CHI HO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8423

Annual Report 2017

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

*This report will remain on the "**Latest Company Announcements**" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.chdev.com.hk.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Leung Ka Ho, Raymond *(Chairman)*
Mr. Ho Chi Kwan

Independent non-executive Directors

Mr. Leung Hung Kwong, Derrick
Mr. Moy Yee Wo, Matthew
Mr. Yau Sze Yeung

COMPANY SECRETARY

Mr. Chung Kiu Pan

COMPLIANCE OFFICER

Mr. Leung Ka Ho, Raymond

COMPLIANCE ADVISER

Alliance Capital Partners Limited

AUTHORISED REPRESENTATIVES

Mr. Leung Ka Ho, Raymond
Mr. Chung Kiu Pan

AUDIT COMMITTEE

Mr. Yau Sze Yeung *(Chairman)*
Mr. Moy Yee Wo, Matthew
Mr. Leung Hung Kwong, Derrick

REMUNERATION COMMITTEE

Mr. Leung Hung Kwong, Derrick *(Chairman)*
Mr. Moy Yee Wo, Matthew
Mr. Yau Sze Yeung

NOMINATION COMMITTEE

Mr. Moy Yee Wo, Matthew *(Chairman)*
Mr. Leung Hung Kwong, Derrick
Mr. Yau Sze Yeung

SAFETY COMPLIANCE COMMITTEE

Mr. Leung Hung Kwong, Derrick *(Chairman)*
Mr. Leung Ka Ho, Raymond
Mr. Ho Chi Kwan

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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28–36 Kwai Fung Crescent
Kwai Chung
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

WEBSITE ADDRESS

www.chdev.com.hk

STOCK CODE

8423

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of Chi Ho Development Holdings Limited (the "**Company**"), it is my pleasure to present the audited financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2017 to the shareholders of the Company.

The shares of the Company (the "**Shares**") were successfully listed (the "**Listing**") on the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 March 2017. It was a milestone of the Group which boosted the confidence of our stakeholders and enhance the Group's profile.

RESULTS

The total revenue of the Group increased by approximately HK$55.5 million or 19.8% from approximately HK$279.7 million for the year ended 31 March 2016 to approximately HK$335.2 million for the year ended 31 March 2017. In general, the increase in revenue was resulted by the greater demand for the Group's renovation and maintenance works, alteration and addition works and fitting-out works services and favorable market condition.

Although the Group's profits attributable to shareholders decreased from approximately HK$15.0 million for the year ended 31 March 2016 to approximately HK$12.5 million for the year ended 31 March 2017, the decrease in profits attributable to shareholders was mainly due to a one-off Listing expenses of approximately HK$12.8 million (2016: Nil) incurred during the year ended 31 March 2017. Excluding the aforementioned non-recurring expenses, the Group's profits would have been approximately HK$25.3 million (2016: approximately HK$15.0 million).

BUSINESS REVIEW AND PROSPECT

During the year ended 31 March 2017, the overall market condition of the construction industry in Hong Kong were relatively stable and expected to keep steady growth in the coming years. Looking ahead to the coming years, although certain challenging factors such as (i) the intense competition in the market; (ii) continuously rising the construction labour and material costs; and (iii) the increase in the staff costs and the shortage of the professional may exert pressure on the Group's business, the Group remains cautiously optimistic about the overall business prospects.

To optimise our competitive advantages, we will continue to provide integrated service of both (i) renovation and maintenance works as well as (ii) alteration and addition work and fitting-out works to our customers. We believe that our proven track record and the experience from various types of projects will provide a wide range of quality and professional services to our customers, potential customers and enable us to react to the changing needs of our customers more efficiently and effectively.

With the Listing of the Company in 2017, it will provide more available resource to the Group to engage in the current business as well as further expanding the scope of services.

A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, clients, business partners, and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staff for their commitment and contribution throughout the years.

Leung Ka Ho, Raymond
Chairman

Hong Kong, 27 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an established main contractor for the provision of renovation and maintenance works, alteration and addition works ("**RMAA**") and fitting-out works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors.

In respect of renovation and maintenance works, the Group encompasses the general upkeep, restoration and improvement of existing facilities and components of the buildings and their surroundings. As for alteration and addition works and fitting-out works, the Group revolves around the alteration and addition of building layout and structural works and decoration works to the interior spaces to the existing premises.

For the year ended 31 March 2017, there were 28 projects (2016: 29 projects) with revenue contribution undertaken by the Group. The demands for the Group's RMAA and fitting-out works services remained at a high level and thus, the revenue of the Group recorded a significant growth in current year. During the year ended 31 March 2017 and up to the date of this annual report, the Group was awarded 17 new projects, with total original contract sum of approximately $162.9 million.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and fitting-out industry. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) strengthen the market position in the industry and expand the market share by securing more RMAA and fitting-out works contracts by utilising the net proceeds from the Listing of the Shares on GEM of the Stock Exchange on 13 March 2017 (the "**Listing Date**"), to provide surety bonds in favour of the customers; (ii) expanding the customer base and becoming a Group M1 (Maintenance) building contractor; and (iii) strengthening the scope of services and becoming a Registered Specialist Contractor (Sub-register of Site Formation Category).

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK$279.7 million for the year ended 31 March 2016 to approximately HK$335.2 million for the year ended 31 March 2017, representing a growth of approximately 19.8%. Such increase was mainly due to the increase in RMAA and fitting-out works projects undertaken by the Group as a result of the overall development in the construction industry in Hong Kong.

Cost of Sales

The cost of sales increased from approximately HK$249.4 million for the year ended 31 March 2016 to approximately HK$290.2 million for the year ended 31 March 2017, representing an increase of approximately 16.4%. Such increase was mainly attributable to the increase in the subcontracting charges with the increase in the number of RMAA and fitting-out projects undertaken by the Group during the year.

Gross Profit

Gross profit of the Group increased by approximately HK$14.8 million from approximately HK$30.2 million for the year ended 31 March 2016 to approximately HK$45.0 million for the year ended 31 March 2017. The increase was mainly driven by the increase in revenue for the year ended 31 March 2017 as discussed above. The overall gross profit margin increased from approximately 10.8% for the year ended 31 March 2016 to approximately 13.4% for the year ended 31 March 2017 as the projects undertaken by the Group during the year ended 31 March 2017 are generally in higher gross profit margin, resulting in the extent of increase in subcontracting charges and construction material costs is less than that of the increase in revenue for the year ended 31 March 2017.

Listing Expenses

During the year ended 31 March 2017, the Group recognised non-recurring Listing expenses of approximately HK$12.8 million, as expenses in connection with its Listing exercise. No such expenses was incurred for the year ended 31 March 2016.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK$1.5 million or 14.6% from approximately HK$10.3 million for the year ended 31 March 2016 to approximately HK$11.8 million for the year ended 31 March 2017.

Administrative expenses primarily consist of staff costs, audit fee and other professional costs in relation to the compliance with the GEM Listing Rules. The increase was mainly attributable to the increase in staff costs paid to directors and staff due to business expansion and the abovementioned audit fee and other professional costs in relation to the compliance with the GEM Listing Rules during the year.

Finance Costs

Finance costs for the Group increased by approximately HK$0.9 million or 47.4% from approximately HK$1.9 million for the year ended 31 March 2016 to approximately HK$2.8 million for the year ended 31 March 2017. It was mainly due to the increase in usage of loan settlement for trade payables and factoring loan during the year ended 31 March 2017.

Income Tax Expense

Income tax expense for the Group increased by approximately HK$2.0 million or 66.7% from approximately HK$3.0 million for the year ended 31 March 2016 to approximately HK$5.0 million for the year ended 31 March 2017. The increase was mainly attributable to the increase in profit before tax (excluding the Listing expenses) from approximately HK$18.0 million for the year ended 31 March 2016 to approximately HK$30.4 million for the year ended 31 March 2017.

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

Profit and total comprehensive income for the year attributable to the owners of the Company decreased by approximately HK$2.5 million or 16.7% from approximately HK$15.0 million for the year ended 31 March 2016 to approximately HK$12.5 million for the year ended 31 March 2017.

Such decrease was primarily attributable to the net effect of (i) the Listing expenses incurred by the Group for its Listing exercise during the year ended 31 March 2017; (ii) the increase in the administrative expenses incurred by the Group for the year ended 31 March 2017; and (iii) the increase in revenue and gross profit for the year ended 31 March 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio improved steadily from approximately 1.1 time as at 31 March 2016 to 1.4 time as at 31 March 2017.

As at 31 March 2017, the Group had bank borrowings of approximately HK$32.5 million (2016: HK$39.9 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, decreased from approximately 155.6% as at 31 March 2016 to approximately 50.4% as at 31 March 2017 due to the use of proceeds for settlement of the bank borrowings. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 13 March 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2017, the Company's issued share capital was HK$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

COMMITMENTS

The operating lease commitments of the Group were primarily related to the leases of its office premises and carpark spaces. The Group's operating lease commitments amounted to approximately HK$6,000 as at 31 March 2017 (2016: approximately HK$3,000).

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on note 5 of the notes to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2017, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

Save as disclosed on note 32 of the notes to the consolidated financial statements, as at 31 March 2016 and 2017, the Group did not have other material contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in HK$. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OF GROUP'S ASSETS

As at 31 March 2017, the Group's pledged its bank deposit to a bank of approximately HK$10.0 million (2016: approximately HK$1.7 million) to secure the bank overdrafts, short-term bank loans and other general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed a total of 27 employees (2016: 26 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$15.5 million for the year ended 31 March 2017 (2016: approximately HK$14.1 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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

Business objectives	Actual progress
Reserve more capital to satisfy the potential customers' requirement for surety bond	The Group has used HK$2.0 million to undertake more projects by satisfying potential customers' requirement for surety bond.
Reduce gearing ratio by repaying bank borrowings, which were used for the general working capital for the daily operation during the Track Record Period	The Group has used HK$8.0 million to repay bank borrowings to reduce gearing ratio.
Support the working capital requirement for the Group applying and maintaining M1 (Maintenance) building contractor license	The Group has not applied M1 (Maintenance) building contractor license, thus no amount was yet utilised.
Strengthen the scope of services — site formation	The proceeds remained unused.

