LAI GROUP HOLDING COMPANY LIMITED
禮建德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8455

Annual Report 2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Chan Lai Sin *(Chairman)*
Mr. Hung Lap Ka
Ms. So Hiu Bik

Independent non-executive Directors
Mr. Kwan Ngai Kit
Ms. Lui Lai Chun
Mr. Wu Loong Cheong Paul

BOARD COMMITTEES

Audit Committee
Mr. Kwan Ngai Kit *(Chairman)*
Ms. Lui Lai Chun
Mr. Wu Loong Cheong Paul

Remuneration Committee
Ms. Lui Lai Chun *(Chairman)*
Mr. Chan Lai Sin
Mr. Kwan Ngai Kit
Mr. Wu Loong Cheong Paul

Nomination Committee
Mr. Wu Loong Cheong Paul *(Chairman)*
Mr. Chan Lai Sin
Mr. Kwan Ngai Kit
Ms. Lui Lai Chun

COMPANY SECRETARY

Mr. So Wing Fat (resigned on 16 June 2017)
Ms. Tam Kwai Heung (appointed on 16 June 2017)

AUTHORISED REPRESENTATIVES

Mr. Chan Lai Sin
Mr. So Wing Fat (resigned on 16 June 2017)
Ms. Tam Kwai Heung (appointed on 16 June 2017)

COMPLIANCE OFFICER

Mr. Chan Lai Sin

COMPLIANCE ADVISER

Frontpage Capital Limited
26/F., Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Room 4124, 41/F
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong
(Solicitors of Hong Kong SAR)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE IN CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office H 19/F, Phase 01
Kings Wing Plaza
3 On Kwan Street, Shek Mun
Sha Tin, New Territories
Hong Kong

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
Bank of China
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

8455

COMPANY'S WEBSITE

www.dic.hk

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Lai Group Holding Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present our annual report for the year ended 31 March 2017.

REVIEW

The Group's revenue increased by approximately 11.2% from approximately HK$118.3 million for the year ended 31 March 2016 to approximately HK$131.6 million for the year ended 31 March 2017.

The Group's gross profit increased by approximately HK$1.7 million, by 4.8%, from approximately HK$35.1 million for the year ended 31 March 2016 to approximately HK$36.8 million for the year ended 31 March 2017. Gross profit margin decreased from approximately 29.7% for the year ended 31 March 2016 to approximately 28.0% for the reporting year. Such decrease was mainly due to the rising costs of raw material and labor.

During the year ended 31 March 2017, the Group recorded the profit attributable to owners of the Company of approximately HK$2.7 million, representing a decrease of approximately 70.0% as compared with approximately HK$9.0 million for the year ended 31 March 2016. The decrease was mainly due to the non-recurring listing expenses incurred and the higher employee benefit expenses to support the business growth during the current year.

PROSPECT

Due to the optimistic prospect of the interior design and fit-out services, it is expected that there will be opportunities for growth in 2017-2018. According to the results from the marketing research, the customer value spend on residential interior design and fit-out services in Hong Kong was growing at a compound annual growth rate of 1% during the period from 2016 to 2020. According to the latest Long-Term Housing Strategy Annual Progress Report (2016), the Hong Kong Government targets to supply 460,000 housing units from 2017/18 to 2026/27. The growth of housing units is expected to result in higher customer value spend on residential interior design services.

The Group is encountering a rising cost of raw material and labor, which will generate possible negative impact of the Group's gross profit margin for the coming year. Despite the challenges in the future, the Group will strengthen its position in the interior design and fit-out services by strengthening its team, improving management, enhancing the design style, expanding the different markets and increasing the promotion efforts to the new customers.

On the other hand, with regards to marketing strategy, the Group's promotion and advertising are famous in major media, which attracted the Group's customers from different media so that our products and services can be promoted. The Group will continue to seek for business opportunities in the interior design and fit-out services to create greater value for its shareholders.

Chan Lai Sin
Chairman and Executive Director

Hong Kong
26 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services ranging from interior design provided by the Group's in-house design team, which provides the Group's customers with creative and innovative designs that synergise with the latest market and design trends, the Group relies on the high quality of fittings, furnishings and the implementation of the designs performed by its subcontractors to complete the projects.

The Group's business can be classified into (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. The Group generated revenue of approximately HK$131.6 million and HK$118.3 million, of which approximately HK$114.7 million and HK$104.6 million representing 87.1% and 88.4% of the Group's total revenue were generated from residential interior design and fit-out services for the years ended 31 March 2017 and 2016, respectively. Approximately HK$15.6 million and HK$13.0 million, representing 11.9% and 11.0% of the Group's total revenue were generated from commercial interior design and fit-out services for the years ended 31 March 2017 and 2016, respectively.

For the year ended 31 March 2017, the Group recorded a net profit of approximately HK$3.0 million as compared to approximately HK$9.2 million for the same period in 2016. The Directors are of the view that the downturn experienced by the Group during the year ended 31 March 2017 was mainly attributable to the non-recurring listing expenses and the higher employee benefit expenses to retain high caliber of employees to support the business growth. In view of the steady revenue growth for the year ended 31 March 2017 as compared to the same period in 2016 and the latest negotiations with existing and potential new customers, the Directors are of the view that there has been no fundamental deterioration in the commercial and operational viability of the Group's business.

OUTLOOK

The shares of the Company were listed on the GEM on 12 April 2017 by way of share offer. The Directors believe that listing on the GEM could enhance profile and recognition of the Group which will enhance the customers' confidence to the Group. In addition, the net proceeds from the share offer will provide additional resources to the Group to expand business and improve its capital base.

Looking forward, the Group will continue to devote more resources towards the development of interior design and fit-out services in Hong Kong. The Group will focus on the following business strategies: (i) to strengthen the Group's market position in Hong Kong by improving its coverage; (ii) to promote the Group's brand, to improve brand recognition and to strengthen the Group's marketing efforts; and (iii) to enhance the Group's internal training and to recruit talents to support the Group's future growth. Details of the business strategies have been disclosed in the prospectus of the Company ("Prospectus") dated 31 March 2017.

Revenue

The Group's revenue is primarily generated from provision of interior design and fit-out services in Hong Kong which includes two main categories namely (i) residential interior design and fit-out services; and (ii) commercial interior design and fit-out services. During the reporting year, the Group's revenue increased by approximately 11.2% to approximately HK$131.6 million (2016: HK$118.3 million), primarily attributable to the operating of the new Kwun Tong branch.

	For the year ended 31 March			
Revenue by business nature	**2017**		2016	
	HK$'000	**%**	HK$'000	%
Residential interior design and fit-out services	**114,660**	**87.1**	104,644	88.4
Commercial interior design and fit-out services	**15,609**	**11.9**	13,048	11.0
Others	**1,368**	**1.0**	656	0.6
Total	**131,637**	**100.0**	118,348	100.0

Direct costs

The Group's direct costs consist primarily of (i) materials; (ii) subcontracting charges; (iii) staff costs; and (iv) warranty expenses. The table below sets forth a breakdown of components of direct costs for the years ended 31 March 2017 and 2016:

Components of direct costs	For the year ended 31 March 2017		2016	
	HK$'000	%	HK$'000	%
Materials	**23,751**	**25.0**	23,864	28.7
Subcontracting charges	**62,560**	**65.9**	50,787	61.0
Staff costs	**8,125**	**8.6**	7,608	9.2
Warranty expenses	**431**	**0.5**	947	1.1
Total	**94,867**	**100.0**	83,206	100.0

The Group's direct costs increased by approximately 14.1% from approximately HK$83.2 million for the year ended 31 March 2016 to HK$94.9 million for the year ended 31 March 2017. Such increase was mainly due to the increase in subcontracting charges.

Gross profit and gross profit margin

Gross profit represents revenue less direct costs. The Group's gross profit increased by approximately HK$1.7 million, or 4.8%, from approximately HK$35.1 million for the year ended 31 March 2016 to approximately HK$36.8 million for the year ended 31 March 2017. The Group's gross profit margin was approximately 28.0% for the year ended 31 March 2017, representing a decrease of approximately 1.7 percentage points as compared to approximately 29.7% for the year ended 31 March 2016. The decrease in gross profit margin was mainly due to the increase in subcontracting charges.

Administrative and other operating expenses

The Group's administrative and other operating expenses for the year ended 31 March 2017 were approximately HK$31.4 million, representing an increase of approximately 33.6% from approximately HK$23.5 million for the year ended 31 March 2016, primarily due to the increase in non-recurring listing expenses and the increase in employee benefit expenses incurred in the year ended 31 March 2017 to support the business growth.

Finance costs

Finance costs of the Group decreased by approximately 14.0% from approximately HK$50,000 for the year ended 31 March 2016 to approximately HK$43,000 for the year ended 31 March 2017. The decrease in finance costs was mainly attributable to the decrease in interest on bank overdraft for the year ended 31 March 2017.

Income tax expenses

Income tax of the Group for the year ended 31 March 2017 was approximately HK$2.3 million and remain steady compared to the same financial period in 2016 (2016: HK$2.4 million).

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 March 2017 amounted to approximately HK$2.7 million, representing a decrease of approximately 70.0% as compared with profit of approximately HK$9.0 million for the year ended 31 March 2016. It was mainly due to the increase in administrative and other operating expenses for reasons mentioned above.

