January 2017.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income of this report. The state of affairs of the Group and the Company as at 31 March 2017 are set out in the consolidated statement of financial position and Note 36 to the consolidated financial statements respectively. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Wednesday, 9 August 2017 (the "**2017 AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 3 August to Wednesday, 9 August 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 3 August 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past three financial years is set out on page 84. This summary does not form part of the audited consolidated financial statements of the Group.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

DONATION

During the year ended 31 March 2017, the Group did not make any charitable donations.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and Note 36 to the consolidated financial statements respectively.

SHARE OPTIONS SCHEMES

The Company conditionally adopted a share option scheme on 23 December 2016 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**").

A summary of the particulars of the Scheme as required under rule 23.09 of the GEM Listing Rules is set out in Note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision 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 is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 March 2017 are set out in Note 32 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

DISTRIBUTABLE RESERVES

At 31 March 2017, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately HK$42.1 million.

MAJOR CUSTOMERS

During the year ended 31 March 2017, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately HK$30.2 million (18.2%), while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately HK$84.9 million (51.2%).

MAJOR SUPPLIERS

During the year ended 31 March 2017, the percentage of the Group's purchase amount attributable to the Group's largest supplier was approximately HK$19.5 million (15.3%) of the total direct costs for the period, while the percentage of the Group's total purchase amount attributable to the five largest suppliers in aggregate was approximately HK$71.8 million (56.5%) of the total direct costs.

DIRECTORS

The board of directors of the Company (the "**Board**") during the year and up to date of this report were as follows:

Executive Directors

Ms. Wong Wan Sze *(Chairman)*	(Appointed on 5 May 2016)
Mr. Lam Shui Wah *(Chief Executive Officer)*	(Appointed on 11 February 2016)

Independent non-executive Directors

Mr. Ng Man Wai	(Appointed on 20 December 2016)
Mr. Wu Wai Ki	(Appointed on 20 December 2016)
Ms. Tsang Ngo Yin	(Appointed on 20 December 2016)

In accordance with the memorandum and articles of association of the Company, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting.

PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 13-17 of the annual report.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in Notes 11 and 12 to the consolidated financial statements. The emolument of the number of the highest paid individuals who are not the Directors of the Company for the year ended 31 March 2017 are set out in Note 12 to the consolidated financial statements.

The emoluments of the senior management of the Group for the year ended 31 March 2017 falls within the following band:

Emolument Band	Number of Senior Management
Nil to HK$1,000,000	4
HK$1,000,001 to up to HK$1,500,000	1

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The remuneration committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and Senior Management) and review the remuneration policy of the Group. It has been decided that remuneration committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2017 are set out in Note 29 to the consolidated financial statement.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year ended 31 March 2017.

MANAGEMENT CONTRACTS

Save for the service agreements (for executive Directors) and letters of appointment (for the independent non-executive Directors) with the Company entered into with each of the Directors, no contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2017.

INTERESTS OF THE COMPLIANCE ADVISOR

As confirmed by the Group's compliance advisor, Frontpage Capital Limited (the "**Compliance Advisor**"), save as the compliance adviser agreement entered into between the Company and Compliance Advisor, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below and the share option scheme disclosures in Note 28 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance ("**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the registered referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, are as follows:

Long positions in Shares and underlying Shares

Name	Capacity/ Nature of interest	Number of underlying Shares	Approximate Percentage of shareholding
Mr. Lam Shui Wah *(Note 1)*	Interest in a controlled corporation	420,000,000	37.5%
Ms. Wong Wan Sze *(Note 2)*	Interest of spouse	420,000,000	37.5%

Notes:

(1) Mr. Lam Shui Wah ("**Mr. Lam**") beneficially owns the entire issued share capital of Summer Unicorn Limited ("**Summer Unicorn**") which directly holds 37.5% of the shares of the Company. Therefore, Mr. Lam is deemed, or taken to be, interested in all the Shares held by Summer Unicorn for the purpose of the SFO. Mr. Lam is the sole director of Summer Unicorn.

(2) Ms. Wong Wan Sze ("**Ms. Wong**") is the spouse of Mr. Cheung Ka Yan ("**Mr. Cheung**"). Therefore, Ms. Wong is deemed, or taken to be interested in all the Shares in which Mr. Cheung is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be 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 recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executives of the Company, as at 31 March 2017, the following persons (other than Directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity/ Nature	Number of underlying Shares	Approximate Percentage of shareholding
Summer Unicorn	Beneficial owner	420,000,000	37.5%
Heavenly White Limited *(Note 1)*	Beneficial owner	420,000,000	37.5%
Mr. Cheung *(Note 1)*	Interest in a controlled corporation	420,000,000	37.5%
Ms. Ngai Suet Ling *(Note 2)*	Interest of spouse	420,000,000	37.5%

Notes:

(1) Mr. Cheung beneficially owns the entire issued share capital of Heavenly White Limited ("**Heavenly White**"). Therefore, Mr. Cheung is deemed, or taken to be, interested in all the Shares held by Heavenly White for the purpose of the SFO. Mr. Cheung is the sole director of Heavenly White.

(2) Ms. Ngai Suet Ling is the spouse of Mr. Lam. Therefore, Ms. Ngai Suet Ling is deemed, or taken to be interested in all the Shares in which Mr. Lam is interested for the purpose of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2017.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group during year ended 31 March 2017.

Non-Competition Undertakings

In order to avoid any possible future competition between the Group and the Controlling Shareholder, Mr. Cheung, Heavenly White, Mr. Lam and Summer Unicorn (each a "Covenantor" and collectively the "Covenantors") have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 23 December 2016. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with the Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

During the year, the Company has received an annual written confirmation from each controlling shareholder of the Company in respect of him/it and his/its associates in compliance with the Deed of Non-Competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-Competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 25-31 of this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2017.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the year ended 31 March 2017 were audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

ON BEHALF OF THE BOARD
Wong Wan Sze
Chairman

Hong Kong, 22 June 2017

INTRODUCTION

The Company is committed to achieving and maintaining high standards of corporate governance. The Board treats corporate governance as an integral part of business strategy, as good and effective corporate governance practices are fundamental to obtaining and maintaining the trust of the shareholders' and stakeholders' of the Company. By putting in place the right governance framework, the encouragement of accountability and transparency are the key to sustain the success of the Group and to promote the interests of its shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**Code**") set out in Appendix 15 of the GEM Listing Rules since Listing Date up to the date of this report. To the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Required Standard of Dealing**").