USE OF PROCEEDS

The net proceeds from the Listing on 13 March 2017, after deducting listing related expenses, were approximately HK$38.0 million. After the Listing, these proceeds were used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. The unused amount of the net proceeds from the Listing as at 31 March 2017 was approximately HK$28.0 million.

An analysis of the planned amount utilised up to 31 March 2017 is set out below:

	Planned amount utilised up to 31 March 2017 HK$'million	Actual utilised amount as at 31 March 2017 HK$'million	Unutilised amount out of the planned amount as at 31 March 2017 HK$'million
Reserve more capital to satisfy the potential customers' requirement for surety bond	2.0	2.0	–
Reduce gearing ratio by repaying bank borrowings, which were used for the general working capital for the daily operation during the Track Record Period	8.0	8.0	–
Support the working capital requirement for the Group applying and maintaining M1 (Maintenance) building contractor license	–	–	–
Strengthen the scope of services — site formation	–	–	–
	10.0	10.0	–

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Since the Listing, the Board has recognised that the transparency and accountability is important to a listed company. Therefore, the Company is committed in establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Leung Ka Ho, Raymond currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the year ended 31 March 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 March 2017.

BOARD OF DIRECTORS

As at 31 March 2017, the Board comprised five Directors, including two executive Directors, namely Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan, and three independent non-executive Directors are Mr. Leung Hung Kwong, Derrick, Mr. Moy Yee Wo, Matthew and Mr. Yau Sze Yeung.

Mr. Leung Ka Ho, Raymond is the chairman (the "**Chairman**") of the Board.

RESPONSIBILITIES OF THE BOARD

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety Compliance Committee.

The biographical details of the Directors and other senior management are set out in the section headed with "**Biographical Details of Directors and Senior Management**" of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Leung Ka Ho, Raymond currently assumes the role of both Chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") from the Listing Date up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 March 2017.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

The Board is scheduled to meet in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy. The Company was listed on 13 March 2017. There was no board meeting held from the Listing Date to 31 March 2017.

Name of Directors	Number of attendance/ number of Board meetings
Executive Directors	
Mr. Leung Ka Ho, Raymond	N/A
Mr. Ho Chi Kwan	N/A
Independent non-executive Directors	
Mr. Leung Hung Kwong, Derrick	N/A
Mr. Moy Yee Wo, Matthew	N/A
Mr. Yau Sze Yeung	N/A

Note: Given the Listing Date was shortly before 31 March 2017, no Board meeting was held from the Listing Date to 31 March 2017.

During the year ended 31 March 2017, the attendance record of each Director at the annual general meeting is set out in the table below:

Name of Directors	Number of attendance/ number of general meeting
Mr. Leung Ka Ho, Raymond *(Chairman)*	N/A
Mr. Ho Chi Kwan	N/A
Mr. Leung Hung Kwong, Derrick	N/A
Mr. Moy Yee Wo, Matthew	N/A
Mr. Yau Sze Yeung	N/A

Note: Given the Listing Date was shortly before 31 March 2017, no annual general meeting was held from the Listing Date to 31 March 2017.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each Independent non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his/her independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independency pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers these independent non-executive Directors to be independent.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills.

According to the training record maintained by the Company, during the year ended 31 March 2017, all Directors had participated in continuous professional development in the following manner:

Name of Directors	Type of trainings
Executive Directors	
Mr. Leung Ka Ho, Raymond	i, ii
Mr. Ho Chi Kwan	i, ii
Independent non-executive Directors	
Mr. Leung Hung Kwong, Derrick	i, ii
Mr. Moy Yee Wo, Matthew	i, ii
Mr. Yau Sze Yeung	i, ii

i. reading journals and newspaper updates on corporate governance and directors' duties and responsibility.

ii. attending training/seminars/conferences arranged by the professional firms/organisations.

BOARD COMMITTEES

The Board has established four board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the safety compliance committee (the "**Safety Compliance Committee**").

AUDIT COMMITTEE

The Company established the Audit Committee on 22 February 2017 with written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors namely Mr. Yau Sze Yeung, Mr. Leung Hung Kwong, Derrick and Mr. Moy Yee Wo, Matthew. The chairman of the Audit Committee is Mr. Yau Sze Yeung, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee is mainly responsible for the followings:

(a) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure coordination where more than one audit firm is involved;

(c) monitor the integrity of the Company's annual report, interim financial reports and quarterly reports before submission to the Board, and focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting.

(d) Oversight of the Company's financial reporting system, risk management and internal control systems

  (i) reviewing the Company's financial controls, accounting policies and the risk management and internal control systems;

  (ii) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

  (iii) where an internal audit function exists, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

  (iv) reviewing the external auditors' management letter and management's response;

  (v) ensuring that the Board will provide a timely response to the issues raised in the external auditors' management letter.

The Company was listed on 13 March 2017. During the period from the Listing Date to 31 March 2017, no meeting was being held for the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established on 22 February 2017 comprising three independent non-executive Directors, namely Mr. Leung Hung Kwong, Derrick, Mr. Moy Yee Wo, Matthew and Mr. Yau Sze Yeung with Mr. Leung Hung Kwong, Derrick as the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The main roles and functions of the Remuneration Committee include the followings:

(a) establish a formal and transparent procedure for developing remuneration policy;

(b) recommend to the Board the policy and structure for the remuneration of directors and senior management whilst ensuring no director or any of his associates is involved in deciding his own remuneration;

(c) determine the remuneration of directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc). The chairman and/or the chief executive shall be consulted respectively about their proposals relating to the remuneration of the chief executive and/or senior management, as the case may be;

(d) review and approve the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive directors and senior management which shall be consistent with contractual terms and fair and not excessive;

(e) determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and

(f) consider the annual performance bonus for executive directors, senior management, and the general staff, having regard to the achievements against the performance criteria by reference to corporate goals and objectives resolved by the Board, and make recommendation of the Board.

The Company was listed on 13 March 2017. During the period from the Listing Date to 31 March 2017, no meeting was being held for the Remuneration Committee.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on 22 February 2017 comprising three independent non-executive Directors, namely Mr. Moy Yee Wo, Matthew, Mr. Leung Hung Kwong, Derrick and Mr. Yau Sze Yeung with Mr. Moy Yee Wo, Matthew as the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange.

The main roles and functions of the Nomination Committee include the followings:

(a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually to complement the Company's corporate strategy;

(b) identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise;

(c) make recommendations to the Board on matters relating to the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive;

(d) assess the independence of independent non-executive Directors; and

(e) implement and review the Board Diversity Policy to ensure its effectiveness; and make disclosure of its review results in the corporate governance report of the Company's annual report.

The Company was listed on 13 March 2017. During the period from the Listing Date to 31 March 2017, no meeting was being held for the Nomination Committee.

SAFETY COMPLIANCE COMMITTEE

The Safety Compliance Committee was established on 22 February 2017 with written terms of reference. It currently comprises three members, being Mr. Leung Hung Kwong, Derrick, Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan with Mr. Leung Hung Kwong, Derrick as the chairman of the Safety Compliance Committee. The primary duties of the Safety Compliance Committee are to assist the Board in overseeing the compliance with laws and regulations relevant to health and safety as well as the adequacy and effectiveness of the safety plans of the Group.

The Company was listed on 13 March 2017. During the period from the Listing Date to 31 March 2017, no meeting was being held for the Safety Compliance Committee.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 March 2017, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditor, DELOITTE TOUCHE TOHMATSU, about their reporting responsibility on the financial statements of the Group are set out in the independent auditor's report on pages 39 to 44 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management system. The Board keeps monitoring the risk management system on an ongoing basis, ensuring a review of the effectiveness of the Group's risk management system is conducted regularly. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for establish, implement, review and evaluate the sound and effective internal control system underpinning the risk management framework. While taking into full account of the new requirements effective from the Listing Date under the GEM Listing Rules brought by Hong Kong Exchanges and Clearing Limited relating to risk management and internal control, the management has formulated the risk management and control framework. All employees are committed to implement the risk management framework into the daily operation.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group are to identify and manage the risk of the Group's with the acceptable safety levels and achieve the Group's strategic objectives. The Group has adopted a three line risk management approach to identify, analysis, evaluation, mitigate and handle risks. At the first line of defence, staff in office/on site who must understand their roles and responsibilities are responsible for identifying, assessing and monitoring risks associated with transactions. The second line of defence is the Group's management that provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risk capacity and that the control of the first line of defence is effective. As the final line of defence, the audit committee of the Company, with the advices and opinions from the external professional party (such as the external auditor) was conducted the review in annual basis and ensures that the first and second lines of defence are performed effective.

AUDITORS' REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed.

For the year ended 31 March 2017, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	2017 HK$'000	2016 HK$'000
Fees paid/payable for the services rendered		
Statutory audit services	900	320
Non-audit services for acting as reporting accountant for the Listing and tax services	–	2,080

COMPANY SECRETARY

Mr. Chung Kiu Pan was appointed as the company secretary of the Company on 21 October 2016. Mr. Chung has taken no less than 15 hours of relevant professional training for the year ended 31 March 2017. The biographical details of Mr. Chung are set out under the section headed "**Biographical Details of Directors and Senior Management**" of this annual report.

SHAREHOLDERS' RIGHTS

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

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

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

(a) any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition;

(b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Unit B1, 8/F, Yip Fung Industrial Building, 28–36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong, or Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the Board and/or the Company Secretary;

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

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

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

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "**Corporate Information**" of this annual report).

Should there are any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit B1, 8/F, Yip Fung Industrial Building, 28–36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.chdev.com.hk and meetings with investors and shareholders. News update of the Group's business development and operation are also available on the Company's website.