BUSINESS OBJECTIVES AND STRATEGIES

The Group will endeavor to achieve the following business objectives:

Business strategy as stated in the Prospectus	Implementation plans
Expansion of market coverage in Hong Kong	• To acquire a new office in Tsuen Wan through mortgage financing • Related fees due to the acquisition of the new office, and the new office fit-out and refurbishment costs
Strengthen sales and marketing efforts	• To engage in an informative advertising campaign by providing design and renovation information as a television programme • To increase advertising frequency on traditional media such as weekly magazine and billboards • To increase online advertisement • To engage a celebrity to market and endorse our services
Recruiting high caliber talents and enhance internal training to support future growth	• To hire additional employees and talents • To organise internal training and seminar
Upgrade the information systems	• To pay deposit for system design
Development of fleet of vehicles	• To purchase a vehicle • Related fees due to the purchase of the vehicle

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 12 April 2017 through the share offer of 200,000,000 shares of HK$0.01 each in the share capital of the Group at the price of HK$0.26 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$34.8 million.

The below table sets out the proposed applications of the net proceeds from the Listing Date to 30 September 2017:

	Planned use of proceeds from Listing Date to 30 September 2017 HK$ million
Expansion of market coverage in Hong Kong	**7.7**
Strengthen sales and marketing efforts	**1.0**
Recruiting high caliber talent and enhance internal training to support future growth	**0.7**
Upgrading information systems	**0.2**
Development of fleet of vehicles	**0.5**
General working capital	**0.4**
Total	**10.5**

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.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 12 April 2017. There has been no change in the capital structure of the Group since the Listing Date and up to date of this report. The capital of the Group only comprises of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements principally from cash generated from operations and finance lease liabilities.

As at 31 March 2017, the Group had finance lease liabilities of approximately HK$0.8 million which was denominated in Hong Kong Dollars (2016: HK$1.1 million). The Group's finance lease obligations were for the acquisition of motor vehicles to support its operations.

As at 31 March 2017, the Group had approximately HK$12.1 million in cash and bank balance (2016: approximately HK$2.4 million). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

GEARING RATIO

As at 31 March 2017, the gearing ratio of the Group was approximately 17.9% (2016: 6.1%). The increase in gearing ratio was mainly due to HK$16.0 million of interim dividend settled during the year. Gearing ratio is calculated as total interest-bearing liabilities divided by total capital. Total interest-bearing liabilities is calculated as total finance lease liabilities. Total capital is calculated as total equity as shown in the consolidated statement of financial position.

CHARGE ON GROUP ASSETS

As at 31 March 2017, the Group has pledged its motor vehicle with net book value amounted to approximately HK$0.9 million (2016: HK$1.2 million), under non-cancellable finance lease agreements.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed herein, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2017. There is no other plan for material investments or capital assets as at 31 March 2017.

FOREIGN EXCHANGE EXPOSURE

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. All of the Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollars. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2017.

COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2017.

The contractual commitments mainly involve rental payable by the Group in respect of office premises and office equipment under non-cancellable operating leases. As at 31 March 2017, the Group's operating lease commitments were approximately HK$2.9 million (2016: HK$3.9 million).

SEGMENT INFORMATION

The Group principally operates in one business segment, which is providing interior design and fit-out services in Hong Kong.

FINAL DIVIDENDS

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

In April 2016, the Operating Company, a wholly-owned subsidiary of the Company declared a special dividend in the sum of HK$16.0 million to its then shareholder, which was settled by way of offsetting its then outstanding amounts due from the Controlling Shareholder.

INTERIM DIVIDEND

During the year ended 31 March 2017, interim dividend of HK$16.0 million (2016: Nil) was declared and settled prior to the Listing of the Group.

INFORMATION ON EMPLOYEES

As at 31 March 2017, the Group had 65 employees working in Hong Kong (2016: 57). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 March 2017 amounted to approximately HK$16.4 million (2016: HK$14.9 million).

PRINCIPAL RISKS AND UNCERTAINTIES

Interest rate risk

Interest rate risk is insignificant because the Group does not have any significant interest-bearing assets except for bank balance, in which the management is expected that the interest rates of bank balances will not change significantly. The Group is not exposed to cash flow interest rate risk arising from the Group's borrowings as finance lease liabilities are at fixed interest rates. The Group does not use any derivative financial instruments to hedge risk exposure against changes in interest rates.

Credit risk

The credit risk of the Group mainly arises from trade and other receivables, as well as cash and bank balances. The carrying amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates. The Group's credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies. In respect of trade and other receivables, individual credit evaluations are performed on the Group's customers and counterparties. Monitoring procedures have been implemented to ensure that follow-up action will be taken to recover overdue debts. Directors will consider making specific provisions for trade receivables at the end of each reporting period when there are indication that the balances are unlikely to be recovered.

However, the Group has certain concentration of credit risk, given that as at 31 March 2017 and 2016, approximately 23.2% and 86.8% of the Group's current assets were due from Mr. Chan, respectively.

Liquidity risk

The Group's policy is to monitor current and expected liquidity requirements regularly to ensure that the Group maintains sufficient reserve of cash to meet liquidity requirements in both long and short terms to ensure that the Group has sufficient financial resources to fund operations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented environmental protection measures, including procedures and programs related to wastewater discharge management, noise control, resources and energy use control, environmental protection enhancement and sustainable development, internal environmental examination and evaluation, environmental emergency response and impact control. The Group also commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, to encourage use of recycled paper for printing and copying, double-sided printing and copying, to reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances. The Group's operations were in compliance in all material respects with currently applicable national and local environmental protection laws and regulations in the Hong Kong during the year.

For details of environmental, social and governance performance of the Group, please refer to the environmental, social and governance report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the reporting year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year ended 31 March 2017, there was no significant dispute between the Group and its suppliers, customers and/or stakeholders.

EVENTS AFTER THE REPORTING PERIOD

Listing on the GEM of Stock Exchange

The shares of the Company were listed on the GEM on 12 April 2017 through the share offer 200,000,000 shares at a price of HK$0.26 per share.

Change of Company Secretary and an Authorised Representative

Mr. So Wing Fat resigned from his role as the company secretary and an authorised representative of the Company with effect from 16 June 2017. Ms. Tam Kwai Heung was appointed as the company secretary and an authorised representative of the Company with effect from 16 June 2017. For further details, please refer to the announcement of the Company dated 16 June 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are pleased to present this report in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") published by the Stock Exchange, as contained in Appendix 20 to the GEM Listing Rules. This report describes the Group's policies that were designed to fulfill the Group's obligations with respect to sustainable development and social responsibilities areas, as required by the ESG Guide.

The principal activities of the Group are provision of interior design and fit-out services in Hong Kong. The Group offers a full suite of services ranging from interior design provided by the in-house design team, to high quality fittings and furnishings.

Whilst the Group strives to create positive values for the shareholders, the Group also is dedicated to fulfill its corporate social responsibility through continuous effort. The Group believes that all stakeholders' interest must be taken into account in order to enhance our relationship with the shareholders, employees, customers, business partners and the society. This report presents the Group's engagement in environmental protection and social commitment during the financial year. Due to the minimal impact of environmental related issues and the Group's business nature, the scope of this report focuses on the social commitment regarding employee benefits, supply chain management, product responsibility, anti-money laundering and community as these are the crucial elements of the Group's operation and the concerns of our stakeholders. We have required our management and employees of each department to review the operation of the Group based on their functions, identify relevant ESG issues and assess the materiality/correlation of such issues to our business. During the reporting period, the Group has complied with the "comply or explain" provisions set out in the ESG Guide.

A. ENVIRONMENT

The principal activities of the Group are primarily provision of interior design and fit-out services, with limited impact to the environment and use of natural resources, we actively pursue various environmental measures to reduce the impact to the environment in conducting our business.

A1. Emissions

The biggest contributor to the Group's carbon footprint is the indirect greenhouse gas ("GHG") emissions from electricity consumption at the workplaces as well as from the waste disposal truck. We have taken energy saving initiatives which include applying optimal temperature setting of air-conditioning; maximising the use of natural light; installing energy-efficient office equipment; switching off air conditioning systems and lighting after office hours and turning off office equipment when not in use.

The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection, complies with relevant requirements from ISO 14001 Environmental Management Standard.

During the reporting period, we were not aware of any material non-compliance with the environmental laws and regulations.

A2. Use of Resources

The Group aims to maximise energy conservation in its office through encouraging the employees to reduce the use of paper by accessing the necessity of printing and where appropriate to use duplex printing and reprint on single-side printed paper. Meanwhile, the Group also aims to promote efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as electrical appliances with high efficient energy label. Moreover, traditional fluorescent tubes have been replaced with energy efficient LED light strips to save power. To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time.

A3. The Environment and Natural Resources

This aspect is not applicable to the Group's operations, as the Group's environmental impact and use of natural resources is minimal.

B. SOCIAL COMMITMENT

The Group recognises our employees, are the key stakeholders of our business and the most valuable assets. The Group provides competitive employee compensation and benefits and comprehensive training programs to encourage our employees to achieve their potential and put their abilities to effective use.

B1. Employment

The Group adopts fair and open recruitment mechanism with all positions being openly recruited regardless of age, gender, race, nationality, religion, marital status or disability. The Group does not tolerate sexual harassment or any other form of harassment or abuse in the workplace. All vacancies are published to public via different recruiting channels such as advertisement, online recruitment channels, recruitment through Labour Department and graduates from Smartwill Education Centre.

A formal induction together with a tour of the workplace is provided to all employees on the first day of employment. This aims to welcome the new employees and give them a better understanding of the Group. “Staff Hand Book” has also been adopted by the Group which contains information regarding employment, rights on termination, business conduct, social security funds, compensation, employee benefits, leave benefits, working hours/overtime and performance benefits. The Group was not aware of any material non-compliance with all relevant labour and employment laws in the reporting period. A brief introduction of employee handbook is provided to ensure new employees are aware of relevant policies.