Following specific enquiries to all the Directors, each of them has confirmed that they have complied with Required Standard of Dealing during the year ended 31 March 2017.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Directors along with other senior executives. They report periodically to the Board of their work and business decisions.

Board Composition

The composition of the Board as at this annual report is set out as follows:

Executive Directors

Ms. Wong Wan Sze *(Chairman)*
Mr. Lam Shui Wah *(Chief Executive Officer)*

Independent non-executive Directors

Mr. Ng Man Wai
Mr. Wu Wai Ki
Ms. Tsang Ngo Yin

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 13-17 of this annual report.

The proportion of which is higher than what is required by Rule 5.05A, 5.05 (1) and (2) of the GEM Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company’s strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in rule 5.09 of the GEM Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company on 5 May 2016 and signed letters of appointment with each of independent non-executive Directors on 20 December 2016. The service contracts with the executive Directors and the letter of appointment with each of independent non-executive Directors are for an initial fixed term of three years commencing from the Listing Date. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable GEM Listing Rules.

According to the Article 108 of the memorandum and articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the memorandum and articles of association of the Company provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

All Directors will retire from office at the forthcoming annual general meeting of the Company to be held on 9 August 2017. All Directors, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of all Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Ms. Wong Wan Sze was the Chairman of the Board throughout the year. Mr. Lam Shui Wah is the chief executive officer of the Company.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the year ended 31 March 2017, the Company has provided and all Directors have attended training courses on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the website of the Stock Exchange www.hkexnews.hk and the Company's website at www.ampleconstruction.com.hk. All the Board committees responsibly report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report.

Remuneration Committee

The Remuneration Committee was established on 23 December 2016. The chairman of the Remuneration Committee is Mr. Wu Wai Ki, the independent non-executive Director, and other members includes Ms. Tsang Ngo Yin, the independent non-executive Director and Ms. Wong Wan Sze, the chairman and executive Director. The written terms of reference of the Remuneration Committee are posted on the website of the Stock Exchange and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2017.

Nomination Committee

The Nomination Committee was established on 23 December 2016. The chairman of the Nomination Committee is Ms. Wong Wan Sze, the chairman and executive Director, and other members included Mr. Wu Wai Ki and Ms. Tsang Ngo Yin, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

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

Audit Committee

The Audit Committee was established on 23 December 2016. The chairman of the Audit Committee is Ms. Tsang Ngo Yin, the independent non-executive Director, and other members included Mr. Ng Man Wai and Mr. Wu Wai Ki, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's consolidated financial statements for the year ended 31 March 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

Here below are details of all Directors' attendance at the Board meeting and Board committees' meeting held during the year ended 31 March 2017:

	Board Meeting	Audit Committee Meeting
Executive Directors		
Ms. Wong Wan Sze	1/1	
Mr. Lam Shui Wah	1/1	
Independent non-executive Directors		
Mr. Ng Man Wai	1/1	1/1
Mr. Wu Wai Ki	1/1	1/1
Ms. Tsang Ngo Yin	1/1	1/1

For the year ended 31 March 2017, no annual general meeting was held. As the Company was newly listed on 12 January 2017, the Remuneration Committee and Nomination Committee did not hold any meeting.

COMPANY SECRETARY

The Company Secretary of the Company assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

The Company has appointed Ms. Yim Sau Ping ("**Ms. Yim**") as its Company Secretary.

For the year ended 31 March 2017, Ms. Yim undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biographies of Ms. Yim is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

INDEPENDENT AUDITORS' REMUNERATION

During the year, the remuneration paid or payable to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audit and non-audit services were as follows:

Services rendered	**Remuneration paid/payable** HK$'000
Audit services	
– Statutory audit services	600
Non-audit services	
– Acting as reporting accountants for the listing of the shares of the Company on the GEM of the Stock Exchange	2,100
	2,700

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to Article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedures which comprised the following steps:

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;

- Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and Management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Company's audit committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2017 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the audit committee and concurred the same.

Under Code Provision C.2.5, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the audit committee and the Board. In addition, the audit committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) Corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange "www.hkexnews.hk" and the Company's website at "www.ampleconstruction.com.hk";

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Save the Listing Date, there was no significant change in the memorandum and articles of association of the Company.

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF LKS HOLDING GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of LKS Holding Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 36 to 83, 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and amounts due from/(to) customers for contract work	
Refer to key sources of estimation uncertainty in Note 5 and the disclosures of revenue and amounts due from/(to) customers for contract work in Notes 6 and 18 respectively to the consolidated financial statements. We identified the contract revenue, costs of construction contracts, amounts due from/(to) customers for contract work as a key audit matter due to significant judgements involved in the management's assessment process.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and amounts due from/(to) customers for contract work mainly included: – Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management;