During the year ended 31 March 2017, there had been no significant change in the Company's constitutional documents.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders (namely Mr. Leung Ka Ho, Raymond, Mr. Ho Chi Kwan, Sharp Talent Holdings Limited ("**Sharp Talent**") and Diamondfield Holdings Limited ("**Diamondfield**")) has made an annual declaration to the Company that from the Listing Date to 31 March 2017, it has complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The INEDs have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Competition Undertakings and as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

GENERAL

This report covers certain environmental and social responsibility aspects underlying the Group's business operations in Hong Kong during the year ended 31 March 2017 and is prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 of the GEM Listing Rules ("**ESG Reporting Guide**").

The Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide during the year ended 31 March 2017. For details of the Group's financial performance and corporate governance matters, please refer to other sections in the annual report of the Company of which this ESG Report forms part.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

Emissions

The Group engaged in the construction industry which may generate some hazardous waste due to the business nature, the Group takes all reasonable step to closely monitor and manage the environmental effect of the operations. The Group target to minimise the impact on the environment and always seeks less harmful ways to the environment in the operations. The Group has adopted the emission control measures, included but not limited to: i) use of ultra-low sulphur diesel for plants and generators; ii) use of non-road mobile machinery approved with EPD label; iii) use of air compressor and hand held percussive breaker with noise emission label; iv) trip-ticket system to record disposal of construction waste to disposal facilities and v) open burning is prohibited in all sites. During the year ended 31 March 2017, the Group did not identify any material non-compliance related to emissions.

Use of Resources

The Group is committed to have an environmental friendly working environment. The Group advocates to reducing the consumption of fuel and electricity and improving the resource efficiency by way of: i) the Group encourages employees to switch off the lights and electronic appliances before they leave the office; ii) the Group encourages the employees to set the temperature of the office's air conditioner to 25.5 Degree Celsius; iii) the Group encourages the employees to use double-sided printing instead of single-sided printing and iv) the Group arranges the surplus materials on the construction site to be re-used in other construction sites instead of dumping.

The Environment and Natural Resources

The Group has developed the Environmental Management System which has been certified to comply with ISO 14001. The Group set up the Environmental Information Board in office in order to spread the practical tips and information about the environmental friendly action to the management and employees in order to minimise the impact of the business on the environment.

EMPLOYMENT

The Group regards people as its greatest asset, to underline this fact, the Group has established clear policies and guidelines to attract and retain talent. The Group places a significant emphasis on developing human capital and provides competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. The Group delivers a fair and safe working environment for employees to support their career advancement and also fosters their personal development.

Summary of employment performance indicators:

	2017	
Number of Employees		**27**
By Gender		
Female	**10**	**37%**
Male	**17**	**63%**
By Age		
18 or below		**–**
19 to 40		**6**
41 to 60		**20**
Over 60		**1**

Diversity

	2017				
Number of Employees by	**Gender**		**Age Group**		
Employee Category	**Female**	**Male**	**19 to 40**	**41 to 60**	**Over 60**
Management	**–**	**2**	**–**	**2**	**–**
Project management	**2**	**14**	**4**	**11**	**1**
Administration, accounting and finance	**5**	**1**	**1**	**5**	**–**
Tender	**2**	**–**	**1**	**1**	**–**
Direct worker	**1**	**–**	**–**	**1**	**–**

Turnover Rate

	2017
Number and Rate (%) of Employee Turnover	**15%**
By Gender	
Female	**20%**
Male	**12%**

HEALTH AND SAFETY

Summary of Health and Safety Performance Indicators

	2017
Work-related fatalities (Case)	–

The Group places the highest priority on securing occupational safety and health of all employees. More than complying with relevant occupational safety and health legislations of Hong Kong, we endeavour to protect the employees from work related accidents/injuries.

Safety Audit

Safety audits were conducted periodically in office (corporate level) and on site (project) according to the statutory requirements of Factories and Industrial Undertakings (Safety Management) Regulation, to check the efficiency, effectiveness and reliability of the safety management and set up plan for further improvement actions.

OHSAS 18001

Safety Management System was developed. Not only to comply with the statutory requirements, the system has been certified to comply with an international standard of OHSAS 18001 since 2011. This standard is implemented to all projects and is continuously undergoing improvement with latest international trends.

During the year ended 31 March 2017, the Group's has not identified any material non-compliance cases relating to health and safety.

DEVELOPMENT AND TRAINING

The Group believes that people development plays the most pivotal role in laying a solid ground for business growth. The Group encourages long-term growth and career development by allocating sufficient resources to people development. Besides on-the-job training, employees are encouraged to participate in internal and external training to strengthen their capacity, work skills, knowledge and professionalism.

Summary of Development and Training Performance Indicators

	2017	
By Employee Category and Gender	**Total Training Hours**	
	Female	**Male**
Management	–	12
Project management	24	221
Administration, accounting and finance	8	42
Tender	13	–
Direct worker	2	–

LABOUR STANDARDS

The Group strictly complies with the Employment Ordinance and fully understands that employing child labour and forced labour is prohibited. The Group review the job applicant's identity information during the recruitment process and the applicant is also required to provide document proofs of academic qualifications and working experience for verifications. The employment policies of the Group also protect the right of free choice of employment by any person and ensure that all the employment relationship is established on a voluntary basis. During the year ended 31 March 2017, the Group has not identified any non-compliance cases involving child labour and forced labour.

SUPPLY CHAIN MANAGEMENT

Sustainable Procurement

To ensure the Group's service quality, the Group's policy in relation to the subcontractors and suppliers is to select only those subcontractors and suppliers on an approved list who has passed the Group's quality control tests and have a satisfactory record of quality and on-time delivery. The Group aims to maintain the partnership with suppliers and works together in order to promote sustainable development of the industry. The Group performs the evaluation of a supplier in an annual basis to make sure the performance of the subcontractors and suppliers are up to the standard. The assessment mainly includes but not limited to the professional qualification, services/products quality, financial status, operation in good integrity, social responsibility, etc. When the evaluation result of the suppliers or subcontractors are not satisfactory, the respective suppliers or subcontractors may be removed from the approval list.

	2017
Number of key suppliers/subcontractors	**223**
By region	
Hong Kong	**222**
PRC	**1**

PRODUCTS RESPONSIBILITY

The Group recognises the importance of the quality of the services provided by the Group. The Group has established relevant policies which cover service quality and safety in order to ensure relevant measures comply with the laws and regulations.

The Group communicates and confirms the work plan with customer before the commencement of the project and actively monitors and processes and coordinates with the customer. For the year ended 31 March 2017, the Group has not had any material complaints or request to terminate projects due to poor quality and safety. If a complaint should arise, the Group will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issue. If the complaint is valid, the Group will immediately provide the relevant solution to solve the issues as soon as practicable.

The Group also recognises the importance of the intellectual property right. The management and relevant department review the contracts entered into with customers and suppliers to ensure the intellectual property rights are properly accounted for. The Group also complies with relevant law and regulation of data privacy. All confidential data of customers can only be assessed by the staffs who are responsible for the projects for relevant clients.

For the year ended 31 March 2017, the Group has not identified any non-compliance cases relating to product responsibility.

ANTI-CORRUPTION

The Group believes that the integrity of business is the foundation of corporate social responsibility, as well as a fundamental element for a business's competitive advantage and sustainability. The Group is committed to the highest possible standards of openness, probity and accountability.

The Group adopts a policy of zero tolerance towards corruption. All employees must fully comply with relevant local laws and regulations as well as the Group's own policies on prevention of corruption. All employees have a responsibility to report any suspected violations to a supervisor or senior management.

During the year ended 31 March 2017, the Group has had no non-compliance cases regarding violations of relevant laws and regulations on anti-corruption.

COMMUNITY INVESTMENT

Caring for the Society

Corporate social responsibility via staff volunteerism, philanthropy and community service is the core values of the Group. The Group actively participated in charitable donations, caring for people in need, as well as supporting and sponsoring educational and environmental protection activities.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Leung Ka Ho, Raymond (梁家浩), aged 49, was appointed as the Director on 18 October 2016 and was redesignated as an executive Director and appointed as the chairman and chief executive officer of the Company on 15 December 2016. Mr. Leung is a director of each of Fulam Construction Engineering Company Limited ("Fulam Construction") and Fulam Engineering Hong Kong Company Limited ("Fulam Engineering"), indirect wholly owned subsidiaries of the Company, and the compliance officer of the Company. Mr. Leung is responsible for the overall business strategy, preparing annual budget proposals, and major business decisions of the Group.

Mr. Leung has over 28 years of experience in the construction industry and possesses extensive knowledge in planning and managing construction projects of various nature. He obtained his higher diploma in building from City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) and a bachelor's degree of science in building from the South Bank University in the United Kingdom. He also obtained his master's degree of science in architecture from the University College London in the United Kingdom. He had served in Government body that he was appointed by the Building Authority as a member of Minor Works Contractors Registration Committee Panel.

Mr. Leung is a member of Australian Institute of Building, a member of the Chartered Institute of Building, a member of the Hong Kong Institute of Construction Managers (previously known as Hong Kong Institute of Builders), and a member of the Contractor's Authorised Signatory Association Limited.

He was not a director in any listed companies for the last three preceding years.

Mr. Ho Chi Kwan (何智崐), aged 44, was appointed as the Director on 18 October 2016 and was redesignated as an executive Director of the Company on 15 December 2016. Mr. Ho is responsible for the overall business strategy, preparing annual budget proposals, and major business decisions of the Group.

Mr. Ho has over 22 years of experience in the construction industry. He has then been a director of each of Fulam Construction and Fulam Engineering since the dates of their incorporation. He is currently an associate member of Hong Kong Institute of Project Management.

Mr. Ho completed a certificate course in building services, design, installation and maintenance organised by Hong Kong Productivity Council. He also completed a number of courses organised by the Construction Industry Training Authority.

He was not a director in any listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Hung Kwong, Derrick (梁雄光), aged 48, was appointed as the independent non-executive Director on 22 February 2017. He is the chairman of the Remuneration Committee and the Safety Compliance Committee, and a member of each of the Audit Committee and Nomination Committee.