The Group determined its remuneration of employee through reference of the market conditions, individual employee´s performance and qualifications. The Group gives project commissions based on individual target achievement in recognition to their contributions.

B2. Health and Safety

The Group has developed environmental friendly and safety management policies for on-site construction teams and office staff, both of which clearly specify work flows, all kinds of safety measures and guidances as well as employees’ responsibilities for their health and safety at our workplace. We have also established systems to monitor and manage relevant risks in our operations.

Our management system is certified against recognised international standards such as the Occupational Health and Safety Assessment Series (OHSAS) 18001. Our operations adhere to our occupational health and safety (“OHS”) policy to identify, assess, control and monitor safety risks. We also raise staff awareness on safety matters through OHS training and safety workshops.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the reporting period was extremely low with zero fatal accident.

During the reporting period, the Group was not aware of any material non-compliance with the health and safety laws and regulations.

B3. Development and Trainings

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. To encourage employee development, the Company provides trainings, including customised training courses, to help equipping employees of different levels of knowledge and skills with the knowledge and relevant skills to expend their knowledge and develop other professional skills. New employees are provided with on-board orientation trainings to help them familiarise themselves with the Group’s culture, structure and work requirement. Moreover, technical training is provided for front line staff which aims to enrich their knowledge related to the Group’s business and services.

During the reporting period, the Group has also conducted in-house seminars and training for ensuring the performance to meet Quality, Environmental, OH&S and Customer Service Objectives, in order to maintain the highest standard of professionalism by our employees. All technical or professional staff should attend continuous professional development training organised by appropriate institutions, if applicable.

The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

B4. Labour Standards

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including those relating to preventing child and forced labour. We have also developed rigorous and systematic measures for approval and selection, to prevent ourselves from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges the employees' working hours based on the statutory working hour standards and allows them to entitle paid leaves and sick leaves in accordance with labour laws.

During the reporting period, the Group was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

B5. Supply Chain Management

The Group believes that sourcing and selection of suppliers play a crucial part in enriching our brand and product mix. The assessment on suppliers places emphasis on their past performance in terms of environmental, antifouling and occupational health and safety. Physical inspection of the supplier's site would be performed on a random basis.

The Group's procurement team regularly looks for quality suppliers in the market, and will engage new suppliers upon their satisfaction of our internal review and approval, which includes owning a comprehensive quality management system and are accredited with ISO9001, ISO14001 and OHSAS18001 standards, appraisal of suppliers' performance on quality, environmental protection, occupational health & safety.

B6. Product Responsibility

The Group is committed to provide interior design and fit-out services for which our projects is in line with quality standards and sustainability requirements. We also pursue to meet higher criteria all the time. In respect of systems, we own a comprehensive quality management system and are accredited with ISO9001, ISO14001, and OHSAS18001 standards. We also carry out trainings and established a management system covering various aspects including management of quality of designers, quality control on purchased material, site management and quality management system, so as to ensure the timely and efficient completion of our projects. Moreover, a customer complaint channel has been established on the web site to gather the customer feedbacks to seek for rooms of improvement.

B7. Anti-corruption

We have employees' handbook and its relevant policies has stipulated our suppliers. subcontractors and staff not to solicit or accept any advantage or bribes from any other business partners. We will also require our staff to declare any conflict of interest and to avoid creating any possible conflict of interest while handling with our subcontractors and supplier. We also have our code of business conduct binding on all employees to avoid any impropriety.

We have whistle-blowing procedures in effect, encouraging employees to report directly to the Group's senior management for any misconduct and dishonest behaviour, such as bribery, fraud and other offences. Furthermore, we have specified in the employees' handbook that we are entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

During the reporting period, we have complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the Group or its employees.

B8. Community Investment

The Group has been actively involved in charitable activities in the communities and cities, and encourages the employees to participate in in-house or external community activities. We made considerable investments to adolescent education and temple rehabilitation including donation to Kharnang Buddhist Centre (H.K.) Limited.

The Group will continue to uphold the principle of being responsible for its customers, employees, business partners, shareholders and the society, and will seek further opportunities to develop a harmonious relationship with its stakeholders.

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

Mr. Chan Lai Sin(陳禮善)("**Mr. Chan**"), aged 52, is the founder of the Group. He is responsible for the overall strategic management and development of the Group's business operations. Mr. Chan was appointed to our Board and designated as an executive Director and the Chairman of our Company on 6 May 2016.

Mr. Chan has nearly 20 years of experience in the interior design and furnishing industry. Prior to founding the Group, Mr. Chan began working as a clerk in MTR Corporation Limited from August 1981 to October 1982 and later joined the Hong Kong Police Force (formerly the Royal Hong Kong Police Force) as a policeman from June 1983 to November 1987. Mr. Chan joined Bellok Company Limited (also known as Chung Ngai Furniture Factory(中藝傢俬廠)) as a sales representative in May 1988 and left in July 1996 with his last position held as sales manager. He later founded the Group in August 1996.

Further, Mr. Chan was awarded as one of "2012-2013 Top 10 Most Influential Interior Designers (Residential)(2012-2013年度十大最具影響力設計師(住宅空間類))" at "The 8th China International Architectural Decoration and Design Art Fair(第八屆中國國際建築裝飾及設計博覽會)" in China.

Mr. Chan received his bachelor degree of general studies and master degree of business administration from The Open University of Hong Kong in June 2011 and November 2015 respectively. He is currently the chairman of Hong Kong Famous Designers Association.

Mr. Hung Lap Ka(洪立家)("**Mr. Hung**"), aged 29, was appointed as an executive Director on 6 May 2016. Mr. Hung is responsible for the day-to-day management and operation of the Group and is mainly in charge of human resources of the Group, namely the coordination and management of employees, maximising employee performance through the supervision of internal business operations and dealing with employee performance issues, and recruiting and training interior design and fit-out talent to support the development of the Group.

Mr. Hung has over 5 years of experience in human resource management in the interior design and fit-out industry. Mr. Hung joined the Group as human resources officer in October 2010 and was later promoted to human resources manager in January 2013. He was responsible for supporting human resources and office administrative functions, including but not limited to staff recruitment as well as staff training and development. Mr. Hung worked as an entertainment news reporter in Television Broadcasts Limited (stock code: 0511), a company listed on the Stock Exchange, from May 2009 to November 2009, where he was mainly responsible for television programmes' script writing and interviews.

Mr. Hung received his bachelor degree of business administration (honours) in human resources management from the City University of Hong Kong in July 2009. He has also been a professional member of the Hong Kong Institute of Human Resource Management since April 2015, a professional body of human resource management professionals and human resource advisory institute in Hong Kong.

Ms. So Hiu Bik(蘇曉碧)("**Ms. So**"), aged 33, was appointed as an executive Director on 6 May 2016. Ms. So is responsible for the day-to-day management and operation of the Group.

Ms. So has over 6 years of experience in the interior design industry. Ms. So joined the Group as design manager in January 2010. She was mainly responsible for organising and supervising design teams, participating in presentations and interviews, building and maintaining day-to-day relationships with clients, and working collaboratively to find creative solutions to lead and manage project challenges.

She obtained her bachelor degree of design in visual communication from the University of Technology, Sydney in March 2010.

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:

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Ngai Kit（**關毅傑**）("**Mr. Kwan**"), aged 37, was appointed as our independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of our Company on 24 March 2017. Mr. Kwan is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis.

Mr. Kwan was the executive director, the chief financial officer and company secretary of Vision Fame International Holding Limited (stock code: 1315), a company listed on the Main Board of the Stock Exchange from June 2014 to October 2016. Mr. Kwan served as an independent non-executive Director of Group Sense (International) Limited (stock code: 601), a company listed on the Main Board of the Stock Exchange, since June 2016. He was the chief financial officer and company secretary of Modern Dental Group Limited (stock code: 3600), a company listed on the Main Board of the Stock Exchange, since October 2016. He is mainly responsible for matters relating to corporate finance, mergers and acquisitions, corporate governance as well as finance and accounting management.

Mr. Kwan has over 10 years of experience in auditing, accounting and corporate management. Prior to joining Vision Fame International Holding Limited, he was employed by Ernst & Young in January 2005 as a staff accountant and worked until March 2014 with his last position held as senior manager in the assurance department.

Mr. Kwan has been a member of the Hong Kong Institute of Certified Public Accountants since February 2010 and a member and a fellow member of the Association of Chartered Certified Accountants since September 2008 and September 2013, respectively.

Mr. Kwan received his bachelor degree of arts in accountancy from The Hong Kong Polytechnic University in November 2002 and completed a part-time master degree of business administration from The Chinese University of Hong Kong in November 2014.

Ms. Lui Lai Chun（**呂麗珍**）("**Ms. Lui**"), aged 34, was appointed as our independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of our Company on 24 March 2017. Ms. Lui is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group and reviewing the financial information of the Group on a regular basis.

Ms. Lui worked for Katon CPA Limited as an audit assistant from October 2006 to February 2008. She was employed by HLB Hodgson Imply Cheng Limited in March 2008 and worked until June 2011 with her last position held as senior accountant. She joined Real Gold Mining Limited (stock code: 0246), a company listed on the Main Board of the Stock Exchange, since October 2011 with her last position held as accounting manager and was further appointed as company secretary with effect from December 2016. Ms. Lui currently hold the position of company secretary and accounting manager.

Ms. Lui obtained her bachelor degree of commerce in accountancy and applied finance from Griffith University, Australia in September 2005. She has been a member of Certified Public Accountants of Australia since February 2014 and a member of The Hong Kong Institute of Certified Public Accountants since March 2015.