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and amounts due from/(to) customers for contract work (continued)	
The Group recognised contract revenue and costs of construction contracts according to the management's estimation of the progress and outcome of the project. As disclosed in Note 5 to the consolidated financial statements, the management estimated contract revenue with reference to the terms of the relevant contracts or, in case of variation orders, based on contract terms or other forms of agreements, and estimated the total contract costs, which mainly comprise direct labour costs, subcontracting charges and costs of materials, based on quotations from time to time provided by the major subcontractors/suppliers/vendors and the experience of the management of the Group, which involve the management's best estimates and judgements, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.	– Understanding from management how the budgets were prepared and the respective stage of completion were determined; – Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of completed contracts; – Testing the actual costs incurred on construction works during the reporting period; – Evaluating the reasonableness of percentage of completion by obtaining the certificates issued by customers; and – Checking the amounts due from/(to) customers for contract work by agreeing the actual costs incurred and progress billings acknowledged by the customers to the invoices/payment certificates.
Impairment of trade receivables	
Refer to key sources of estimation uncertainty in Note 5 and the disclosures of trade receivables in Note 17 to the consolidated financial statements. We identified the impairment of trade receivables as a key audit matter due to the use of judgement and estimates in assessing the recoverability of trade receivables. In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit quality of the receivables and the past collection history of the customer which may require management judgement.	Our audit procedures in relation to impairment of trade receivables mainly included: – Obtaining an understanding and evaluating the methodologies and assumptions used by the Group in assessing impairment allowances; – Testing the accuracy of ageing analysis of the trade receivables; and – Assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of each individual customer.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITORS' 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 auditors' report that includes our opinion. This 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 auditors' 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 auditors' 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 auditors' 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 director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 22 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	6	**165,715**	140,719
Direct costs		**(127,146)**	(110,777)
Gross profit		**38,569**	29,942
Other income, other gains and losses, net	7	**(350)**	(962)
Administrative and other operating expenses		**(19,603)**	(15,818)
Finance costs	8	**(599)**	(137)
Profit before tax	9	**18,017**	13,025
Income tax expense	10	**(4,807)**	(2,958)
Profit and total comprehensive income for the year		**13,210**	10,067
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**13,210**	9,957
Non-controlling interests		**–**	110
		13,210	10,067
Earnings per share			
– Basic and diluted (HK cents)	14	**1.47**	1.19

Details of dividends are disclosed in Note 13 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Plant and equipment	15	775	424
Deposits and prepayments for life insurance policies	16	2,807	2,725
		3,582	3,149
Current assets			
Trade and other receivables	17	30,057	35,277
Amounts due from customers for contract work	18	31,363	4,761
Amounts due from related parties	19	28	3,732
Held-for-trading investments	20	13	10
Pledged bank deposit	21	3,000	–
Bank balances and cash	21	36,264	7,209
		100,725	50,989
Total assets		104,307	54,138
Current liabilities			
Trade and other payables	22	9,881	7,862
Derivative financial instruments	23	235	783
Amounts due to customers for contract work	18	3,725	15,411
Amount due to a related party	19	–	2,429
Borrowings	24	6,483	2,205
Obligations under finance leases	25	–	102
Current tax liabilities		1,004	1,545
		21,328	30,337
Net current assets		79,397	20,652
Total assets less current liabilities		82,979	23,801
Non-current liabilities			
Derivative financial instruments	23	–	168
Obligations under finance leases	25	–	149
		–	317
Net assets		82,979	23,484

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	26	**11,200**	2
Reserves	27	**71,779**	23,482
Equity attributable to owners of the Company		**82,979**	23,484
Non-controlling interests		**–**	–
Total equity		**82,979**	23,484

The consolidated financial statements on pages 36 to 83 were approved and authorised for issue by the board of directors on 22 June 2017 and signed on its behalf by:

Wong Wan Sze
Director

Lam Shui Wah
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 26)	**Share premium** HK$'000 (Note 27)	**Special reserve** HK$'000 (Note 27)	**Retained profits** HK$'000	**Subtotal** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Balance at 1 April 2015	1,007	–	–	12,651	13,658	(242)	13,416
Profit and total comprehensive income for the year	–	–	–	9,957	9,957	110	10,067
Issue of shares of a subsidiary	1	–	–	–	1	–	1
Effect of reorganisation	(1,006)	–	874	–	(132)	132	–
Balance at 31 March 2016	2	–	874	22,608	23,484	–	23,484
Profit and total comprehensive income for the year	–	–	–	13,210	13,210	–	13,210
Dividends recognised as distribution (Note 13)	–	–	–	(18,000)	(18,000)	–	(18,000)
Effect of reorganisation	(2)	–	2	–	–	–	–
Capitalisation issue	8,400	(8,400)	–	–	–	–	–
Issue of shares by placing	2,800	68,600	–	–	71,400	–	71,400
Transaction costs attributable to issue of shares	–	(7,115)	–	–	(7,115)	–	(7,115)
Balance at 31 March 2017	11,200	53,085	876	17,818	82,979	–	82,979

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before tax		18,017	13,025
Adjustments for:			
– Depreciation of plant and equipment		349	252
– Dividend income from listed equity securities		–	(1)
– Loss arising on change in fair value of derivative financial instruments		515	1,030
– (Gain)/loss arising on change in fair value of held-for-trading investments		(3)	3
– Gain on disposal of plant and equipment		(47)	–
– Impairment loss recognised on trade receivables		1,304	718
– Interest expense		599	137
– Interest income		–	(2)
– Interest income on deposits and prepayments for life insurance policies		(82)	(68)
– Reversal of impairment loss recognised on trade receivables		(543)	(77)
Operating cash flows before movements in working capital		20,109	15,017
Decrease/(increase) in trade and other receivables		4,459	(19,665)
(Increase)/decrease in amounts due from customers for contract work		(26,602)	4,424
(Increase)/decrease in amounts due from related parties		(3,132)	7,245
Increase in trade and other payables		2,019	1,151
(Decrease)/increase in amounts due to customers for contract work		(11,686)	551
Decrease in amount due to a related party		(5,584)	(3,190)
Cash (used in)/generated from operations		(20,417)	5,533
Interest received		–	2
Hong Kong Profits Tax paid		(5,348)	(3,339)
Net cash (used in)/generated from operating activities		(25,765)	2,196
Cash flows from investing activities			
Dividend received from listed equity securities		–	1
Net cash (paid for)/received from derivatives financial instruments		(1,231)	22
Placement of pledged bank deposit		(3,000)	–
Purchases of plant and equipment		(152)	(37)
Net cash used in investing activities		(4,383)	(14)
Cash flows from financing activities			
Dividends paid	33	(7,990)	–
Interest paid		(599)	(137)
Proceeds from issue of shares	26	71,400	1
Proceeds from borrowings		38,665	12,242
Repayment of borrowings		(33,358)	(13,240)
Repayment of obligations under finance leases		(771)	(90)
Transaction costs on issue of shares		(7,115)	–
Net cash generated from/(used in) financing activities		60,232	(1,224)
Net increase in cash and cash equivalents		30,084	958
Cash and cash equivalents at the beginning of year		6,180	5,222
Cash and cash equivalents at the end of year	21	36,264	6,180

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

LKS Holding Group Limited (the "**Company**") was incorporated in the Cayman Islands on 11 February 2016 as an exempted company with limited liability. The shares of the Company have been listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 January 2017 (the "**Listing**").