Mr. Leung has over 25 years of experience in the engineering and construction industry. In August 2008, he joined Yee Hop Engineering Company Limited which is the subsidiary of Yee Hop Holdings Limited, a company listed on the Main Board (Stock Code: 1662). He has been the executive director of Yee Hop Holdings Limited since February 2015.

Mr. Leung obtained his bachelor's degree of science in engineering from the National Taiwan University in Taiwan and obtained his master's degree of philosophy in civil & structural engineering from the Hong Kong University of Science & Technology. He is currently a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers in the disciplines in civil, geotechnical and structural. He is also a registered professional engineer (geotechnical, structural) of engineers registration board.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Mr. Moy Yee Wo, Matthew (梅以和), aged 38, was appointed as the independent non-executive Director on 22 February 2017. He is the chairman of the Nomination Committee, and a member of each of the Audit Committee and Remuneration Committee.

Mr. Moy has over 10 years of experience in various sections of the financial industry including audit, corporate finance and asset management. He is the chief financial officer of China Silver Group Limited, a company listed on the Main Board (Stock Code: 0815).

Mr. Moy obtained his bachelor of business administration in accounting and he further obtained his master of business administration at the Hong Kong University of Science & Technology. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Mr. Yau Sze Yeung (邱思揚), aged 39, was appointed as the independent non-executive Director on 22 February 2017. He is the chairman of the Audit Committee, and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Yau has over 15 years of experience in various sections of the financial industry including audit and corporate finance. He joined Janco Holdings Limited in July 2015 as the financial controller, a company listed on the GEM (Stock Code: 8035) and he is currently the executive Director, financial controller and company secretary of Janco Holdings Limited.

Mr. Yau obtained a bachelor's degree of business administration in accountancy from City University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, he was not a director in any listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information in relation to the Directors that is required to be disclosed pursuant to Rules 17.50(2) of the GEM Listing Rules as at the date of this annual report.

SENIOR MANAGEMENT

Mr. Cheng Kwok Kuen (鄭國權), aged 43, has been the project manager of the Group since February 2012. He is primarily responsible for overall project management. He has over 13 years of experience in the construction industry. He joined Fulam Construction in March 2006 and was promoted to the current position of project manager in February 2012. He obtained a higher diploma in building services engineering.

He was not a director in any listed companies for the last three preceding years.

Ms. Mak Pui Chun (麥珮珍), aged 41, has been the project manager of the Group since August 2011. She is primarily responsible for overall project management. She has over 13 years of experience in the construction industry. She obtained a higher certificate in building studies from Hong Kong Technical Colleges. She then obtained a bachelor's degree of science in building surveying from the University of Greenwich in the United Kingdom.

She was not a director in any listed companies for the last three preceding years.

Mr. Chung Kiu Pan (鍾喬濱), aged 32, joined the Group in October 2016 and is financial controller and company secretary of the Group. He is primarily responsible for financial reporting, financial planning, internal control and corporate secretarial practices and procedures of the Group.

Mr. Chung graduated with a bachelor of business administration majoring in professional accountancy in the Chinese University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants, and a certified public accountant (practising) of Hong Kong Institute of Certified Public Accountants.

He was not a director in any listed companies for the last three preceding years.

REPORT OF DIRECTORS

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

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 18 October 2016.

In preparing for the listing of the Company's shares on the GEM Board of the Stock Exchange, the Company became the holding company of the companies comprising the Group underwent the corporate reorganisation (the ''**Reorganisation**'') upon the completion of the Reorganisation on 11 November 2016.

Details of the Reorganisation are set out in note 1 to the Accountants' Report of the Company included in Appendix I to the Company's prospectus dated 28 February 2017. The shares of the Company were listed on the GEM Board of the Stock Exchange with effect from 13 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Detailed business review is set out in the section of "Management Discussion and Analysis" ("**MD&A**") in this annual report from pages 5 to 9. Future development of the company's business is set out in the section of "Chairman's Statement" and MD&A in this annual report from page 4 and page 5 respectively. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

Key risks and uncertainties

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in the operations and financial position as efficiently and effectively as possible.

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

(i) The Group has relatively thin net profit margin and the financial results are highly sensitive to any unfavourable change in the cost of sales, contract prices and the market conditions in the RMAA and fitting-out industry in Hong Kong;

(ii) The Group may not be able to maintain or increase the success rate of the projects tendered;

(iii) The Group derives the revenue from projects of a non-recurrent nature, where there is no guarantee that the customers will provide us with new business or that the Group will secure new contracts;

(iv) Reliance on subcontractors;

(v) Any significant increase in the subcontracting charges and substandard subcontractor works may have adverse impacts on the financial results;

(vi) The Group determines the contract price based on the estimated time and costs involved in the project. The actual time and costs may deviate from the estimations. An inaccurate estimation or ineffective cost management may adversely affect the Group's financial results;

(vii) The surety bonds may be forfeited in the event of the non-performance of contracts and the amount of such surety bonds may increase, in either case, the cash flows and financial position could be adversely affected;

(viii) The business is labour intensive. If the Group or the Group's subcontractors experience any shortage of labour, industrial actions or strikes, the operations and financial results would be adversely affected; and

(ix) Time required to award and complete renovation work may be lengthened in the future.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

Environment Protection

The Group committed to contributing to the sustainability of the environment from its business activities. The Group established measures and created certain environmental framework to minimise and monitor the environmental impacts attributable to its operational. The Group implemented the green office practices such as re-deployment of office furniture as far as possible, encouraged use of recycled paper for printing and copying and reduced energy consumption by switching off idling lightings and electrical appliances. Moreover, the Group also established air pollution, noise and waste disposal control such as watering when necessary for any dusty materials before loading and unloading on site; works that create loud noise are to be carried out during day-time or non noise sensitive hours only; labelled bins to be provided to allow segregation of recyclable materials from other waste for transportation to landfills or public fill whenever possible.

Workplace quality

The Group believes that employees are the valuable assets and regards human resources as its corporate wealth. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary raises, bonuses and promotions based on the performance of each employee. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct, employees' rights and benefits.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report.

Prior to the Listing, the Company declared and paid the special dividend of HK$22,000,000 during the year ended 31 March 2017. The Board do not recommend the payment of a final dividend for the year ended 31 March 2017.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Tuesday, 15 August 2017. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 10 August 2017 to Tuesday, 15 August 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 9 August 2017.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 90 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 23 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contribution of the Directors and other employees who have made valuable contribution to the Group. The Scheme of the Company was adopted on 22 February 2017 (the "**Adoption**"). There was no share option granted or agreed to be granted under the Scheme from the date of the Adoption to 31 March 2017.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose

The Scheme is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) The Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(c) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue, being 800,000,000 shares, unless the Company obtains a fresh approval.

(d) Maximum number of options to any one individual

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company as at the date of grant.

(e) Price of Shares

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

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

(iii) the nominal value of a share.

(f) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2017, the Company's reserves available for distribution to the shareholders, comprising share premium and retained profits, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK$32.3 million.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 March 2017, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer	55.1%
— The total of the five largest customers	88.1%

For the year ended 31 March 2017, the percentage of cost of sales attributable to the Group's major suppliers is set out below:

Cost of sales

— The largest supplier	32.3%
— The total of the five largest suppliers	56.6%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and major suppliers noted above.

DIRECTORS

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

Executive Directors

Mr. Leung Ka Ho, Raymond	(appointed on 18 October 2016)
Mr. Ho Chi Kwan	(appointed on 18 October 2016)

Independent non-executive Directors

Mr. Leung Hung Kwong, Derrick	(appointed on 22 February 2017)
Mr. Moy Yee Wo, Matthew	(appointed on 22 February 2017)
Mr. Yau Sze Yeung	(appointed on 22 February 2017)

Pursuant to Article 112 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108(a) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages from 27 to 28 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the month of Listing or the date of appointment and will continue thereafter until terminated in accordance with the terms of the agreement. Independent non-executive Directors are appointed for a term of three year initially and will continue thereafter unless terminated by either party giving at least six month's notice in writing.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance, to which the Company, its holding company or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 and 12 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Share Option Scheme.

COMPETING AND CONFLICT OF INTERESTS

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

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2017, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Company's Shares

Name of Directors	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Leung Ka Ho, Raymond (Notes 1 & 2)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 ordinary shares	66.6%
Mr. Ho Chi Kwan (Notes 1 & 3)	Interest in a controlled corporation; interest held jointly with another person	533,000,000 ordinary shares	66.6%

Notes:

1. On 11 November 2016, Mr. Leung and Mr. Ho entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraphs headed "History, reorganisation and corporate structure — Parties acting in concert" in the Prospectus.

2. 533,000,000 Shares in which Mr. Leung is interested consist of (i) 363,410,000 Shares held by Sharp Talent, a company wholly owned by Mr. Leung, in which Mr. Leung is deemed to be interested under the SFO; and (ii) 169,590,000 Shares in which Mr. Leung is deemed to be interested as a result of being a party acting-in-concert with Mr. Ho.

3. 533,000,000 Shares in which Mr. Ho is interested consist of (i) 169,590,000 Shares held by Diamondfield, a company wholly owned by Mr. Ho, in which Mr. Ho is deemed to be interested under the SFO; and (ii) 363,410,000 Shares in which Mr. Ho is deemed to be interested as a result of being a party acting-in-concert with Mr. Leung.

(ii) *Long position in the ordinary shares of associated corporations*

Name of Directors	Name of associated corporations	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Leung Ka Ho, Raymond	Sharp Talent	Beneficial owner	1 ordinary share	100%
Mr. Ho Chi Kwan	Diamondfield	Beneficial owner	1 ordinary share	100%

Save as disclosed above, as at 31 March 2017, none of the Directors nor chief executive of the Company has registered an interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2017, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number and class of securities	Long/ short position	Approximate percentage of shareholding
Sharp Talent (Note)	Beneficial owner; interest held jointly with another person	533,000,000 ordinary shares	Long	66.6%
Diamondfield (Note)	Beneficial owner; interest held jointly with another person	533,000,000 ordinary shares	Long	66.6%

Note:

On 11 November 2016, Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraphs headed "History, reorganisation and corporate structure — Parties acting in concert" in the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of the Controlling Shareholders, i.e. Sharp Talent (being wholly owned by Mr. Leung), Mr. Leung, Diamondfield (being wholly owned by Mr. Ho) and Mr. Ho is deemed to be interested in 66.6% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2017 and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Alliance Capital Partners Limited, as at 31 March 2017, save for the compliance adviser agreement dated 15 November 2016 entered into between the Company and Alliance Capital Partners Limited, neither Alliance Capital Partners Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2017, the Group has not entered into any connected transaction that are not exempt under Rule 20.31 of the GEM Listing Rules nor any continuing connected transaction that are not exempt under Rule 20.33 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

Deloitte Touche Tohmatsu was appointed by the Directors as the auditor of the Company. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 March 2017 have been audited by Deloitte Touche Tohmatsu.