Mr. Wu Loong Cheong Paul（**吳龍昌**）("**Mr. Wu**"), aged 53, was appointed as our independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of our Company on 24 March 2017. Mr. Wu is responsible for providing independent judgment and advises on the issue of strategy, performance, resources and standard of conduct of the Group, and reviewing the financial information of the Group on a regular basis.

Mr. Wu worked for Nortel Networks as a member of scientific staff, senior software engineer, software development and sustaining team leader and product design support manager from 1989 to 2001. He then joined UTStarcom Incorporation in February 2002 and worked until October 2007, with his last position held as senior manager and deputy director of common software engineering department. Since September 2008, Mr. Wu has been the principal of Ascent Partners Valuation Service Limited and Director of Ascent Partners Technologies Limited. Mr. Wu spearheads the business valuation and technology division to formulate marketing strategies, business development and operating plans, as well as establish and institutionalise business practices, standards and processes for the effectiveness and efficiency across the global operations of the Group. He provides solutions and consultancy services to financial institutions and corporate clients in financial products and operations.

Mr. Wu obtained a bachelor degree of science and a master degree of science from Simon Fraser University, Canada in June 1986 and in June 1989, respectively. He has been a certified member of Certified Management Accountants (Australia) since December 2013.

SENIOR MANAGEMENT

Mr. Siu Ka Sing（蕭嘉星）(“**Mr. Siu**”), aged 36, was appointed as chief executive officer of our Company in 24 March 2017. Mr. Siu initially joined the Group as an account officer in May 2004 and was promoted to administrative manager in January 2009. Mr. Siu is responsible for overseeing general operations and devising business strategies.

Mr. Siu has over 12 years of experience in administrative related matters. Before joining the Group, Mr. Siu had worked in Great Expect Development Limited as an accounting clerk from April 2002 to May 2004.

Mr. Siu obtained his business studies diploma from Hong Kong Young Women’s Christian Association (Professional and Career Youth Department) in July 1999 and a diploma in accounting studies from Hong Kong School of Commerce in June 2001. Mr. Siu has been a Hong Kong accounting technician of The Hong Kong Institute of Accredited Accounting Technicians (formerly known as The Hong Kong Association of Accounting Technicians) since December 2002.

Mr. Chung Wai Pan（鍾偉斌）(“**Mr. Chung**”), aged 34, is the design manager of the Group. He is responsible for coordinating consultants’ design of the Group’s projects. Mr. Chung has more than 8 years of experience in the interior design industry since he first joined the Group in February 2008 as an interior designer and was promoted to his current position in August 2011. Apart from his expertise in interior design, he has extensive knowledge in many aspects including design concepts, drafts drawing and client relationships management. Mr. Chung obtained his diploma in interior design from Hong Kong School of Design in January 2005.

Mr. Tang Fok Bor（鄧福波）(“**Mr. Tang**”), aged 53, was appointed as engineering manager of the Group in 24 March 2017. Mr. Tang is primarily responsible for overseeing the engineering works of our projects. Mr. Tang joined the Group as a painting worker in October 2002 and was later promoted to project manager in April 2010.

Mr. Tang has over 35 years of experience in overseeing engineering works. Prior to joining the Group, he had worked as project manager in Hongyun Construction Engineering Company（鴻運建築工程）from 1981 to 1984 and Yaorong Construction Engineering Company（耀榮建築工程）from 1984 to 1986. He joined Xingyun Construction Engineering Company（星運建築工程）as project manager in 1986 and later joined Dawei Decoration Engineering Limited（大衛裝飾工程）as project manager in 2002.

Mr. Tang completed his secondary education from Guangdong Kaiping No. 8 High School in July 1980.

Ms. Wan Pui Chi（溫佩芝）(“**Ms. Wan**”), aged 34, was appointed as human resources manager of the Group in 24 March 2017. She joined the Group in October 2004 as administrative officer and was promoted to administrative manager in January 2009.

Ms. Wan has since accumulated over 11 years of experience in administrative related matters. Ms. Wan is primarily responsible for human resources management including but not limited to recruitment, selection, interviewing process and execution of human resources polices.

Ms. Wan completed her secondary education from Delia Memorial School (Glee Path) in June 2003.

SENIOR MANAGEMENT

Mr. So Wing Fat (蘇永發) ("**Mr. So**"), aged 33, was appointed as the company secretary of our Company on 1 March 2016. Mr. So graduated with a bachelor degree of business administration in accountancy and law from the City University of Hong Kong in November 2005. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2010.

Mr. So has more than 8 years of audit experience. He first started off his career as an audit trainee at V A Hui & Co Limited in September 2005. He subsequently joined HLB Hodgson Impey Cheng Limited in June 2006 as an accountant and was promoted to the role of senior accountant in April 2008 where he was actively involved in conducting audits on various Hong Kong listed companies. He then left to join Deloitte Touche Tohmatsu Limited as a senior between January 2011 and January 2013. He was also an assistant manager of the internal audit department of Yip's Chemical Holdings Limited (stock code: 0408), a company listed on the Stock Exchange, between May 2013 and January 2014. He was then employed as a finance manager by Goldfame Enterprises Limited from April 2014 to November 2015.

Mr. So Wing Fat resigned from his role as the Company Secretary and an authorised representative of the Company with effect from 16 June 2017. Ms. Tam Kwai Heung was appointed as the Company Secretary and an authorised representative of the Company with effect from 16 June 2017.

COMPANY SECRETARY

Ms. Tam Kwai Heung(譚桂香)("**Ms. Tam**"), aged 34, was appointed as the company secretary of our Company on 16 June 2017. She obtained a degree of Bachelor of Business Administration (Honours) in Accountancy from The Hong Kong Polytechnic University in 2006 and has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2010.

Ms. Tam has over 10 years of experience in auditing, accounting and financial reporting. She worked as an accountant in PKF Hong Kong from June 2006 to February 2008, and subsequently became a senior auditor of Deloitte Touche Tohmatsu from February 2008 to June 2009. From June 2009 to September 2010, Ms. Tam worked as an accountant in Rich China Industries Holdings Limited, a private group of companies engaged in toy manufacturing. From September 2010 to February 2017, Ms. Tam was the assistant finance manager of Gammon Construction Limited, a subsidiary of the Jardine Matheson Group which specialises in the provision of building and construction services. Ms. Tam is currently a company secretarial manager at Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Lai Group Holding Company Limited and the audited financial statements of the Company and its subsidiaries for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of interior design and fit-out services in Hong Kong. We offer a full suite of services ranging from interior design provided by our in-house design team, whom provide our customers with creative and innovative designs that synergise with the latest market and design trends, to high quality fittings and furnishings and the implementation of our designs performed by our subcontractors that we rely on to complete our projects. Details of the principal activities of the subsidiaries of the Company are set out in Note 13 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past three financial years is set out on page 31 of the annual report.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 17 February 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. In preparation of the Listing, the companies now comprising the Group underwent the corporate reorganisation (the "Reorganisation") pursuant to which the Company became the holding company of the Group on 24 March 2017.

For details of the Reorganisation, please refer to the paragraph headed "History, Development and Reorganisation" in the Prospectus.

The Company's shares have been listed on the Stock Exchange since 12 April 2017.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 March 2017 are set out in the consolidated financial statements from pages 36 to 74 of this report. The Directors do not recommend the payment of 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 Thursday, 31 August 2017 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 25 August 2017 to Thursday, 31 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, 24 August 2017.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 March 2017 and a discussion of the Group's future business development and a description of principal risks and uncertainties facing the Company are set out in the Chairman's Statement on pages 3 of this annual report. An analysis of the Group's performance during the year ended 31 March 2017 using financial key performance indicators is set out in the Group's three-year Financial Summary on page 31 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2017 are set out in note 14 to the consolidated financial statements.

DONATION

Charitable donations made by the Group during the year ended 31 March 2017 amounted to approximately HK$86,000 (2016: HK$5,000).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolution of the our sole Shareholder passed on 24 March 2017. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Company has adopted a Share Option Scheme on 24 March 2017. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – Share Option Scheme" in Appendix V to the prospectus.

Save as disclosed in note 22 to the consolidated financial statements, for the year ended 31 March 2017, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

PRE-EMPTIVE RIGHTS

There are no provision of pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

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.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the year ended 31 March 2017 and as at the latest practicable date prior to the issue of this report, the Company maintained a sufficient public float of 25% in the issued share capital of the Company pursuant to the GEM Listing Rules.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 March 2017 are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders comprised contribution surplus and retained profit, if any. The Company had no reserves available for distribution as at 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 March 2017, revenue to the Group's five largest customers accounted for approximately 15.8% of the total revenue for the year and revenue to the largest customer included therein amounted to approximately 4.2%. Subcontracting charges and materials costs incurred from the Group's five largest subcontractors and suppliers accounted for approximately 30.5% of the total direct costs for the year and the subcontracting charges and materials costs incurred from the largest subcontractor included therein amounted to approximately 8.7%.

None of the Directors of the Company, or any of his close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers, subcontractors or suppliers.

DIRECTORS

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

Executive Directors	
Mr. Chan Lai Sin *(Chairman)*	(Appointed on 17 February 2016)
Mr. Hung Lap Ka	(Appointed on 6 May 2016)
Ms. So Hiu Bik	(Appointed on 6 May 2016)
Independent Non-Executive Directors	
Mr. Kwan Ngai Kit	(Appointed on 24 March 2017)
Ms. Lui Lai Chun	(Appointed on 24 March 2017)
Mr. Wu Loong Cheong Paul	(Appointed on 24 March 2017)

In accordance with the Company's articles of association, 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.