The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit 1310, Eastern Harbour Centre, No. 28 Hoi Chak Street, Quarry Bay, Hong Kong respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") is principally engaged in the provision of interior fitting-out, renovation, alteration and addition works services and interior design services.

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

2. BASIS OF PRESENTATION

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "**Reorganisation**"), the group entities were collectively controlled by Mr. Cheung Ka Yan ("**Mr. Cheung**"), the spouse of Ms. Wong Wan Sze, an executive director of the Company, and Mr. Lam Shui Wah ("**Mr. Lam**"), an executive director of the Company. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 20 December 2016. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Cheung and Mr. Lam prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "*Merger Accounting for Common Control Combinations*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, where this is a shorter period. The consolidated statement of financial position as at 31 March 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
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]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
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]

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

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9:

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

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

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

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company are in the process of assessing the impact of the application of HKFRS 9. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group completes a detailed review.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

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

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

The directors of the Company are in the process of assessing the impact of the application of HKFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group completes a detailed review.

HKFRS 16 Leases

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases (continued)

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group as lessee has non-cancellable operating lease commitments of approximately HK$439,000. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements and the directors of the Company are currently assessing its potential impact. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group completes a detailed review.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 below.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for business combination involving entities under common control

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the ordinary course of business. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from fitting-out, renovation, alteration and addition works service income are recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

Interior design services income are recognised when the services have been rendered.

Dividend income from investments are recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts

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

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

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

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amounts due to customers for contract work.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amounts due from customers for contract work.

Leasing

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

The Group as lessee

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

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

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

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

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

Plant and equipment

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on tangible assets

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other income, other gains and losses, net' line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits and prepayments for life insurance policies, trade and other receivables, amounts due from related parties, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to a related party, borrowings and obligations under finance leases) are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

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

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

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

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 of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(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.

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

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the futures, 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.

Construction contracts revenue recognition

The Group recognises contract revenue and cost of a construction contract according to the management's estimation of the progress and outcome of the project. Estimated contract revenue is determined with reference to the terms of the relevant contracts or, in case of variation orders, based on contract terms or other forms of engagements. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the management on the basis of estimated cost of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management frequently reviews and revises the estimates of both estimated contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Impairment of trade receivables

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit quality of the receivables and the past collection history of each customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed.

6. REVENUE AND SEGMENT INFORMATION

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purpose of resources allocation and performance assessment. The CODM assess the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in the provision of interior fitting-out, renovation, alteration and addition works services and interior design services. Therefore, the management considers that the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole based on the same significant accounting policies set out in Note 4 and no further analysis for segment information is presented.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue from major services

The Group's revenue from its major services are as follows:

	2017 **HK$'000**	2016 HK$'000
Fitting-out and renovation services	**77,404**	94,644
Alteration and addition works services	**80,062**	39,130
Interior design services	**8,249**	6,945
	165,715	140,719

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers during the years ended 31 March 2017 and 2016 are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue are as follows:

	2017 **HK$'000**	2016 HK$'000
Customer A	**30,201**	N/A[1]
Customer B	**17,435**	N/A[1]
Customer C	**17,018**	N/A[1]
Customer D	**N/A[1]**	55,415
Customer E	**N/A[1]**	19,119

[1] The corresponding revenue did not contribute over 10% of the Group's total revenue.

7. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2017 HK$'000	2016 HK$'000
Other income		
Bank interest income	–	2
Dividend income from listed equity securities	–	1
Interest income on deposits and prepayments for life insurance policies	82	68
Sundry income	33	–
	115	71
Other gains and losses, net		
Loss arising on change in fair value of derivative financial instruments	(515)	(1,030)
Gain/(loss) arising on change in fair value of held-for-trading investments	3	(3)
Gain on disposal of plant and equipment	47	–
	(465)	(1,033)
	(350)	(962)

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowings and overdrafts	562	124
Interest on obligations under finance leases	37	13
	599	137

9. PROFIT BEFORE TAX

	2017 HK$'000	2016 HK$'000
Profit before tax has been arrived at after charging/(crediting):		
Auditors' remuneration	600	100
Depreciation of plant and equipment	349	252
Impairment loss recognised on trade receivables	1,304	718
Listing expenses	8,545	4,512
Net foreign exchange losses	3	34
Operating lease payments in respect of rented premises	479	425
Reversal of impairment loss recognised on trade receivables	(543)	(77)
Employee benefits expense:		
Salaries and other benefits	11,392	9,828
Contributions to retirement benefit scheme	366	325
Total employee benefits expense, including directors' emoluments (Note 11)	11,758	10,153

9. PROFIT BEFORE TAX (CONTINUED)

During the year ended 31 March 2017, total employee benefits expense amounting to approximately HK$6,444,000 (2016: HK$5,257,000) was included in direct costs and amounting to approximately HK$5,314,000 (2016: HK$4,896,000) was included in administrative and other operating expenses.

10. INCOME TAX EXPENSE

	2017 **HK$'000**	2016 HK$'000
Hong Kong Profits Tax:		
– Current income tax	**4,570**	2,945
– Under-provision in prior years	**237**	13
Total income tax recognised in profit or loss	**4,807**	2,958

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the both years.

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

	2017 **HK$'000**	2016 HK$'000
Profit before tax	**18,017**	13,025
Tax at Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**2,973**	2,149
Tax effect of temporary differences not recognised	**(52)**	14
Tax effect of income not taxable for tax purpose	**–**	(1)
Tax effect of expenses not deductible for tax purpose	**1,415**	840
Tax effect of tax losses not recognised	**348**	3
Utilisation of tax losses previously not recognised	**(74)**	(60)
Others	**(40)**	–
Under-provision in prior years	**237**	13
Income tax expense for the year	**4,807**	2,958

No deferred tax assets and liabilities are recognised in the consolidated financial statements as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 31 March 2017 and 2016.