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group.

By Order of the Board
Leung Ka Ho, Raymond
Chairman

Hong Kong, 27 June 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHI HO DEVELOPMENT HOLDINGS LIMITED
潪澔發展控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Chi Ho Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 45 to 89, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter

Recognition of revenue and costs of building renovation and construction contracts and amounts due from (to) customers for contract work

We identified the recognition of revenue and costs of building renovation and construction contracts and amounts due from (to) customers for contract work as a key audit matter because significant management's estimations are required in the determination of the progress and outcome of the contracts, including the estimated contract revenue and costs, as disclosed in note 4 to the consolidated financial statements.

As disclosed in the consolidated statement of profit or loss and other comprehensive income and note 16 to the consolidated financial statements, the revenue and costs of building renovation and construction contracts and amounts due from customers for contract work amounted to HK$335,191,000, HK$290,248,000 for the year ended 31 March 2017, and HK$28,901,000 as at 31 March 2017, respectively.

As set out in note 3 to the consolidated financial statements, the Group recognised contract revenue and costs of building and construction contracts by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the surveys of work performed to date relative to the estimated total contract revenue. 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.

Our procedures in relation to the recognition of revenue and costs of building renovation and construction contracts and amounts due from (to) customers for contract work included:

- Evaluating the estimation of revenue recognised on renovation and construction projects, on a sample basis, by:
    - Testing the Group's internal controls over the recognition of contract revenue and costs;
    - Discussing with management and project managers and checking to the contracts, variation orders, relevant correspondences and other supporting documents to evaluate the reasonableness of their basis of estimation of the budgeted revenue;
    - Discussing with management and project managers and checking to the latest cost quotations provided by the major contractors/suppliers/vendors to the Group to evaluate the reasonableness of their basis of estimation of the budgeted costs; and
    - Evaluating management's assessment on the Group's ability to deliver contracts within budgeted timescales and any penalty for late delivery of contract works by comparing the progress of the contracts against the terms stipulated in the contracts;

Key audit matter	How our audit addressed the key audit matter

Recognition of revenue and costs of building renovation and construction contracts and amounts due from (to) customers for contract work (Continued)

To the extent that the certificates issued by the independent surveyors ("Surveyors") are not available, the stage of completion may be measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. The actual outcome of the contracts in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the recognition of revenue and costs as well as the amounts due from (to) customers for contract work.	• Assessing the appropriateness of value of work recognised as contract revenue by checking to the certificates issued by the Surveyors before and subsequent to the year end date; and • Assessing the appropriateness of the basis of deriving the amount from (to) customers for contract work by checking, on a sample basis, to the amount of costs recorded in the subcontractor payment certificates and supplier invoices, and progress billings to certificates issued by the Surveyors.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and unbilled retention receivables	
We identified the recoverability of trade receivables and unbilled retention receivables as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole and the significant degree of management judgement involved in impairment assessment. As disclosed in note 15 to the consolidated financial statements, the carrying amount of trade receivables and unbilled retention receivables of the Group amounted to HK$40,458,000 and HK$43,863,000, respectively, which represents 21.1% and 22.8% of the Group's total assets, respectively, as at 31 March 2017. As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the recoverability of trade and unbilled retention receivables at the end of the reporting period based on assessment of the ultimate realisation of these receivables by considering the ageing of the amounts, current creditworthiness, past collection history and subsequent settlement of each debtor.	Our procedures in relation to the recoverability of trade receivables and unbilled retention receivables included: • Understanding the management's basis and assessment in relation to the recoverability of trade receivables and unbilled retention receivables; • Testing the accuracy of ageing of trade receivables and unbilled retention receivables by checking to the certificates issued by the Surveyor and invoices issued by the Group to the customers, on a sample basis; • Tracing the subsequent settlement to bank slips and other supporting documents for those trade receivables with subsequent settlement, on a sample basis; and • Assessing the reasonableness of management's assessment on the impairment loss on trade receivables without subsequent settlement and unbilled retention receivables with reference to the ageing of the amounts, the current creditworthiness and past collection history of each debtor, on a sample basis.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan Tsz Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 June 2017

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2017

	NOTES	**2017** **HK$'000**	2016 HK$'000
Revenue	6	**335,191**	279,674
Cost of sales		**(290,248)**	(249,441)
Gross profit		**44,943**	30,233
Other income		**41**	2
Administrative expenses		**(11,849)**	(10,279)
Listing expenses		**(12,840)**	–
Finance costs	7	**(2,762)**	(1,947)
Profit before taxation		**17,533**	18,009
Income tax expense	8	**(5,010)**	(3,012)
Profit and total comprehensive income for the year	9	**12,523**	14,997
Earnings per share			
— Basic (HK cents)	13	**2.05**	2.50

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**8,850**	8,613
Deposits paid for acquisition of property, plant and equipment		**250**	87
Deposits for surety bonds	15	**–**	9,898
		9,100	18,598
Current assets			
Trade and other receivables	15	**101,408**	51,853
Amounts due from customers for contract work	16	**28,901**	22,742
Amounts due from directors	18	**–**	12,587
Pledged bank deposits	19	**10,000**	1,686
Bank balances and cash	19	**42,689**	5,843
		182,998	94,711
Current liabilities			
Trade and other payables	20	**92,905**	40,173
Tax payable		**2,313**	2,620
Bank overdrafts	19	**–**	34
Bank borrowings	21	**32,476**	39,921
Obligations under finance leases	22	**–**	53
		127,694	82,801
Net current assets		**55,304**	11,910
Total assets less current liabilities		**64,404**	30,508
Capital and reserves			
Share capital	23	**8,000**	2,200
Reserves		**56,404**	23,520
		64,404	25,720
Non-current liability			
Deposits received	20	**–**	4,788
		64,404	30,508

The consolidated financial statements on pages 45 to 89 were approved and authorised for issue by the board of directors on 27 June 2017.

Leung Ka Ho, Raymond	**Ho Chi Kwan**
Chairman	*Executive Director*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015	2,200	–	–	9,550	11,750
Profit and total comprehensive for the year	–	–	–	14,997	14,997
Dividend paid (note 10)	–	–	–	(1,027)	(1,027)
At 31 March 2016	2,200	–	–	23,520	25,720
Profit and total comprehensive income for the year	–	–	–	12,523	12,523
Dividends paid (note 10)	–	–	–	(22,000)	(22,000)
Adjustment arising from the Reorganisation (defined in note 1)	(2,200)	–	2,200	–	–
Issue of ordinary shares through initial public offerings (note 23(v))	2,000	58,000	–	–	60,000
Capitalisation Issue (defined in note 23(iv))	6,000	(6,000)	–	–	–
Transaction costs directly attributable to issue of ordinary shares	–	(10,223)	–	–	(10,223)
Deemed distribution to shareholders (note)	–	–	–	(1,616)	(1,616)
At 31 March 2017	8,000	41,777	2,200	12,427	64,404

Note: On 13 March 2017, an aggregate of 67,000,000 ordinary shares ("Sale Shares") of HK$0.01 each of the Company were sold by its immediate holding companies, namely Diamondfield Holdings Limited and Sharp Talent Holdings Limited to professional, institutional or private investors at a price of HK$0.30 by way of public offer. The corresponding listing expenses amounting to HK$1,616,000 in connection with the sale of the Sale Shares were borne by the Group on behalf of Diamondfield Holdings Limited and Sharp Talent Holdings Limited and that the listing expenses were treated as deemed distribution to shareholders and debited to retained profits.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**17,533**	18,009
Adjustments for:		
Depreciation of property, plant and equipment	**766**	471
Finance costs	**2,762**	1,947
Gain on disposal of property, plant and equipment	**(21)**	–
Bank interest income	**(1)**	(2)
Operating cash flows before movements in working capital	**21,039**	20,425
Increase in amounts due from customers for contract work	**(6,159)**	(7,540)
(Increase) decrease in trade and other receivables	**(39,657)**	3,346
Increase (decrease) in trade and other payables	**47,944**	(11,914)
Cash generated from operations	**23,167**	4,317
Hong Kong Profits Tax paid	**(5,317)**	(1,360)
CASH FROM OPERATING ACTIVITIES	**17,850**	2,957
INVESTING ACTIVITIES		
Repayment from directors	**25,006**	8,590
Release of pledged bank deposits	**1,686**	–
Proceeds from disposal of property, plant and equipment	**21**	–
Interest received	**1**	2
Advance to directors	**(12,419)**	(14,782)
Placement of pledged bank deposit	**(10,000)**	–
Purchase of property, plant and equipment	**(416)**	(7,957)
Deposits paid for acquisition of property, plant equipment	**(250)**	(87)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**3,629**	(14,234)
FINANCING ACTIVITIES		
New bank borrowings raised	**257,237**	265,878
Proceeds from issue of new shares	**60,000**	–
Repayment of bank borrowings	**(264,682)**	(244,297)
Dividend paid	**(22,000)**	–
Transaction costs paid directly attributable to issue of ordinary shares	**(10,223)**	–
Transaction costs paid attributable to sale of shares held by shareholders	**(1,616)**	–
Interest paid	**(2,762)**	(1,947)
Repayment of obligations under finance leases	**(553)**	(153)
NET CASH FROM FINANCING ACTIVITIES	**15,401**	19,481

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**36,880**	8,204
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**5,809**	(2,395)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**42,689**	5,809
Represented by:		
Bank balances and cash	**42,689**	5,843
Bank overdrafts	**–**	(34)
	42,689	5,809

1. GENERAL

Chi Ho Development Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 18 October 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 March 2017 (the "Listing"). The ultimate and immediate holding companies are two companies namely, Sharp Talent Holdings Limited and Diamondfield Holdings Limited, which are owned by Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan who are parties acting in concert, respectively. The address of the registered office and principal place of business of the Company are at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1–1108, Cayman Islands and Unit B1, 8/F, Yip Fung Industrial Building, 28-36 Kwai Fung Crescent, Kwai Chung, New Territories, Hong Kong, respectively.