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 14 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles of Association of the Company.

None of the Directors have proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below, 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 or short positions of the Directors or 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 the 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 in which they are 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 the Model Code, are as follows:

Long positions in the ordinary shares and underlying shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of underlying shares	Percentage of Approximate shareholding
Mr. Chan Lai Sin (Note 1)	Interest in a controlled corporation	600,000,000	75%

Note:

(1) Mr. Chan beneficially owns the entire issued share capital of Chun Wah Limited ("Chun Wah"). Therefore, Mr. Chan is deemed, or taken to be, interested in all the shares held by Chun Wah for the purpose of the SFO. Mr. Chan is the sole director of Chun Wah.

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 known to the Directors or chief executive of the Company, as at 31 March 2017, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying share of the Company

Name	Capacity/nature of interest	Number of underlying Shares	Percentage of shareholding
Chun Wah *(Note 1)*	Beneficial Owner	600,000,000	75%
Ms. Wong Ting Nuen ("Ms. Wong") *(Note 2)*	Interest of Spouse	600,000,000	75%

Note:

(1) These 600,000,000 shares are held by Chun Wah. Mr. Chan beneficially owns the entire issued share capital of Chun Wah. Therefore, Mr. Chan is deemed, or taken to be, interested in all the shares held by Chun Wah for the purpose of the SFO. Mr. Chan is the sole director of Chun Wah.

(2) Ms. Wong is the spouse of Mr. Chan. Under the SFO, Ms. Wong is deemed to be interested in the same number of shares in which Mr. Chan is interested.

Save as disclosed above, as at 31 March 2017, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the section "Other information – Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

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

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules), engaged in any businesses that compete or may compete with the business of the Group or has any other conflicts of interests with the Group for the year ended 31 March 2017.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and our Controlling Shareholder, Mr. Chan and Chun Wah (each a "Covenantor" and collectively the "Covenantors") have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of the Group). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/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 our Controlling Shareholders – Non-Competition Undertakings" 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.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 8 to the consolidated financial statements.

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

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	4
HK$1,000,001 to up to HK$2,000,000	–
Above HK$2,000,000	–

EMOLUMENT POLICY

Our Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to the Group.

Our 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. The principal duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on the Group's policy and structure for all remuneration of our 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 2.18 to the consolidated financial statements.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 29 to the consolidated financial statements, 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 or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

Save for the service agreements with the Company entered into with each of the Directors, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

The related party transactions of the Group as set out in note 29 to the consolidated financial statements constituted fully exempted connected transactions under Chapter 20 of the GEM Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance is a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 25 to 30 of this annual report.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Frontpage Capital Limited (the "Compliance Adviser"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, 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.

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 AUDITOR

The consolidated financial statements of the Company for the year ended 31 March 2017 were audited by HLB Hodgson Impey Cheng Limited, who will retire and, being eligible, offer themselves for re-appointment at the annual general meeting.

On behalf of the Board
Chan Lai Sin
Chairman

Hong Kong
26 June 2017

CORPORATE GOVERNANCE PRACTICES

We are committed to achieving and maintaining high standards of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to promote the interests of its shareholders of the Company.

Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). In the opinion of the Board, the Company has complied with the Code since 12 April 2017 (the"Listing Date") up to the date of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "Code of Conduct"). Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance from the Listing Date up to the date of this annual report.

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 their work and business decisions.

Board Composition

The composition of the Board is set out as follows:

Executive Directors

Mr. Chan Lai Sin *(Chairman)*	(Appointed on 17 February 2016)
Mr. Hung Lap Ka	(Appointed on 6 May 2016)
Ms. So Hiu Bik	(Appointed on 6 May 2016)

Independent non-executive Directors

Mr. Kwan Ngai Kit	(Appointed on 24 March 2017)
Ms. Lui Lai Chun	(Appointed on 24 March 2017)
Mr. Wu Loong Cheong Paul	(Appointed on 24 March 2017)

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 14 to 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 our executive Directors has entered into a service contract with our Company on 6 May 2016 and we signed letters of appointment with each of our independent non-executive Directors on 24 March 2017. The service contracts with our executive Directors and the letter of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. 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 our memorandum and articles of association and the applicable GEM Listing Rules.

According to the Article 108 of the Company's articles of association, 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 Company's articles of association 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.

Each of Mr. Chan Lai Sin, Ms. So Hiu Bik, Mr. Hung Lap Ka, Mr. Wu Loong Cheong Paul, Ms. Lui Lai Chun, and Mr. Kwan Ngai Kit will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 31 August 2017. Each of them 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 Mr. Chan Lai Sin, Ms. So Hiu Bik, and Mr. Hung Lap Ka as executive Director, and Mr. Wu Loong Cheong Paul, Ms. Lui Lai Chun, and Mr. Kwan Ngai Kit as independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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. Mr. Chan Lai Sin was the Chairman of the Board throughout the year. Mr. Siu Ka Sing 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 our 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 at least one training course 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 Stock Exchange's website www.hkexnews.hk and the Company's website at www.dic.hk. All the Board committees should 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 24 March 2017. The chairman of the Remuneration Committee is Ms. Lui Lai Chun, our independent non-executive Director, and other members includes Mr. Chan Lai Sin, our executive director, Mr. Wu Loong Cheong Paul, and Mr. Kwan Ngai Kit, our independent non-executive director. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website 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 24 March 2017. The chairman of the Nomination Committee is Mr. Wu Loong Cheong Paul, our independent non-executive Director, and other members included Mr. Chan Lai Sin, our executive director, Mr. Kwan Ngai Kit and Ms. Lui Lai Chun, our independent non-executive directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the 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.

AUDIT COMMITTEE

The Audit Committee was established on 24 March 2017. The chairman of the Audit Committee is Mr. Kwan Ngai Kit, our independent non-executive Director, and other members included Ms. Lui Lai Chun and Mr. Wu Loong Cheong Paul, our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website 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.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Our Board meets 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 our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

For the year ended 31 March 2017, no general meeting, Board meeting, Audit Committee meeting, Remuneration Committee meeting and Nomination Committee meeting, as the Company was newly listed on 12 April 2017.

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 Mr. So Wing Fat ("Mr. So") as its Company Secretary. On 16 June 2017, Mr. So resigned from his role as the company secretary of the Company. Ms. Tam Kwai Heung ("Ms. Tam") has been appointed as the Company Secretary and in replacement of Mr. So.

During the year ended 31 March 2017, Mr. So and Ms. Tam had confirmed that they had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules. The biographies of Ms. Tam is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

INDEPENDENT AUDITORS' REMUNERATION

During the ended 31 March 2017, 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	540
Non-audit services	
– Acting as reporting accountants for the listing of the shares of the Company on the GEM of the Stock Exchange	1,360
	1,900

SHAREHOLDERS' RIGHT

As one of the measures to safeguard the shareholders' interest and rights is to 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 GEM website 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 articles of association. 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.

INTERNAL CONTROLS AND RISK ASSESSMENT

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.

The Group has yet to establish its internal audit function during the year ended 31 March 2017 as required under Code Provision C.2.5. The audit committee and Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the consolidated financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The audit committee and the Board will continue to review the need for an internal audit function on an annual basis.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

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 printed form and are available on the Stock Exchange's website "www.hkexnews.hk" and the Company's website at "www.dic.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.

Since the Listing date, there was no change in the Company's memorandum and articles of association.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
Revenue	**131,637**	118,348	101,878
Gross Profit	**36,770**	35,142	30,939
Profit before income tax	**5,315**	11,575	14,052
Profit and total comprehensive income for the year	**2,994**	9,192	11,944
Total assets	**37,831**	36,453	33,822
Total liabilities	**33,634**	19,250	25,811
Total equity and liabilities	**37,831**	36,453	33,822

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 LAI GROUP HOLDING COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Lai Group Holding Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 36 to 74, 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for construction contract revenue, contract costs and related receivables and liabilities	
We identified the area as a key audit matter because significant management judgements and estimation are required in the determination of the total outcome of the contracting service contracts as well as the percentage of completion of contracting service.	We: • Reviewed the contract sum and budgeted costs to respective signed contracts and budgets prepared by management. • Obtained an understanding from management about how the budgets were prepared and the respective stages of completion were determined. • Reviewed the reasonableness of key judgements inherent in the budgets. • Evaluated the reasonableness of the stage of completion of projects as at year end by obtaining and reviewing invoices issued by suppliers and subcontractors. • Assessed the reliability of the budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis. • Checked the gross amounts due from/to customers for contract work by agreeing the amount of progress billings, on a sample basis, to billings issued to customers.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 Audit Committee is responsible 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. We report our opinion 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements for 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, 26 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	5	**131,637**	118,348
Direct costs	6	**(94,867)**	(83,206)
Gross profit		**36,770**	35,142
Other income and gain	5	**5**	21
Administrative and other operating expenses	6	**(31,417)**	(23,538)
Operating profit		**5,358**	11,625
Finance costs	9	**(43)**	(50)
Profit before income tax		**5,315**	11,575
Income tax expense	10	**(2,321)**	(2,383)
Profit and total comprehensive income for the year		**2,994**	9,192
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**2,745**	8,987
Non-controlling interests		**249**	205
		2,994	9,192
Earnings per share attributable to owners of the Company			
— Basic and diluted earnings per share	11	**HK 0.46 cents**	HK 1.50 cents

Details of dividends are disclosed in Note 12 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