As at 31 March 2017, the Group had unused tax losses of approximately HK$2,111,000 (2016: HK$469,000), subject to agreement by the Inland Revenue Department, that are available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in relation to tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

11. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable to each of the directors of the Company are as follows:

	Fees HK$'000	Salaries and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 March 2017					
Executive directors					
Ms. Wong Wan Sze ("**Ms. Wong**") (Note (i))	–	424	–	16	440
Mr. Lam (Note (ii))	–	1,440	–	18	1,458
Independent non-executive directors					
Mr. Ng Man Wai (Note (iii))	33	–	–	–	33
Mr. Wu Wai Ki (Note (iii))	33	–	–	–	33
Ms. Tsang Ngo Yin (Note (iii))	33	–	–	–	33
	99	1,864	–	34	1,997
For the year ended 31 March 2016					
Executive directors					
Ms. Wong (Note (i))	–	300	–	26	326
Mr. Lam (Note (ii))	–	1,440	–	18	1,458
	–	1,740	–	44	1,784

Notes:

(i) Ms. Wong was appointed as an executive director of the Company on 5 May 2016. She was also an employee of certain subsidiaries of the Company and the Group paid emoluments to her in her capacity as employee of these subsidiaries prior to becoming the director of the Company for the years ended 31 March 2017 and 2016.

(ii) Mr. Lam was appointed as an executive director of the Company on 11 February 2016. He was also a director of certain subsidiaries of the Company and the Group paid emoluments to him in his capacity as a director of these subsidiaries prior to becoming the director of the Company for the year ended 31 March 2016.

(iii) Mr. Ng Man Wai, Mr. Wu Wai Ki and Ms. Tsang Ngo Yin were appointed as independent non-executive directors of the Company on 20 December 2016. No remuneration was paid or payable to the aforesaid independent non-executive directors prior to becoming the directors of the Company.

Mr. Lam is the chief executive officer of the Company.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 March 2017 (2016: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, one (2016: one) of them is a director of the Company whose emoluments is set out in Note 11. Details of the emoluments in respect of the remaining four (2016: four) highest paid individuals are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other benefits	**2,939**	2,865
Discretionary bonuses	**260**	269
Contributions to retirement benefit scheme	**72**	72
	3,271	3,206

The number of the highest paid individuals who are not the directors of the Company whose emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	4	4

During the year ended 31 March 2017, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

13. DIVIDENDS

	2017 **HK$'000**	2016 HK$'000
Dividends recognised as distribution	**18,000**	–

The dividends of HK$18,000,000 declared and paid for the year ended 31 March 2017 represented the dividends paid by the Company to its then equity owners in December 2016. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the preparation of these consolidated financial statements.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

14. EARNINGS PER SHARE

	2017	2016
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**13,210**	9,957

	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**900,603**	840,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2017 was derived from 840,000,000 ordinary shares (comprising 20,000 ordinary shares in issue and 839,980,000 ordinary shares issued under the capitalisation issue), as if these 840,000,000 ordinary shares were outstanding throughout the year and the effect of placing by the Company as set out in Note 26.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2016 was derived from 840,000,000 ordinary shares (comprising 20,000 ordinary shares in issue and 839,980,000 ordinary shares to be issued under the capitalisation issue), as if these 840,000,000 ordinary shares were outstanding throughout the year.

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

15. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 April 2015	411	92	526	1,029
Additions	–	37	–	37
At 31 March 2016	411	129	526	1,066
Additions	–	152	759	911
Disposals	–	–	(526)	(526)
At 31 March 2017	**411**	**281**	**759**	**1,451**
Accumulated depreciation				
At 1 April 2015	187	45	158	390
Depreciation expense	75	20	157	252
At 31 March 2016	262	65	315	642
Depreciation expense	75	46	228	349
Eliminated on disposals	–	–	(315)	(315)
At 31 March 2017	**337**	**111**	**228**	**676**
Carrying amounts				
At 31 March 2017	**74**	**170**	**531**	**775**
At 31 March 2016	149	64	211	424

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

As at 31 March 2017, a motor vehicle held under finance leases with a carrying amount of nil (2016: HK$211,000).

16. DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICIES

The Group entered into two life insurance policies with an insurance company to insure Mr. Cheung and Mr. Lam. Under the policies, Ample Construction Company Limited ("**Ample Construction**"), a subsidiary of the Company, is the beneficiary and policy holder and the total insured sum are US$2,000,000. Ample Construction is required to pay upfront deposits of approximately US$333,000. Ample Construction can terminate the policies at any time and receive cash back based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payments of approximately US$333,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the fifteenth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Ample Construction a guaranteed interest of 4.0% per annum for the first ten years, followed by guaranteed interest rate of 3.0% or above per annum for the following years.

As at 31 March 2017, the deposits and prepayments for life insurance policies amounted to approximately HK$2,807,000 (2016: HK$2,725,000). The deposits and prepayments for life insurance policies are denominated in US$.

17. TRADE AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**21,342**	24,786
Less: Allowance for doubtful debts	**(1,926)**	(1,165)
	19,416	23,621
Retention receivables	**9,454**	10,650
Other receivables, prepayments and deposits	**1,187**	1,006
	30,057	35,277

The Group allows a credit period ranging from 7 to 30 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, at the end of the reporting period, is as follows:

	2017 **HK$'000**	2016 HK$'000
0 – 30 days	**15,313**	17,130
31 – 60 days	**2,434**	4,451
61 – 90 days	**296**	458
91 – 180 days	**1,126**	1,245
Over 180 days	**247**	337
	19,416	23,621

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The concentration of credit risk is limited due to the customer base being large and unrelated.