Pursuant to the corporate reorganisation to rationalise the group structure in the preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 11 November 2016. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Details of the Reorganisation are set out in the Company's prospectus dated 28 February 2017.

Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), as if the group structure under the Reorganisation had been in existence throughout the two years ended 31 March 2017 or since their respective dates of incorporation, whichever is the shorter period.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 33.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has consistently applied all new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2016 throughout the current year.

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

New and amendments to HKFRSs and an interpretation in issue but not yet effective

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

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

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

HKFRS 9 "Financial Instruments"

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

Key requirement of HKFRS 9 which is relevant to the Group is in relation to the impairment of financial assets, of which 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.

Based on the Group's financial instruments as at 31 March 2017, the directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact of the Group's financial assets. In particular, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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

New and amendments to HKFRSs and an interpretation in issue but not yet effective (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

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

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

- Step 1: Identify the contract(s) with 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; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

New and amendments to HKFRSs and an interpretation in issue but not yet effective (Continued)

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company anticipate that the application of amendments to HKAS 7 "Disclosure Initiative" in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of amendments to HKAS 7 will have a material impact on the timing and amounts of revenue recognised in respective reporting periods.

Except as described above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material effect on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

Merger accounting for business combination involving businesses under common control

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

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

The Group's policy for recognition of revenue from contracts is described in the accounting policy for "building renovation and construction contracts" below.

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

Building renovation and construction contracts

Where the outcome of a building renovation and construction contracts can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the certified value of works performed during the 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. For contract works where the value of works are not independently certified, the stage of completion are measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

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

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

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Retirement benefits costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and building (classified as finance leases) held for use for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

Impairment of tangible assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables (including deposits for surety bonds, trade and other receivables, amounts due from directors, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, bank overdrafts and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset have expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated outcome of building renovation and construction contracts

The Group recognises contract revenue and cost of building renovation and construction contracts according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts or, in case of variation orders, based on contract terms or other forms of agreements. Estimated contract cost, which mainly comprises direct labour costs, subcontracting charges and costs of materials, is variable and estimated by the management of the Group on the basis of estimated costs of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management of the Group. Notwithstanding that the management of the Group frequently reviews and revises the estimates of both estimated revenue and costs of the building renovation and construction contracts 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 recognition of revenue and costs as well as the amounts due from (to) customers for contract work.

Estimated impairment of trade and unbilled retention receivables

The management of the Group estimates the recoverability of trade and unbilled retention receivables at the end of each reporting period. A considerable amount of management judgement is required in assessing the ultimate realisation of these receivables, including the ageing of the amounts, current creditworthiness, past collection history and subsequent settlement of each debtor. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 March 2017, the carrying amounts of trade receivables and unbilled retention receivables of the Group were approximately HK$40,458,000 and HK$43,863,000 (2016: HK$15,580,000 and HK$33,090,000) respectively.

5. SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group in respect of the provision of building renovation and construction works to external customers. The Group's operations are solely derived from the building renovation and construction services in Hong Kong during the year. For the purposes of resources allocation and performance assessment, the chief operating decision maker (the "CODM"), being the executive directors of the Company, reviews the overall results and financial position of the Group as a whole prepared based on the same set of accounting policies as set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operations.

Information about major customers

Customers individually contributing over 10% of the Group's revenue during the years ended 31 March 2017 and 2016 are as follows:

	2017 **HK$'000**	2016 HK$'000
Customer A	**184,743**	N/A#
Customer B	**54,988**	28,117
Customer C	**N/A#**	132,395
Customer D	**N/A#**	35,215

Revenues from these customers are individually less than 10% of the total revenue of the Group for the respective year.

6. REVENUE

Revenue represents the fair value of amounts received and receivable by the Group in respect of provision of building renovation and construction works to external customers.

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interests on:		
Factoring of trade receivables	**1,111**	784
Bank borrowings	**1,629**	1,069
Bank overdrafts	**5**	87
Obligations under finance leases	**17**	7
	2,762	1,947

8. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Hong Kong Profits Tax		
— Current year	**5,010**	3,012

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	2017 HK$'000	2016 HK$'000
Profit before taxation	**17,533**	18,009
Tax at Hong Kong Profits Tax rate of 16.5%	**2,893**	2,971
Tax effect of income not taxable for tax purpose	**(4)**	–
Tax effect of expenses not deductible for tax purpose	**2,144**	6
Tax effect of temporary difference not recognised	**(3)**	–
Tax benefits	**(20)**	(20)
Others	**–**	55
Income tax expense for the year	**5,010**	3,012

There is no significant unprovided deferred taxation during both years or at the end of each reporting period.

9. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 11)	**3,972**	2,373
Other staff costs:		
Salaries and other allowances	**11,190**	11,435
Retirement benefits scheme contributions	**354**	316
	11,544	11,751
Total staff costs	**15,516**	14,124
Auditor's remuneration	**900**	320
Bank interest income	**(1)**	(2)
Depreciation of property, plant and equipment	**766**	471
Gain on disposal of property, plant and equipment	**(21)**	–
Minimum lease payments paid under operating leases in respect of:		
— office premise	**–**	153
— car parks	**63**	18

10. DIVIDEND

During the year ended 31 March 2017, an interim dividend of HK$22,000,000 (HK$500,000 per share) was recognised as distribution by the Company to its then shareholders, Sharp Talent Holdings Limited and Diamondfield Holdings Limited.

During the year ended 31 March 2016, an interim dividend of HK$1,027,000 was recognised as distribution by Fulam Construction Engineering Company Limited, an indirectly wholly-owned subsidiary of the Company, to its then shareholders, Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of these consolidated financial statements.

The directors of the Company do not recommend the payment of a final dividend and propose that the profit for the year be retained.

11. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

The remuneration paid or payable to each of the five (2016: two) directors were as follows:

	Director's fees HK$'000	Salaries and other allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2017				
Executive directors:				
Mr. Leung Ka Ho, Raymond	**–**	**1,950**	**18**	**1,968**
Mr. Ho Chi Kwan	**–**	**1,950**	**18**	**1,968**
Independent non-executive directors:				
Mr. Leung Hung Kwong, Derrick	**12**	**–**	**–**	**12**
Mr. Moy Yee Wo, Matthew	**12**	**–**	**–**	**12**
Mr. Yau Sze Yeung	**12**	**–**	**–**	**12**
	36	**3,900**	**36**	**3,972**
Year ended 31 March 2016				
Executive directors:				
Mr. Leung Ka Ho, Raymond	–	1,437	18	1,455
Mr. Ho Chi Kwan	–	900	18	918
	–	2,337	36	2,373

11. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan were appointed as the executive directors of the Company on 18 October 2016. Mr. Leung Hung Kwong, Derrick, Mr. Moy Yee Wo, Matthew and Mr. Yau Sze Yeung were appointed as independent non-executive directors on 22 February 2017.

The executive directors' emoluments shown above are for their services in connection with the management of the affairs of the Company and the Group. The amounts also include the emoluments for services rendered by them as executive directors of Fulam Construction Engineering Company Limited, a subsidiary of the Group.

The independent non-executive directors' emoluments shown above are for their services as directors of the Company.

During both years, directors' fees were paid by the Company, while salaries and other allowances of directors were paid by Fulam Construction Engineering Company Limited.

None of the directors waived or agreed to waive any emolument during the years ended 31 March 2017 and 2016.

During the years ended 31 March 2017 and 2016, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year ended 31 March 2017 included two (2016: two) directors, details of whose emoluments are set out in note 11 above. Details of the emoluments of the remaining three (2016: three) individuals during the years ended 31 March 2017 and 2016 were as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other allowances	**1,706**	1,831
Retirement benefits scheme contributions	**54**	54
	1,760	1,885

The emoluments were within the following bands:

	2017	2016
Not exceeding HK$1,000,000	**3**	3

During the years ended 31 March 2017 and 2016, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 March 2017 is based on the profit for the year of HK$12,523,000 (2016: HK$14,997,000) and the weighted average number of ordinary shares in issue during the year ended 31 March 2017 of 610,410,959 (2016: 600,000,000) on the assumption that the Reorganisation as defined in note 1 and the Capitalisation Issue as defined in note 23 had been completed on 1 April 2015. No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 April 2015	–	–	66	2,325	2,391
Additions	8,356	266	108	–	8,730
At 31 March 2016	8,356	266	174	2,325	11,121
Additions	–	–	102	901	1,003
Disposals	–	–	–	(295)	(295)
At 31 March 2017	8,356	266	276	2,931	11,829
DEPRECIATION					
At 1 April 2015	–	–	19	2,018	2,037
Provided for the year	244	27	24	176	471
At 31 March 2016	244	27	43	2,194	2,508
Provided for the year	418	53	44	251	766
Disposals	–	–	–	(295)	(295)
At 31 March 2017	662	80	87	2,150	2,979
CARRYING VALUES					
At 31 March 2017	7,694	186	189	781	8,850
At 31 March 2016	8,112	239	131	131	8,613

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and building	5%
Leasehold improvements	Shorter of lease term or 20%
Furniture and equipment	20%
Motor vehicles	20%

The Group has pledged its leasehold land and building with an aggregate carrying value of HK$7,694,000 (2016 HK$8,112,000) to secure a bank loan.

As at 31 March 2017, the carrying value of motor vehicles held under finance leases was nil (2016: HK$106,000).

15. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**17,558**	9,906
Trade receivables factored with recourse	**22,900**	5,674
	40,458	15,580
Unbilled retention receivables (note i)	**43,863**	33,090
Other receivables	**4,023**	1,000
Deposits for surety bonds (note ii)	**12,539**	11,587
Project deposits placed with customers	**88**	88
Rental, utility and other deposits	**437**	406
Total trade and other receivables	**101,408**	61,751
Presented as non-current assets	**–**	9,898
Presented as current assets	**101,408**	51,853
	101,408	61,751

15. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) Unbilled retention receivables will be billed to customers at the end of the defect liability period of individual contracts, that is one year from the date of the practical completion of the respective project, subject to extension due to actual circumstance of the project.

The unbilled retention receivables are expected to be settled, based on the expiry date of the defect liability period, at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Due within one year	**20,296**	25,170
Due after one year	**23,567**	7,920
	43,863	33,090

(ii) The amount represents the deposits as collateral security for surety bonds in respect of construction contracts issued by insurance companies in favour of the Group's customers. The deposits will be refunded to the Group upon the practical completion or at the end of the defect liability period of the relevant construction contracts.

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

The Group allows a credit period of 7 to 45 days to its customers for its trade receivables.

The following is an ageing analysis of trade receivables presented based on invoice dates at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
0 – 30 days	**40,016**	15,357
31 – 60 days	**–**	20
61 – 90 days	**–**	203
Over 90 days	**442**	–
	40,458	15,580

Included in the Group's trade receivables balances as at 31 March 2017 are debtors with aggregate carrying amounts of HK$605,000 (2016: HK$2,648,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss because the management of the Group is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.

15. TRADE AND OTHER RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
0 – 30 days	**163**	2,425
31 – 60 days	**–**	20
61 – 90 days	**–**	203
Over 90 days	**442**	–
	605	2,648

In determining the recoverability of trade and unbilled retention receivables, the Group considers any change in the credit quality of the trade and unbilled retention receivables from the date that credit was initially granted up to the end of each reporting period.

16. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000	2016 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	**413,011**	274,149
Add: recognised profits less recognised losses	**83,318**	62,656
	496,329	336,805
Less: progress billings	**(467,428)**	(314,063)
	28,901	22,742
Analysed as:		
Amounts due from customers for contract work	**28,901**	22,742
Amounts due to customers for contract work	**–**	–
	28,901	22,742

As at 31 March 2017 and 2016, retention monies held by customers for contract work are set out in note 15 and advances received from customers are set out in note 20.

17. TRANSFER OF FINANCIAL ASSETS

The followings were the Group's trade receivables and receivables arising from amounts due from customers for contract work as at 31 March 2017 and 2016 that were transferred to banks by factoring them on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade receivables and receivables arising from amounts due from customers for contract work, it continues to recognise their full carrying amounts and has recognised the cash received on the transfer as secured borrowings (see note 21). These financial assets are carried at amortised cost in the consolidated statement of financial position.

	2017 HK$'000	2016 HK$'000
Carrying amount of trade receivables	**22,900**	5,674
Carrying amount of receivables arising from amounts due from customers for contract work	**–**	7,222
Carrying amount of associated liabilities	**(12,170)**	(10,441)
	10,730	2,455

18. AMOUNTS DUE FROM DIRECTORS

	2017 HK$'000	2016 HK$'000
Mr. Leung Ka Ho, Raymond (note i)	**–**	8,552
Mr. Ho Chi Kwan (note ii)	**–**	4,035
	–	12,587

Notes:

(i) The amount was non-trade related, unsecured, interest-free and fully settled during the current year. The maximum outstanding amount during the year ended 31 March 2017 was HK$11,402,000 (2016: HK$8,572,000).

(ii) The amount was non-trade related, unsecured, interest-free and fully settled during the current year. The maximum outstanding amount during the year ended 31 March 2017 was HK$8,006,000 (2016: HK$4,035,000).

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

Pledged bank deposits carry interest at a market rate of 0.405% (2016: 0.04%) per annum. Pledged bank deposits represent deposits pledged to a bank to secure the bank overdrafts, short-term bank loans and other general banking facilities granted to the Group. The pledged bank deposits will be released upon the termination of relevant bank overdrafts, short-term bank loans and other general banking facilities.

Bank balances and cash comprise cash on hand and bank balances. Bank balances carry interest at a prevailing market interest rate of 0.01% (2016: 0.01%) per annum.

As at 31 March 2016, bank overdrafts carried interest at 1.5% over Hong Kong Prime Rate of the relevant bank per annum, and were repayable on demand. The effective interest rate on bank overdrafts was 6.5% per annum.

20. TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade payables		
— third parties	**16,173**	6,674
— a related party (note i)	**96**	80
	16,269	6,754
Accrued costs of materials and subcontracting charges	**37,867**	20,101
Deposits received (note ii)	**5,094**	5,094
Listing expenses payables	**7,359**	–
Other accruals	**2,740**	3,403
Receipts in advance from customers	**14**	14
Retention payables to subcontractors (note iii)	**23,562**	9,595
Total trade and other payables	**92,905**	44,961
Presented as non-current liabilities	**–**	4,788
Presented as current liabilities	**92,905**	40,173
	92,905	44,961

20. TRADE AND OTHER PAYABLES (Continued)

Notes:

(i) The amount represents the amount due to Hong Kong Building Material Limited ("HKBML") in which the spouse of Mr. Ho Chi Kwan has beneficial interests and joint control.

(ii) The amounts represent deposits received from subcontractors for the purpose of securing their performance in respect of construction contracts in favour of the Group.

(iii) Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts, normally one year from the completion date of the respective project.

The retention payables are expected to be settled, based on the expiry date of the defect liability period, at the end of the reporting period as follows:

	2017 HK$'000	2016 HK$'000
Due within one year	**8,020**	9,577
Due after one year	**15,542**	18
	23,562	9,595

The credit period on trade payables ranges from 0 to 30 days.

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

	2017 HK$'000	2016 HK$'000
0 – 30 days	**10,064**	2,154
31 – 60 days	**554**	1,727
61 – 90 days	**3,751**	247
Over 90 days	**1,900**	2,626
	16,269	6,754

21. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured bank borrowings:		
Bank loans	**20,306**	29,480
Factoring loans	**12,170**	10,441
	32,476	39,921
Carrying amounts repayable (note):		
On demand or within one year	**29,993**	37,238
More than one year, but not exceeding two years	**200**	200
More than two years, but not exceeding five years	**2,283**	600
More than five years	**–**	1,883
Amount shown under current liabilities	**32,476**	39,921

Note: All bank borrowings contain a repayment on demand clause and are shown under current liabilities. The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

Bank loans carry interest at Hong Kong Prime Rate of the relevant bank plus 0.5% to 1.5% per annum or at Hong Kong dollar Best Lending Rate ("HKD BLR") plus 0.5% or minus 2.75% per annum or at one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 2% per annum. Factoring loans carry interest at HKD BLR plus 1% per annum.

The range of effective interest rates on bank borrowings as at 31 March 2017 (which are also equal to contracted interest rates) is 1.4% to 6.1% (2016: 2.2% to 6.1%) per annum.

These bank borrowings are drawn under banking facilities.

As at 31 March 2017, the banking facilities are secured by a legal charge over the property held by Fulam Construction Engineering Company Limited, a subsidiary of the Group and pledged bank deposits as disclosed in notes 19 and 30.

As at 31 March 2016, the banking facilities were secured by a legal charge over the property held by Fulam Construction Engineering Company Limited, a subsidiary of the Group, pledged bank deposits as disclosed in notes 19 and 30, a property owned by Mr. Ho Chi Kwan's wife, two properties owned by Mr. Leung Ka Ho, Raymond and his wife, guaranteed by personal guarantees provided by Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan, for unlimited amounts and/or guaranteed by the Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme to the extent of 80% of the outstanding amounts.

22. OBLIGATIONS UNDER FINANCE LEASES

During the year ended 31 March 2016, the Group leased its motor vehicles under finance leases. The average lease term is five years. Interest rates underlying all obligations under finance leases were fixed at contract dates at 4.28% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Obligations under finance leases payable:				
Within one year	**–**	54	**–**	53
Less: future finance charges	**–**	(1)	**N/A**	N/A
Present value of lease obligations	**–**	53	**–**	53
Less: Amount due for settlement within twelve months (shown under current liabilities)			**–**	(53)
Amount due for settlement after twelve months (shown under non-current liabilities)			**–**	–

As at 31 March 2016, the Group's obligations under finance leases were secured by the leased assets and unguaranteed.

23. SHARE CAPITAL

	Notes	Number of ordinary shares	Amount HK$'000
Authorised			
At 18 October 2016 (date of incorporation)	(i)	38,000,000	380
Increase in authorised capital	(ii)	1,962,000,000	19,620
At 31 March 2017		2,000,000,000	20,000
Issued and fully paid			
Allotted and issued on 18 October 2016 (date of incorporation)	(i)	22	–
Shares issued upon the Reorganisation	(iii)	22	–
Capitalisation issue of shares	(iv)	599,999,956	6,000
Issue of shares pursuant to the listing of the Company's shares	(v)	200,000,000	2,000
At 31 March 2017		800,000,000	8,000

Notes:

(i) The Company was incorporated on 18 October 2016 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one ordinary share was allotted, issued and fully paid to an initial subscriber, which was then transferred to Diamondfield Holdings Limited on the same day. On the same day, an additional six shares were allotted and issued at par to Diamondfield Holdings Limited and an additional 15 shares were allotted and issued at par to Sharp Talent Holdings Limited.

(ii) On 22 February 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of the additional 1,962,000,000 new shares of HK$0.01 each. These new shares ranked pari passu in all respects with the existing shares.

(iii) On 11 November 2016, the Company, Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan entered into reorganisation agreement that Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan agreed to exchange their shares in Idea Lion Limited and Diamond Step Ventures Limited with 22 shares of the Company allotted to Sharp Talent Holdings Limited and Diamondfield Holdings Limited.