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	12,288	1,959
Deferred tax assets	27	103	143
		12,391	2,102
Current assets			
Gross amounts due from customers for contract work	16	619	154
Trade and other receivables	17	6,826	1,938
Amount due from a director	18	5,891	29,810
Cash and bank balances	19	12,104	2,449
		25,440	34,351
Total assets		37,831	36,453
EQUITY			
Capital and reserves			
Share capital	20	6,000	101
Reserves	21	(2,233)	16,921
Equity attributable to:			
Owners of the Company		3,767	17,022
Non-controlling interests		430	181
Total equity		4,197	17,203
LIABILITIES			
Current liabilities			
Gross amounts due to customers for contract work	16	8,665	9,308
Trade and other payables	23	22,891	7,403
Amount due to a related company	24	8	4
Provision for warranties	25	622	716
Finance lease liabilities	26	323	308
Current income tax liabilities		601	706
		33,110	18,445

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Non-current liabilities			
Finance lease liabilities	26	**427**	744
Deferred tax liabilities	27	**97**	61
		524	805
Total liabilities		**33,634**	19,250
Total equity and liabilities		**37,831**	36,453
Net current (liabilities)/assets		**(7,670)**	15,906
Total assets less current liabilities		**4,721**	18,008

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 June 2017 and are signed on its behalf by:

Mr. Chan Lai Sin
Director

Mr. Hung Lap Ka
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$'000 *(Note 20)*	**Other reserve** HK$'000 *(Note 21)*	**Retained earnings** HK$'000	**Sub-total** HK$'000	**Attributable to non–controlling interests** HK$'000	**Total equity** HK$'000
Balance as at 1 April 2015	101	–	7,934	8,035	(24)	8,011
Profit and total comprehensive income for the year	–	–	8,987	8,987	205	9,192
Balance as at 31 March 2016	101	–	16,921	17,022	181	17,203
Balance as at 1 April 2016	101	–	16,921	17,022	181	17,203
Share issued upon Reorganisation	6,000	(6,000)	–	–	–	–
Reorganisation	(101)	101	–	–	–	–
Profit and total comprehensive income for the year	–	–	2,745	2,745	249	2,994
Dividends *(Note 12)*	–	–	(16,000)	(16,000)	–	(16,000)
Balance as at 31 March 2017	6,000	(5,899)	3,666	3,767	430	4,197

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before income tax		5,315	11,575
Adjustments for:			
Depreciation		895	460
Interest expense		43	50
Gain on disposal of property, plant and equipment		(5)	(20)
Provision for warranties		433	947
Reversal of unutilised warranties		(2)	–
Interest income		–	(1)
Operating profit before charges in working capital		6,679	13,011
Increase in gross amounts due from customers for contract work		(465)	(154)
(Increase)/decrease in trade and other receivables		(4,895)	267
Increase in amount due from a director		(1,681)	(13,086)
Decrease in amounts due from related companies		–	7,281
Decrease in gross amounts due to customers for contract work		(643)	(6,274)
Increase/(decrease) in trade and other payables		15,488	(94)
Increase in amount due to a related company		4	4
Decrease in provision for warranties		(525)	(475)
Cash generated from operations		13,962	480
Tax paid		(2,350)	(3,590)
Net cash generated from/(used in) operating activities		11,612	(3,110)
Cash flows from investing activities			
Interest received		–	1
Purchases of property, plant and equipment		(1,629)	(584)
Proceeds from disposal of property, plant and equipment		10	20
Net cash used in investing activities		(1,619)	(563)
Cash flows from financing activities			
Interest paid		(42)	(50)
Repayment of finance lease liabilities		(296)	(230)
Net cash used in financing activities		(338)	(280)
Net increase/(decrease) in cash and cash equivalents		9,655	(3,953)
Cash and cash equivalents at beginning of year		2,449	6,402
Cash and cash equivalents at end of year	19	12,104	2,449

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

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

Lai Group Holding Company Limited (the "**Company**") was incorporated in the Cayman Islands on 17 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 April 2017 (the "**Listing**"). Its parent and ultimate holding company is Chun Wah Limited ("**Chun Wah**"), a company incorporated in the Republic of Seychelles (the "**Seychelles**") and owned as to 100% by Mr. Chan Lai Sin **("Mr. Chan**") the controlling shareholder, an executive and the chairman of the Company.

The address of the registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is Office H, 19/F, Phase 01, Kings Wing Plaza 3, On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong. The Company is an investment holding company. The principal activities of the Group are provision of interior design and fit-out services in Hong Kong.

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 under the control of Mr. Chan. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 24 March 2017. 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. Chan 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 was 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. In the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM and by the Hong Kong Companies Ordinance. The consolidated financial statements set out in this report have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

As at 31 March 2017, the Group's current liabilities exceeded its current assets by approximately HK$7,670,000. The directors have prepared cash flow projections for the twelve months ending 31 March 2018 and are of the opinion that, having taken into consideration of the Group's history of its ability to obtain external financing from financial institution, its anticipated cash inflows from operations in the coming year, and its expected future working capital requirements, there are sufficient financial resources available to the Group at least in the coming twelve months to meet its liabilities as and when they fall due. On the above basis, the directors believe that the Group will continue as a going concern and consequently have prepared the consolidated financial statements on a going concern basis.

2.1.1 Change in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

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
HKFRS 14	Regulatory Deferred Accounts

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.

(b) *New standards and interpretations not yet adopted*

The following new standards, amendments and interpretations to existing standards have been published but not yet effective for the financial year beginning 1 April 2016 and which the Group has not early adopted.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

[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.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "*Financial instruments: Recognition and measurement*" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

HKFRS 9 Financial instruments (continued)

Key requirements of HKFRS 9 are described below: (continued)

- 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. However, 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 effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company are assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction contracts*" and the related Interpretations when it becomes effective.

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

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

HKFRS 15 Revenue from contracts with customers (continued)

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

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating 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. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to the consolidated financial statements.

Total operating lease commitments of the Group as at 31 March 2017 amounted to approximately HK$2,920,000 (Note 28). The management of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except for the above, the directors of the Company do not anticipate that the application of the new and revised HKFRSs listed above will have a material impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Merger accounting for common control combinations

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 consolidated using the existing book values from the controlling parties' 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 combined 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.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

2.6 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Building	Over lease term
Computer equipment	20%
Leasehold improvements	Over lease term or 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.9 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from a director" and "cash and bank balances" in the consolidated statement of financial position.

2.10 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Gross amounts due from/to customers for contract work

A construction contract is defined in HKAS 11 as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers are included within "trade and other receivables".

The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). Amounts received before the related work is performed are included within "trade and other payables".

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if the payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowing costs

General and specific 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.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

Retirement benefits

The Group operates defined contribution plans and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

Project for interior design and fit-out services income is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the contract costs of the contracting work can be measured reliably. The stage of completion of a contract is established by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

Interest income is recognised on a time proportion basis by using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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

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

or

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

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 Company or the Company's parents.

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.

A transaction is considered to be a related party transactions where there is a transfer of resources or obligations between related parties.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group does not expose to cash flow interest rate risk arising from its borrowings as the Group's finance lease liabilities are at fixed interest rates. The Group currently does not hedge its exposure to the interest rate risk as the management of the Group consider that the risk is insignificant.

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amount due from a director and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balances at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2017, the Group has certain concentrations of credit risk as 23.2% (2016: 86.8%) of the Group's current assets were the amount due from a director. Further quantitative data in respect of the Group's exposure to credit risk arising from amount due from a director are disclosed in Note 18.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

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

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
As at 31 March 2017				
Trade and other payables				
excluding non-financial liabilities	**19,738**	**–**	**–**	**19,738**
Amount due to a related company	**8**	**–**	**–**	**8**
Finance lease liabilities	**350**	**282**	**162**	**794**
	20,096	**282**	**162**	**20,540**
As at 31 March 2016				
Trade and other payables				
excluding non-financial liabilities	5,853	–	–	5,853
Amount due to a related company	4	–	–	4
Finance lease liabilities	350	350	436	1,136
	6,207	350	436	6,993

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity as at the end of each reporting period.

The gearing ratios of the Group are as follows:

	2017 **HK$'000**	2016 HK$'000
Finance lease liabilities	**750**	1,052
Total equity	**4,197**	17,203
Gearing ratio	**17.9%**	6.1%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each of the reporting period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(b) Construction contract

The Group recognises contract revenue and profit of a construction contract in relation to provision of interior design and fit-out services according to the management's estimation of the total outcome of the contract as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

5 REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION

Revenue, other income and gain recognised during the reporting period are as follows:

	2017	2016
	HK$'000	HK$'000
Revenue		
Residential interior design and fit-out services	**114,660**	104,644
Commercial interior design and fit-out services	**15,609**	13,048
Others	**1,368**	656
	131,637	118,348

	2017	2016
	HK$'000	HK$'000
Other income and gain		
Gain on disposal of property, plant and equipment	**5**	20
Interest income	**–**	1
	5	21

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment. The information provided to the chief operating decision-maker is the same as those described in these consolidated financial statements. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

As no revenue derived from sales to a single customer of the Group has individually accounted for 10% of the Group's total revenue during the year ended 31 March 2017 (2016: Nil), no information about major customers is presented.