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of trade receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
Overdue by:		
1 – 30 days	2,434	4,451
31 – 60 days	296	458
61 – 90 days	631	445
91 – 180 days	742	906
Over 180 days	–	231
	4,103	6,491

Movement in the allowance for doubtful debts

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	1,165	587
Impairment losses recognised during the year	1,304	718
Amounts written off during the year as uncollectible	–	(63)
Impairment losses reversed	(543)	(77)
Balance at end of the year	1,926	1,165

The individually impaired trade receivables disclosed above relate to customers that have been in default in payment or in financial difficulties in repaying their outstanding balances.

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

As at 31 March 2017, retentions held by customers for contract work amounted to approximately HK$9,454,000 (2016: HK$10,650,000). Retention monies withheld by customers of contract works are released after the completion of defects liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Except for retention receivables of approximately HK$909,000 (2016: HK$4,205,000), which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year. No retention receivables were past due as at 31 March 2017 (2016: Nil).

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

	2017 HK$'000	2016 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	188,678	206,551
Less: Progress billings	(161,040)	(217,201)
	27,638	(10,650)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	31,363	4,761
Amounts due to customers for contract work	(3,725)	(15,411)
	27,638	(10,650)

19. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2017 HK$'000	2016 HK$'000
Amounts due from related parties:		
Summer Unicorn Limited (Note (i))	14	–
Heavenly White Limited (Note (ii))	14	–
Mr. Lam	–	3,732
	28	3,732
Maximum amount outstanding during the year:		
Summer Unicorn Limited (Note (i))	14	–
Heavenly White Limited (Note (ii))	14	–
Mr. Lam	9,239	5,195
Amount due to a related party:		
Mr. Cheung	–	2,429

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

Notes:

(i) Substantial shareholder and wholly-owned by Mr. Lam

(ii) Substantial shareholder and wholly-owned by Mr. Cheung

20. HELD-FOR-TRADING INVESTMENTS

	2017 HK$'000	2016 HK$'000
Listed securities		
– Equity securities listed in Hong Kong	13	10

The fair values of the equity securities held for trading were determined based on the quoted market prices in an active market.

21. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

As at 31 March 2017, the Group had a pledged bank deposit of approximately HK$3,000,000 (2016: Nil) which carry interest rate at 0.001% per annum. The bank deposit was pledged to secure the banking facilities granted to the Group and denominated in HK$.

Bank balances earn interests at floating rate based on daily bank deposit rates and are placed with creditworthy banks with no recent history of default.

Analysis of balances of cash and cash equivalents:

	2017 HK$'000	2016 HK$'000
Bank balances and cash presented in the consolidated statement of financial position	36,264	7,209
Less: bank overdrafts (Note 24)	–	(1,029)
Cash and cash equivalents presented in the consolidated statement of cash flows	36,264	6,180

22. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	7,166	5,304
Other payables and accruals	2,715	2,558
	9,881	7,862

The credit period on trade payables are generally 0 to 30 days.

The ageing analysis of trade payables, presented based on the invoice date, at the end of the reporting period, is as follows:

	2017 HK$'000	2016 HK$'000
0 – 30 days	4,305	3,296
31 – 60 days	384	1,304
61 – 90 days	670	190
91 – 180 days	579	488
Over 180 days	1,228	26
	7,166	5,304

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK$'000	2016 HK$'000
Financial liabilities		
Foreign currency forward contracts	235	951
Represented by:		
Current portion	235	783
Non-current portion	–	168
	235	951

As at 31 March 2017, the Group had outstanding foreign currency forward contracts and the contracts expire from April 2017 to June 2017 (2016: April 2016 to June 2017).

The aggregated notional principal amounts of the outstanding foreign currency forward contracts at 31 March 2017 were approximately RMB1,959,000 (2016: RMB10,733,000).

24. BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loans – secured	6,483	1,176
Bank overdrafts	–	1,029
	6,483	2,205
Carrying amounts repayable*:		
On demand or within one year	5,245	1,713
More than one year, but not exceeding two years	1,238	264
More than two year, but not exceeding five years	–	228
Amount shown under current liabilities	6,483	2,205

* The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

Notes:

(i) As at 31 March 2017, all borrowings contain a repayment on demand clause with variable interest rate and are included in current liabilities.

(ii) Included in the bank loans of approximately HK$745,000 as at 31 March 2016, contain a repayment on demand clause with variable interest rate and were included in current liabilities. The remaining bank borrowings were repayable within one year and carries variable interest rate.

(iii) As at 31 March 2017, the bank loans carries interest at rate ranging from 3.5% to 4.0% per annum (2016: 4.0% to 4.5% per annum).

(iv) As at 31 March 2016, the bank overdrafts carry interest rate at 6% per annum.

(v) The banking facilities of the Company granted by certain banks were secured by the following:

- charges over life insurance policies of the Company as disclosed in Note 16;
- guarantee issued by The Hong Kong Mortgage Corporation Limited, amounting to approximately HK$8,000,000 and such guarantee was released during the year ended 31 March 2017;
- guarantee issued by the Government of Hong Kong Special Administrative Region;
- a personal guarantee and indemnity given by Mr. Cheung and Mr. Lam; and
- all monies second legal charge and an assignment of insurance policy in respect of the property owned by Mr. Lam.

25. OBLIGATIONS UNDER FINANCE LEASES

The Group leased its motor vehicle under finance leases. The original lease term is 5 years and the remaining lease term as at 31 March 2017 is nil (2016: 2.5 years). Interest rate underlying all obligations under finance leases are fixed at the respective contract dates ranging from 2.0% to 2.25% per annum (2016: 2.0% per annum). No arrangements have been entered into for contingent rental payments.

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

	Minimum lease payments		**Present value of minimum lease payments**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Amounts payable under finance leases:				
Within one year	–	111	–	102
In the second to fifth years, inclusive	–	154	–	149
Total minimum finance lease payments	–	265	–	251
Less: future finance charges	–	(14)		
Present value of lease obligations	–	251		
Less: Amount due for settlement within 12 months shown under current liabilities			–	(102)
Amount due for settlement after 12 months			–	149

As at 31 March 2016, the Group's obligations under finance leases were secured by a personal guarantee provided by Mr. Cheung. Obligations under finance leases are denominated in HK$.