(iv) Pursuant to the written resolutions passed by all shareholders of the Company dated 22 February 2017, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Listing, the directors of the Company had authorised to allot and issue 599,999,956 ordinary shares of HK$0.01 each of the Company, by way of capitalisation of the sum of HK$6,000,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders of the Company appearing on the register of members of the Company (the "Capitalisation Issue").

(v) On 13 March 2017, 200,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$0.30 by way of public offer and the Company's shares were listed on the Stock Exchange on the same date. The proceeds of HK$2,000,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$58,000,000, before issuing expenses, were credited to the share premium account.

24. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "Scheme") adopted on 22 February 2017 for the primary purpose of providing incentives to directors, eligible employees, consultant or adviser of the Group, the directors, employees, consultant or adviser of the Group may, at the discretion of the directors, be granted options (the "Options") to subscribe for shares in the Company at a price determined by its directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of grant of the option.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The Scheme will remain in force for a period of ten years from the date of its adoption. Options granted must be taken up not later than 5 days after the date of grant. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

The exercisable period of an option, which shall not exceed 10 years from the date of grant, is determined by the Board of Directors of the Company at their discretion.

No options have been granted since its adoption.

25. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings and obligations under finance leases as disclosed in notes 21 and 22, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, other reserve and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts and redemption of existing debts.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**153,825**	81,674
Financial liabilities		
Amortised cost	**84,760**	61,398
Obligations under finance leases	**–**	53
	84,760	61,451

(b) Financial risk management objectives and policies

The Group's financial instruments include deposits for surety bonds, trade and other receivables, amounts due from directors, pledged bank deposits, bank balances and cash, trade and other payables, bank overdrafts, bank borrowings and obligations under finance leases.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its pledged bank deposits and obligations under finance leases as set out in notes 19 and 22.

The Group is also exposed to cash flow interest rate risk in relation to bank balances, bank borrowings (see note 21 for details of these borrowings) and bank overdrafts, which are arranged at floating rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate of the relevant bank, HKD BLR and HIBOR arising from the Group's bank borrowings and bank overdrafts.

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2016: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2017 would be decreased/increased by HK$136,000 (2016: HK$157,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during each of the reporting period.

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk in relation to its trade and unbilled retention receivables from the Group's five major customers amounted to HK$69,163,000 (2016: HK$27,699,000) which accounted for 82% (2016: 57%) of the Group's total trade and unbilled retention receivables. The major customers of the Group are certain reputable corporations. The management of the Group considers that the credit risk is limited in this regard.

Other than concentration of credit risk on trade and unbilled retention receivables, the Group also has concentration of credit risk on amounts due from directors. As at 31 March 2017, amounts due from directors amounted to nil (2016: HK$12,587,000). The management of the Group considers the default risk to be insignificant as the directors are also the shareholders of the Group. Details are set out in note 18.

The credit risks on liquid funds and deposits for surety bonds are limited because the counterparties are banks and insurance companies with good reputation and good historical repayment history.

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group believes that the Group will have sufficient working capital for its future operational requirement.

The Group relies on bank borrowings as a significant source of liquidity. The Group has available unutilised banking facilities of HK$21,456,000 as at 31 March 2017 (2016: HK$23,061,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk table

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2017 HK$'000
31 March 2017						
Non-derivative financial liabilities						
Trade and other payables	–	52,284	–	–	52,284	52,284
Bank borrowings	4.95	32,476	–	–	32,476	32,476
		84,760	–	–	84,760	84,760

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2016 HK$'000
31 March 2016						
Non-derivative financial liabilities						
Trade and other payables	–	21,443	–	–	21,443	21,443
Bank borrowings	5.52	39,921	–	–	39,921	39,921
Bank overdrafts	6.50	34	–	–	34	34
Obligations under finance leases	4.28	13	27	14	54	53
		61,411	27	14	61,452	61,451

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

Liquidity and interest risk table (Continued)

Bank borrowings with repayment on demand clauses are included in the 'On demand or less than 1 month' time band in the above maturity analysis. As at 31 March 2017, the aggregate undiscounted cash flows of these bank borrowings amounted to HK$32,476,000 (2016: HK$39,921,000). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows (estimated based on the interest rate at the end of the reporting period) are set out below.

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
31 March 2017								
Bank borrowings	**4.95**	**7,342**	**23,898**	**4,235**	**2,682**	**–**	**38,157**	**32,476**
31 March 2016								
Bank borrowings	5.52	5,234	15,035	17,799	1,004	1,935	41,007	39,921

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair values measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

27. OPERATING LEASE COMMITMENTS

The Group as lessee had made minimum lease payments of HK$63,000 (2016: HK$171,000) under operating leases during the year in respect of office premise and car parks.

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**6**	3

28. CAPITAL COMMITMENTS

	2017 **HK$'000**	2016 HK$'000
Capital expenditure in respect of the acquisition of a motor vehicle contracted for but not provided in the consolidated financial statements	**1,060**	778

29. RETIREMENT BENEFITS PLAN

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The assets of the above scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,500 per month or 5% of the relevant payroll costs to the MPF Scheme.

The total cost charged to profit or loss of HK$390,000 (2016: HK$352,000) represents contributions paid or payable to the above scheme by the Group for the year. As at 31 March 2017, contributions of HK$32,000 (2016: HK$60,000) due in respect of the corresponding reporting periods had not been paid over to the scheme.

During the year, there were no forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

30. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure bank loans, bank overdrafts and general banking facilities granted by these banks to the Group are as follows:

	2017 HK$'000	2016 HK$'000
Property, plant and equipment	**7,694**	8,112
Pledged bank deposits	**10,000**	1,686
Trade receivables	**22,900**	5,674
Amounts due from customers for contract work	**–**	7,222
	40,594	22,694

31. RELATED PARTY DISCLOSURES

(i) Transactions

Other than the dividends as set out in note 10, during the year, the Group entered into the following transactions with its related parties:

Related parties	Nature of transactions	**2017 HK$'000**	2016 HK$'000
HKBML	Purchase of materials	**278**	154

In addition, during both years, Mr. Ho Chi Kwan's wife pledged one property and Mr. Leung Ka Ho, Raymond and his wife pledged two properties and both Mr. Ho Chi Kwan and Mr. Leung Ka Ho, Raymond provided personal guarantees for unlimited amounts to banks to secure bank loans, bank overdrafts and general banking facilities granted to the Group. Details are disclosed in note 21. All these securities were released during the year 31 March 2017.

During both years, both directors also provided personal guarantees for unlimited amounts to insurance companies to secure the surety bonds granted to the Group. Such personal guarantees would be released upon the practical completion of construction contracts and had been early released upon Listing. Details are disclosed in note 32.

(ii) Balances

Details of the balances with related parties are set out in the consolidated statement of financial position in notes 18 and 20.

31. RELATED PARTY DISCLOSURES (Continued)

(iii) Compensation of key management personnel

	2017 HK$'000	2016 HK$'000
Director's fees	**36**	–
Salaries and other allowances	**3,900**	2,337
Retirement benefits scheme contributions	**36**	36
	3,972	2,373

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

32. SURETY BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds and secured by deposits. The surety bonds will be released when the construction contracts are practically completed.

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

	2017 HK$'000	2016 HK$'000
Issued by insurance companies	**74,117**	31,523

33. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 March 2017 were as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid ordinary share capital	Effective interest attributable to the Group as at 31 March 2017 %	2016 %	Principal activities
Idea Lion Limited*	The British Virgin Islands (the "BVI") 26 September 2016	United States dollar ("US$") 10	**100**	N/A	Investment holding
Diamond Step Ventures Limited*	The BVI 26 September 2016	US$22	**100**	N/A	Investment holding
Fulam Construction Engineering Company Limited	Hong Kong 3 September 1999	HK$2,200,000	**100**	100	Building renovation and construction services
Fulam Engineering Hong Kong Company Limited	Hong Kong 4 June 2012	HK$10	**100**	100	Inactive

* Directly held by the Company

None of the subsidiaries had any debt securities outstanding at the end of the each reporting period or at any time during both years.

34. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	2017 HK$'000
Non-current assets	
Investments in subsidiaries – cost	**31,644**
Investments in subsidiaries – deemed contribution (note i)	**2,268**
Amounts due from subsidiaries	**22,354**
	56,266
Current asset	
Bank balances and cash	**23,022**
Current liability	
Listing expenses payables	**7,359**
Net current assets	**15,663**
Total assets less current liability	**71,929**
Capital and reserves	
Share capital (note 23)	**8,000**
Share premium and reserves (note ii)	**63,929**
Total equity	**71,929**

Notes:

(i) The amount represents the imputed interest on the amounts due from subsidiaries and such amount was capitalised as part of the investments in subsidiaries during the year ended 31 March 2017.

34. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY (Continued)

Statement of financial position (Continued)

Notes: (Continued)

(ii) Movement of share premium and reserves

	Share premium HK$'000	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 18 October 2016 (date of incorporation)	–	–	–	–
Adjustment arising from the Reorganisation	–	31,644	–	31,644
Issue of ordinary shares through initial public offerings	58,000	–	–	58,000
Capitalisation Issue	(6,000)	–	–	(6,000)
Transaction costs attributable to issue of ordinary shares	(10,223)	–	–	(10,223)
Deemed distribution to shareholders	–	–	(1,616)	(1,616)
Dividend paid	–	–	(22,000)	(22,000)
Profit and total comprehensive income for the period	–	–	14,124	14,124
At 31 March 2017	41,777	31,644	(9,492)	63,929

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March		
	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Revenue	163,447	279,674	**335,191**
Profit before taxation	9,340	18,009	**17,533**
Income tax expense	(1,563)	(3,012)	**(5,010)**
Profit and total comprehensive income for the year	7,777	14,997	**12,523**

ASSETS AND LIABILITIES

	At 31 March		
	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Total assets	91,124	113,309	**192,098**
Total liabilities	(79,374)	(87,589)	**(127,694)**
Net assets	11,750	25,720	**64,404**

Note: Three years' financial summary is presented as the Company was newly listed on 13 March 2017 and it is not practicable for the Company to present the financial summary of the Group prior to 2015.