6 EXPENSES BY NATURE

	2017 HK$'000	2016 HK$'000
Direct costs		
Materials	23,751	23,864
Subcontracting charges	62,560	50,787
Staff costs *(Note 7)*	8,125	7,608
Warranty expenses *(Note 25)*	431	947
	94,867	83,206
Administrative and other operating expenses		
Advertising expenses	3,722	4,075
Auditors' remuneration	540	155
Bank charges	1,981	2,045
Building management fee	284	280
Depreciation of owned assets *(Note 14)*	574	238
Depreciation of assets under finance leases *(Note 14)*	321	222
Insurance	853	733
Legal and professional fee	1,176	314
Listing expenses	8,350	2,983
Motor vehicles expenses	608	355
Operating lease rental on premises	2,629	2,917
Operating lease rental on office equipment	173	167
Staff costs, including directors' emoluments *(Note 7)*	8,232	7,254
Transportation expenses	422	431
Travelling	230	194
Other expenses	1,322	1,175
	31,417	23,538

7 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	15,691	14,251
Retirement scheme contributions	666	611
	16,357	14,862

The Group operates a defined contribution scheme in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

8 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the reporting period are set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2017					
Executive Directors					
Mr. Chan *(Note (a))*	–	1,620	–	21	1,641
Mr. Hung Lap Ka ("**Mr. Hung**") *(Note (a))*	–	312	–	16	328
Ms. So Hiu Bik ("**Ms. So**") *(Note (a))*	–	412	–	18	430
Chief executive officer					
Mr. Siu Ka Sing ("**Mr. Siu**") *(Note (b))*	–	570	–	18	588
	–	2,914	–	73	2,987
Year ended 31 March 2016					
Executive Directors					
Mr. Chan *(Note (a))*	–	1,560	–	18	1,578
Mr. Hung *(Note (a))*	–	285	–	14	299
Ms. So *(Note (a))*	–	403	–	18	421
	–	2,248	–	50	2,298

During the year ended 31 March 2017, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil). Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the year ended 31 March 2017 (2016: Nil).

(a) Mr. Chan was appointed as director of the Company on 17 February 2016 and was re-designated as executive director of the Company on 6 May 2016. Mr. Hung and Ms. So were appointed as executive directors of the Company on 6 May 2016. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the year ended 31 March 2017 and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

(b) Mr. Siu was appointed as chief executive officer of the Company on 24 March 2017. He was also an employee of the Group during the year ended 31 March 2017 and the Group paid emoluments to him in his capacity as an employee of the Group before his appointment as chief executive officer of the Company.

(c) Mr. Kwan Ngai Kit, Ms. Lui Lai Chun and Mr. Wu Loong Cheong Paul were appointed as independent non-executive directors of the Company on 24 March 2017. During the year ended 31 March 2017 (2016: Nil), the aforesaid non-executive directors received no directors' remuneration in their capacity as directors.

8 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2016: one) of them is a director for the year ended 31 March 2017 whose emoluments are disclosed above. The emoluments in respect of the remaining four (2016: four) individuals for the year ended 31 March 2017 is as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**1,958**	1,774
Retirement scheme contributions	**72**	74
	2,030	1,848

The emoluments of each of the above non-directors, highest paid individuals were below HK$1,000,000. During the year ended 31 March 2017, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2016: Nil).

9 FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowing and bank overdraft	**1**	10
Interest on finance leases	**42**	40
	43	50

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2017 HK$'000	2016 HK$'000
Current income tax – Hong Kong profits tax	**2,241**	2,372
Adjustment in respect of prior year	**4**	–
Total current income tax	**2,245**	2,372
Deferred income tax *(Note 27)*	**76**	11
Income tax expense	**2,321**	2,383

10 INCOME TAX EXPENSE (CONTINUED)

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2017 **HK$'000**	2016 HK$'000
Profit before income tax	**5,315**	11,575
Calculated at a tax rate of 16.5%	**877**	1,910
Tax effects of:		
– Income not subject to tax	**(1)**	(3)
– Expenses not deductible for tax purposes	**1,446**	499
– Utilisation of temporary differences previously not recognised	**(18)**	(18)
– Tax losses for which no deferred income tax asset was recognised	**64**	15
– Tax concession	**(51)**	(20)
– Adjustment in respect of prior year	**4**	–
Income tax expense	**2,321**	2,383

11 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the year ended 31 March 2017 was based on (i) the profit attributable to owners of the Company for the year of approximately HK$2,745,000 (2016: HK$8,987,000) and (ii) the weighted average number of ordinary shares for the year ended 31 March 2017 is 600,000,000 ordinary shares in issue as if these 600,000,000 ordinary shares were outstanding throughout the year (2016: 600,000,000 ordinary shares).

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

12 DIVIDENDS

	2017 **HK$'000**	2016 HK$'000
Interim dividend	**16,000**	–

During the year ended 31 March 2017, an interim dividend of HK$16,000,000 was declared by the subsidiary of the Company to their then equity owners prior to the Reorganisation. 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.

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

13 SUBSIDIARIES

The following is a list of the subsidiaries as at 31 March 2017:

Name of subsidiary	Place of incorporation/operations	Issued and fully paid up share capital	Equity interest held by the Company	Principal activities
Kingsky Group Limited ("**Kingsky**")	Seychelles	US$100	100% (direct)	Investment holding
Fame Protector Limited ("**Fame Protector**")	Seychelles	US$100	100% (indirect)	Investment holding
Globe Sense Limited	Hong Kong	HK$1,000	100% (indirect)	Provision of interior design and fit-out services
Smart Will Engineering Limited	Hong Kong	HK$100,000	100% (indirect)	Provision of interior design and fit-out services
Best Famous Engineering Limited	Hong Kong	HK$100	100% (indirect)	Provision of interior design and fit-out services
New Base Enterprises Limited ("**New Base**")	Hong Kong	HK$100	75% (indirect)	Provision of interior design and fit-out services

14 PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Computer equipment HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000 *(Note a)*	Total HK$'000
Cost							
As at 1 April 2015	–	1,971	829	237	499	1,332	4,868
Additions	–	350	23	138	13	787	1,311
Disposals	–	–	–	–	–	(340)	(340)
As at 31 March 2016	–	2,321	852	375	512	1,779	5,839
Accumulated depreciation							
As at 1 April 2015	–	1,582	829	234	478	637	3,760
Charge for the year *(Note 6)*	–	165	4	28	7	256	460
Disposals	–	–	–	–	–	(340)	(340)
As at 31 March 2016	–	1,747	833	262	485	553	3,880
Net book value							
As at 31 March 2016	–	574	19	113	27	1,226	1,959
Cost							
As at 1 April 2016	–	2,321	852	375	512	1,779	5,839
Additions	10,320	50	474	253	89	43	11,229
Disposals	–	–	(347)	–	–	(50)	(397)
As at 31 March 2017	10,320	2,371	979	628	601	1,772	16,671
Accumulated depreciation							
As at 1 April 2016	–	1,747	833	262	485	553	3,880
Charge for the year *(Note 6)*	189	179	85	70	17	355	895
Disposals	–	–	(347)	–	–	(45)	(392)
As at 31 March 2017	189	1,926	571	332	502	863	4,383
Net book value							
As at 31 March 2017	10,131	445	408	296	99	909	12,288

Notes:

(a) Motor vehicles include the following amounts where the Group is a lessee under finance leases.

	2017 HK$'000	2016 HK$'000
Cost – capitalised finance lease	**1,606**	1,606
Accumulated depreciation	**(737)**	(416)
Net book value	**869**	1,190

The Group leases various motor vehicles under non-cancellable finance lease agreements. The lease terms are ranging from 4 to 5 years, and ownership of the assets lie within the Group.

15 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables		
Trade and other receivables excluding prepayments	**1,441**	1,788
Amount due from a director	**5,891**	29,810
Cash and bank balances	**12,104**	2,449
Total	**19,436**	34,047
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables excluding non-financial liabilities	**19,738**	5,853
Amount due to a related company	**8**	4
Finance lease liabilities	**750**	1,052
Total	**20,496**	6,909

16 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000	2016 HK$'000
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	**14,540**	2,459
Less: Progress billings received and receivables	**(13,921)**	(2,305)
	619	154
Gross amounts due to customers for contract work		
Progress billings received and receivables	**20,885**	17,745
Less: Contract costs incurred plus recognised profits less recognised losses	**(12,220)**	(8,437)
	8,665	9,308

17 TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	641	154
Other receivables, deposits and prepayments	6,185	1,784
	6,826	1,938

Notes:

(a) The credit period granted to customers is 0-30 days (2016: 0-30 days) generally. Trade receivables are denominated in HK$.

(b) The ageing analysis of the trade receivables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0-30 days	336	120
31-60 days	20	–
61-90 days	9	5
Over 90 days	276	29
	641	154

Trade receivables of approximately HK$336,000 as at 31 March 2017 (2016: HK$120,000) were not yet past due, and approximately HK$305,000 as at 31 March 2017 (2016: HK$34,000) were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

(c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

18 AMOUNT DUE FROM A DIRECTOR

Name of director	Maximum balance outstanding during the year ended 2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Mr. Chan	29,822	31,605	5,891	29,810

The balance is denominated in HK$. The amount due from a director is non-trade in nature, unsecured, interest-free and repayable on demand *(Note 29)*. The amount has been settled before Listing.

19 CASH AND BANK BALANCES

	2017 HK$'000	2016 HK$'000
Cash at banks	11,736	2,328
Cash on hand	368	121
Cash and cash equivalents	12,104	2,449

Notes:

(a) The carrying amounts of cash and cash equivalents are denominated in HK$.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

20 SHARE CAPITAL

As at 31 March 2016, the share capital represents the aggregate of the paid up share capital of the companies comprising the Group held by the controlling shareholders of the Company prior to the Reorganisation.