26. SHARE CAPITAL

Share capital as at 31 March 2016 represents the aggregate of the paid up share capital of the Company and Thrive Tide Limited held by Mr. Cheung and Mr. Lam, prior to the Reorganisation.

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 11 February 2016 (date of incorporation) (Note (i)) and 31 March 2016	38,000,000	380
Increase on 23 December 2016 (Note (iii))	1,962,000,000	19,620
At 31 March 2017	2,000,000,000	20,000
Issued and fully paid:		
At 11 February 2016 (date of incorporation) (Note (i)) and 31 March 2016	2	–
Issue of shares pursuant to Reorganisation (Note (ii))	19,998	–
Issue of shares upon capitalisation issue (Note (iv))	839,980,000	8,400
Issue of shares by placing (Note (v))	280,000,000	2,800
At 31 March 2017	1,120,000,000	11,200

Notes:

(i) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 February 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. One ordinary share was allotted and issued fully-paid to the subscriber on 11 February 2016, and was subsequently transferred to Summer Unicorn Limited on the same date. On 11 February 2016, Heavenly White Limited subscribed for one fully-paid ordinary share, resulting in each of Summer Unicorn Limited and Heavenly White Limited holding one fully-paid share immediately after the above allotments and share transfer.

(ii) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issue share capital of Thrive Tide Limited from Heavenly White Limited and Summer Unicorn Limited, on 20 December 2016, 9,999 ordinary shares and 9,999 ordinary shares, all credited as fully paid, were allotted and issued to Heavenly White Limited and Summer Unicorn Limited respectively.

(iii) Pursuant to the written resolution passed by the shareholders on 23 December 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 ordinary shares of HK$0.01 each which, upon issue, shall rank pari passu in all aspects with the existing issued ordinary shares.

(iv) Pursuant to the written resolution passed by the shareholders on 23 December 2016, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the placing, the directors of the Company are authorised to allot and issue a total of 839,980,000 ordinary shares, by way of capitalisation of the sum of approximately HK$8,399,800 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders on the register of members of the Company at the close business on 23 December 2016 in proportion to their then existing shareholdings in the Company.

(v) On 12 January 2017, the Company issued 280,000,000 ordinary shares of HK$0.01 each pursuant to the Company's Listing on GEM of the Stock Exchange by way of share offer at a price of HK$0.255 per ordinary share.

27. RESERVES

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Special reserve

Special reserve represents the reserve arose pursuant to the Reorganisation for the purpose of the Listing.

28. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("**Scheme**") pursuant to a resolution passed on 23 December 2016. The purpose of the 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.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants or advisers of the Group, or any substantial shareholders of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

28. SHARE OPTION SCHEME (CONTINUED)

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 23 December 2016 and expiring on the business day immediately preceding the 10th anniversary thereof, subject to early termination provisions contained in the Scheme.

There was no share option granted to eligible participants during the year ended 31 March 2017. There was no outstanding share options as at 31 March 2017.

29. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$366,000 (2016: HK$325,000) for the year ended 31 March 2017 and represent contributions paid or payable to the MPF Scheme by the Group at rates specified in the rules of the scheme.

30. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**439**	–

Operating lease relates to office premises with lease term of two years and the rentals are fixed throughout the lease period.

31. SURETY BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require Ample Construction to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK$2,844,000 (2016: HK$2,984,000) as at 31 March 2017. Ample Construction, Ample Group Limited, a company wholly-owned by Mr. Cheung and Mr. Lam and/or Mr. Cheung and Mr. Lam, have unconditionally and irrevocably agreed to indemnify to the insurance companies that issue such surety bonds for claims and losses the insurance companies may incur in respect of the bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract.

As at 31 March 2017, the Group paid a cash collateral of approximately HK$820,000 (2016: HK$924,000) to the insurance companies for the issuance of surety bonds and are included in other receivables, prepayments and deposits (Note 17).

32. RELATED PARTY DISCLOSURES

(i) Outstanding balances with related parties

Details of outstanding balances with related parties are set out in Note 19.

(ii) Guarantees provided by related parties

Details of personal guarantees provided by Mr. Cheung and Mr. Lam in connection with the surety bonds, banking facilities and finance leases facilities granted to the Group at the end of the reporting period are set out in Note 31, Note 24 and Note 25 respectively.

(iii) Compensation of key management personnel

Key management includes executive directors and senior management of the Company. The remuneration of key management personnel during the years ended 31 March 2017 and 2016 are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other benefits	**5,322**	4,551
Contributions to retirement benefit scheme	**118**	109
	5,440	4,660

33. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2017, dividends amounting to HK$18,000,000 declared by the Company, of which approximately HK$7,990,000 was settled by cash and the remaining balance of approximately HK$10,010,000 was set off against the outstanding balances of the amounts due from Mr. Cheung and Mr. Lam.

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings and obligations under finance leases, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company reviews the capital structure on a regular basis by considering the cost of capital and the risks associated with the capital. In view of this, the Group manages its overall capital structure through the payment of dividends and the issue of new shares.

The net debt to equity ratio at the end of the reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
Debts (Note (i))	**6,483**	2,456
Less: Bank balances and cash (Note (ii))	**(36,264)**	(7,209)
Net debt	**(29,781)**	(4,753)
Equity (Note (iii))	**82,797**	23,484
Net debt-to-equity ratio	**N/A**	N/A

Notes:

(i) Debts represent borrowings and obligations under finance leases as detailed in Notes 24 and 25 respectively.

(ii) Bank balances and cash as detailed in Note 21.

(iii) Equity includes all capital and reserves attributable to owners of the Company.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	72,000	48,943
Financial assets at fair value through profit or loss	13	10
	72,013	48,953
Financial liabilities		
Financial liabilities at amortised cost	16,364	12,747
Financial liabilities at fair value through profit or loss	235	951
	16,599	13,698

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits and prepayments for life insurance policies, derivative financial instruments, trade and other receivables, amounts due from related parties, held-for-trading investments, pledged bank deposit, bank balances and cash, trade and other payables, amount due to a related party, borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Foreign currency risk management

The majority of the Group's transactions and balances as at and for the years ended 31 March 2017 and 2016 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities. Interest-bearing financial assets and financial liabilities are mainly deposits and borrowings with banks respectively. Deposits and borrowings with banks carrying interest at variable rate exposure the Group to cash flow interest rate risk.

The Group's deposits for life insurance policies are based on fixed interest rate. The directors of the Company consider the fixed interest deposits for life insurance policies are not subject to significant fair value interest rate risk.

As the Group has no significant variable-rate interest-bearing financial assets and financial liabilities, except for short-term bank deposits and bank borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing financial assets and financial liabilities resulted from the changes in interest rates because the interest rates of bank deposits and bank borrowings are relatively low and not expected to change significantly.

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

In virtue of the exposure on interest risk being minimal, the respective quantitative disclosures have not been prepared.

(iii) Price risk

The Group is exposed to equity price risk mainly through its investments in listed equity securities. The management manages this exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments. The Group currently does not have a policy on hedges of equity price risk. However, the management monitors equity price exposure and will consider hedging significant equity price exposure should the need arise.

In virtue of the exposure on equity price risk being minimal, the respective quantitative disclosures have not been prepared.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk

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

In order to minimise the credit risk, the management of the Group monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management review the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management consider that the Group's credit risk is significantly reduced.

The Group's credit risk exposure is spread over a number of customers, accordingly, the Group has no significant concentration of credit risk on a single customer in this respect.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings or with good reputation. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

As at 31 March 2017, the Group has available unutilised bank overdrafts, business card, and short-term and medium-term loan facilities with an aggregated amount of approximately HK$26,991,000 (2016: HK$12,140,000).

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause give the bank the unconditional right to call in the loan at any time. Therefore, for the purpose of the below maturity profile, the amounts are classified as "On demand".

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

	Weighted average effective interest rate	On demand or within one year HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2017					
Non-derivative financial liabilities					
Trade and other payables	–	9,881	–	9,881	9,881
Borrowings	3.7%	6,625	–	6,625	6,483
		16,506	–	16,506	16,364
Derivative financial liabilities					
Foreign currency forward contracts – net settlement		235	–	235	235

	Weighted average effective interest rate	On demand or within one year HK$'000	Over one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2016					
Non-derivative financial liabilities					
Trade and other payables	–	7,862	–	7,862	7,862
Amount due to a related party	–	2,429	–	2,429	2,429
Borrowings	4.1%	2,249	–	2,249	2,205
Obligations under finance leases	5.4%	111	154	265	251
		12,651	154	12,805	12,747
Derivative financial liabilities					
Foreign currency forward contracts – net settlement		783	168	951	951

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price for financial assets held by the Group is the quoted market bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Group's financial assets and financial liabilities that are measured at fair value as at 31 March 2017 and 2016.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
As at 31 March 2017				
Financial assets				
Financial assets held for trading				
– listed equity securities	**13**	**–**	**–**	**13**
Financial liabilities				
Derivative financial instruments				
– foreign currency forward contracts	**–**	**235**	**–**	**235**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2016				
Financial assets				
Financial assets held for trading				
– listed equity securities	10	–	–	10
Financial liabilities				
Derivative financial instruments				
– foreign currency forward contracts	–	951	–	951

There were no investments classified under Level 3 and there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the years ended 31 March 2017 and 2016.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

Fair value of financial assets and financial liabilities that are carried at other than fair value

The directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 March 2017 and 2016.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investment in a subsidiary	29,423	–
Current assets		
Amounts due from subsidiaries	53,395	–
Cash	–	–
	53,395	–
Total assets	82,818	–
Current liabilities		
Other payables	144	419
Amount due to a subsidiary	–	4,112
	144	4,531
Net current assets/(liabilities)	53,251	(4,531)
Net assets/(liabilities)	82,674	(4,531)
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	11,200	–
Reserves (Note)	71,474	(4,531)
Total equity	82,674	(4,531)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 22 June 2017 and signed on its behalf by:

Wong Wan Sze	**Lam Shui Wah**
Director	*Director*

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 11 February 2016 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(4,531)	(4,531)
Balance at 31 March 2016	–	–	(4,531)	(4,531)
Profit and total comprehensive income for the year	–	–	11,497	11,497
Dividends recognised as distribution	–	–	(18,000)	(18,000)
Effect of reorganisation	–	29,423	–	29,423
Capitalisation issue	(8,400)	–	–	(8,400)
Issue of shares by placing	68,600	–	–	68,600
Transaction costs attributable to issue of shares	(7,115)	–	–	(7,115)
Balance at 31 March 2017	53,085	29,423	(11,034)	71,474

Special reserve

Special reserve represents the difference between the total equity of Thrive Tide Limited acquired by the Company pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 March 2017 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share capital	Equity interests attributable to the Company	Principal activities
Thrive Tide Limited	British Virgin Islands	US$200	100% (direct)	Investment holding
Ample Construction Company Limited	Hong Kong	HK$1,000,000	100% (indirect)	Provision of interior fitting-out, renovation, alteration and addition works services
Ample Design Company Limited	Hong Kong	HK$10,000	100% (indirect)	Provision of interior design services

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements and the Prospectus is set out below.

RESULTS

	For the year ended 31 March		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
Revenue	**165,715**	140,719	134,047
Direct costs	**(127,146)**	(110,777)	(115,280)
Gross profit	**38,569**	29,942	18,767
Profit before tax	**18,017**	13,025	12,401
Income tax expense	**(4,807)**	(2,958)	(1,995)
Profit for the year	**13,210**	10,067	10,406
Profit for the year attributable to:			
Owners of the Company	**13,210**	9,957	10,545
Non-controlling interests	**–**	110	(139)

ASSETS AND LIABILITIES

	As at 31 March		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
Total assets	**104,307**	54,138	45,047
Total liabilities	**(21,328)**	(30,654)	(31,631)
Total equity	**82,979**	23,484	13,416
Equity attributable to:			
Owners of the Company	**82,979**	23,484	13,658
Non-controlling interests	**–**	–	(242)