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

	Note	**Number of ordinary shares**	**Share Capital** HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
As at 1 April 2015		–	–
Upon incorporation of the Company on 17 February 2016	(a)	38,000,000	380
As at 31 March 2016 and 1 April 2016		38,000,000	380
Increase in number of authorised shares	(b)	962,000,000	9,620
As at 31 March 2017		1,000,000,000	10,000
Issued and fully paid:			
As at 1 April 2015		–	–
Upon incorporation of the Company on 17 February 2016	(a)	1	–
As at 31 March 2016 and 1 April 2016		1	–
Shares issued upon Reorganisation	(c)	599,999,999	6,000
As at 31 March 2017		600,000,000	6,000

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 17 February 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each and one nil-paid share was issued and allotted to the subscriber which was subsequently transferred to Chun Wah on the same date.

(b) Pursuant to the resolutions passed by the sole shareholder of the Company on 24 March 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 divided into 1,000,000,000 ordinary shares by the creation of an additional 962,000,000 ordinary shares of HK$0.01 each, ranking pari passu in all respects with the existing shares.

(c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Kingsky a subsidiary of the Company, from Chun Wah on 24 March 2017, the Company credited the one (1) nill-paid ordinary share held by Chun Wah as fully paid and; issued and allotted 599,999,999 ordinary shares in the Company, credited as fully-paid, to Chun Wah.

21 RESERVES

Other reserve

Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Reorganisation.

22 SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 24 March 2017. The Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company 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, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors of the Company (or as the case maybe, the independent non-executive directors of the Company) from time to time on the basis of the directors' opinion as to their contribution or potential to the development and growth of the Group.

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 share options 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 maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on 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 in general meeting provided that the total number of the 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.

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 approved 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 close 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.

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).

22 SHARE OPTION SCHEME (CONTINUED)

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 24 March 2017, subject to early termination provisions contained in the Scheme.

No share options were granted, exercised, cancelled or lapsed since the adoption of the Scheme and there were no share option outstanding as at 31 March 2017.

23 TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade payables	**10,381**	3,791
Other payables, deposits received in advance and accruals	**12,510**	3,612
	22,891	7,403

Notes:

(a) Payment terms granted by suppliers and subcontractors are generally 0-30 days (2016: 0-30 days) from the invoice date of the relevant purchases and services provided.

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

	2017 **HK$'000**	2016 HK$'000
0-30 days	**7,658**	1,998
31-60 days	**804**	306
61-90 days	**225**	793
Over 90 days	**1,694**	694
	10,381	3,791

(b) All trade and other payables are denominated in HK$.

24 AMOUNT DUE TO A RELATED COMPANY

Name of related company	**2017** **HK$'000**	2016 HK$'000
Hong Kong Famous Designers Association Limited ("**HKFDA**")	**8**	4

The balance is denominated in HK$. The amount due to a related company is unsecured, interest-free and repayable on demand *(Note 29)*.

25 PROVISION FOR WARRANTIES

	2017 HK$'000	2016 HK$'000
Beginning of the year	716	244
Provision made for the year *(Note 6)*	433	947
Amounts utilised during the year	(525)	(475)
Reversal of unutilised amounts during the year *(Note 6)*	(2)	–
End of the year	622	716

The Company provides warranties to its customers typically run for initial periods to its customers ranging from 1 year to 3 years on the services provided. The amount of the provision for the warranties is estimated based on sales amounts and past experience of the level of warranty utilisation. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26 FINANCE LEASE LIABILITIES

(a) The Group had finance leases repayable as follows:

	As at 31 March 2017		As at 31 March 2016	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within one year	323	350	308	350
More than one year but not more than two years	268	282	323	350
More than two years but not more than five years	159	162	421	436
	750	794	1,052	1,136
Less: total future interest expenses		(44)		(84)
Present value of lease obligations		750		1,052

(b) As at 31 March 2016 and 2017, finance leases of the Group were secured by the unlimited personal guarantee granted by Mr. Chan and Mr. Lui Tun Yun who is the director of New Base.

(c) The Group had committed finance lease facilities which bore interest ranged from approximately 1.8% to 2.5% per annum as at 31 March 2017 (2016: from approximately 1.8% to 2.5% per annum).

(d) The carrying amounts of all finance lease liabilities are denominated in HK$.

(e) The personal guarantees granted by Mr. Chan and Mr. Lui Tun Yun were released in April 2017.

27 DEFERRED INCOME TAX

The gross movement of the deferred tax assets/(liabilities) during the reporting period are as follows:

	2017 HK$'000	2016 HK$'000
Beginning of the year	**82**	93
Charged to profit or loss *(Note 10)*	**(76)**	(11)
End of the year	**6**	82

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the reporting period are as follows:

Deferred tax assets arising from:	**Provision for warranties HK$'000**	**Tax depreciation HK$'000**	**Total HK$'000**
As at 1 April 2015	40	62	102
Credited/(charged) to profit or loss	78	(37)	41
As at 31 March 2016 and 1 April 2016	118	25	143
Charged to profit or loss	(15)	(25)	(40)
As at 31 March 2017	103	–	103

Deferred tax liabilities arising from:	**Tax depreciation HK$'000**	**Total HK$'000**
As at 1 April 2015	9	9
Charged to profit or loss	52	52
As at 31 March 2016 and 1 April 2016	61	61
Charged to profit or loss	36	36
As at 31 March 2017	97	97

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of the tax losses at the end of each of the reporting period as the directors of the Company consider that it is uncertain as to the extent that future profits will be available against which tax losses can be utilised in the foreseeable future.

As at 31 March 2017, the Group has unused tax losses of approximately HK$1,487,000 (2016: HK$1,206,000) which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department.

28 COMMITMENTS

Operating lease commitments – Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases were payable as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**2,144**	2,486
In the second to fifth years inclusive	**776**	1,452
	2,920	3,938

The Group is the lessee in respect of office premises and office equipment under operating leases. The leases typically run for initial periods ranging from 6 months to 5 years.

29 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed in Notes 18, 24 and 26 to the consolidated financial statements, the Group entered into the following material transactions with related parties during the reporting period:

(a) The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:

Name of entities	**Relationship with the Group**
Happy Field Corporation Limited ("**Happy Field**")	A related company is owned by Mr. Chan.
Rising Wing Enterprises Limited ("**Rising Wing**")	A related company is owned by Mr. Chan.
HKFDA	A related company is controlled by Mr. Chan.
First Kitchen Limited ("**First Kitchen**")	A related company was owned by a former employee of the Group.

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Note	2017 HK$'000	2016 HK$'000
Rental of offices paid to:			
Happy Field	(i) & (v)	615	587
Rising Wing	(i) & (v)	695	1,962
Commission paid to:			
HKFDA	(ii)	4	4
Subcontracting charges paid to:			
First Kitchen	(ii)	–	1,547
Purchase of property	(iv)	9,600	–

Notes:

(i) The rental expenses for premises paid to the above related parties are based on the agreements entered into between the parties involved.

(ii) The commission and subcontracting charges paid to the above related parties are based on terms mutually agreed.

(iii) The emoluments of the directors and senior executives (representing the key management personnel) during the reporting period are disclosed in Note 8.

(iv) On 23 May 2016, Fame Protector purchased a property from Mr. Chan at a consideration of HK$9,600,000. The directors of the Company considered that the consideration was determined on normal commercial terms, and fair and reasonable after taking into consideration the original purchase price. The aforesaid consideration of HK$9,600,000 was used to partially offset the amount due from a director (Note 32).

(v) These related party transactions will constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

30 BANKING FACILITIES

As at 31 March 2017, the Group has no unutilised bank overdraft facilities (2016: approximately HK$2,000,000).

31 NON-CONTROLLING INTEREST

The directors of the Company consider that the non-controlling interests of the Group during the reporting period were insignificant to the Group and thus no summarised financial information of the non-wholly owned subsidiary is required to be presented in the consolidated financial statements.

32 NON-CASH TRANSACTIONS

During the year ended 31 March 2017, no additions to property, plant and equipment was financed by finance lease arrangements (2016: approximately HK$727,000).

As disclosed in Note 29, the consideration of property purchased from Mr. Chan was used to partially offset the amount due from a director (2016: Nil).

As disclosed in Note 12, an interim dividend of HK$16,000,000 was declared by the subsidiary of the Company to their then equity owners prior to Reorganisation, such dividend was settled by offset the amount due from a director (2016: Nil).

33 SUBSEQUENT EVENTS

The shares of the Company have been listed on the GEM of the Stock Exchange on 12 April 2017 upon its listing on the GEM of the Stock Exchange, the Company issued 200,000,000 new ordinary shares at an offer price of HK$0.26 each and raised gross proceeds of approximately HK$52,000,000.

34 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position

	2017	2016
	HK$'000	HK$'000
Non-current asset		
Investment in a subsidiary	**1,245**	–
Current assets		
Prepayments	**3,744**	–
Cash and bank balance	**96**	–
	3,840	–
Total assets	**5,085**	–
Current liabilities		
Accrued	**6,738**	–
Amount due to a subsidiary	**5,731**	35
Total liabilities	**12,469**	35
EQUITY		
Capital and reserves		
Share capital	**6,000**	–
Reserves *(Note (b))*	**(13,384)**	(35)
Total equity	**(7,384)**	(35)
Total equity and liabilities	**5,085**	–
Net current liabilities	**(8,629)**	(35)
Total assets less current liabilities	**(7,384)**	(35)

(b) Reserves movement

	Other reserve	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000
On 17 February 2016 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(35)	(35)
Balance as at 31 March 2016 and 1 April 2016	–	(35)	(35)
Reorganisation	(4,755)	–	(4,755)
Loss and total comprehensive expense for the year	–	(8,594)	(8,594)
Balance as at 31 March 2017	(4,755)	(8,629)	(13,384)