



常滿控股有限公司

Sheung Moon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8523



ANNUAL REPORT 2018

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*This report, for which the directors (the “**Directors**”) of Sheung Moon Holdings Limited (the “**Company**” or “**our**”) 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 and its subsidiaries (collectively refer to as the “**Group**”). 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 on the GEM website at www.hkgem.com for at least 7 days from the day of its posting. This report will also be published on the Company’s website at www.smcl.com.hk.

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BOARD OF DIRECTORS

Executive directors

Mr. Tang Sze Wo (*Chairman*)
(*appointed on 31 May 2017*)
Mr. Lai Yung Sang
(*appointed on 12 July 2017*)

Independent non-executive directors

Dr. Wong Kwok Yiu Chris
(*appointed on 24 January 2018*)
Mr. Wong Choi Chak
(*appointed on 24 January 2018*)
Mr. Leung Kim Hong
(*appointed on 24 January 2018*)

COMPANY SECRETARY

Ms. Chau Hing Ling

COMPLIANCE OFFICER

Mr. Tang Sze Wo

BOARD COMMITTEES

Audit committee

Mr. Wong Choi Chak (*Chairman*)
Dr. Wong Kwok Yiu Chris
Mr. Leung Kim Hong

Nomination committee

Mr. Leung Kim Hong (*Chairman*)
Dr. Wong Kwok Yiu Chris
Mr. Wong Choi Chak

Remuneration committee

Dr. Wong Kwok Yiu Chris (*Chairman*)
Mr. Wong Choi Chak
Mr. Leung Kim Hong

Risk management committee

Mr. Wong Choi Chak (*Chairman*)
Mr. Tang Sze Wo
Dr. Wong Kwok Yiu Chris
Mr. Leung Kim Hong

AUTHORISED REPRESENTATIVES

Mr. Tang Sze Wo
Ms. Chau Hing Ling

COMPANY'S WEBSITE

<http://www.smcl.com.hk>

AUDITOR

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88 Queensway
Hong Kong

COMPLIANCE ADVISER

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REGISTERED OFFICE

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PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Cheung Sha Wan
Kowloon
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

China Construction Bank (Asia)
Corporation Limited
CCB Tower
3 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

8523

A summary of the results and assets and liabilities of the Group for the following financial years are extracted from the audited consolidated financial statements in this annual report and the Prospectus of the Company dated 31 January 2018:

CONSOLIDATED RESULTS

	For the year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	40,298	89,977	246,194
Profit before taxation	7,525	12,396	13,434
Profit for the year	<u>5,326</u>	<u>9,744</u>	<u>8,777</u>
Earnings per share (HK cents per share)			
Basic	<u>2.24</u>	<u>4.10</u>	<u>3.19</u>
Diluted	<u>N/A*</u>	<u>4.10</u>	<u>3.19</u>

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Non-current assets	31,348	32,348	57,218
Current assets	<u>18,770</u>	<u>51,477</u>	<u>141,349</u>
Total assets	<u>50,118</u>	<u>83,825</u>	<u>198,567</u>
Non-current liabilities	(8,227)	(18,812)	(14,608)
Current liabilities	<u>(20,505)</u>	<u>(31,188)</u>	<u>(73,656)</u>
Total liabilities	<u>(28,732)</u>	<u>(50,000)</u>	<u>(88,264)</u>
Net assets	<u>21,386</u>	<u>33,825</u>	<u>110,303</u>

* Not applicable

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to report the annual results of the Group for the year ended 31 March 2018.

For the year ended 31 March 2018, the Group recorded revenue of approximately HK\$246.2 million, representing an increase of approximately 173.6% as compared with the last corresponding year. Profit for the year was HK\$8.8 million, representing a decrease of 9.9% as compared with the last corresponding year. The Board does not recommend payment of a final dividend for the year ended 31 March 2018 (2017: nil).

FORWARD

In the Hong Kong Special Administrative Region's Chief Executive's 2017 Policy Address, various infrastructure and construction projects were highlighted, showing the Government's commitment to the industry. As the Group being an approved contractor of the Government, the Directors aim to capture more business opportunities in the market and to further strengthen the Group's market position in the civil engineering construction industry in Hong Kong.

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) further enhancing our participation in undertaking construction works from both the private sector and the public sector; (ii) further strengthening our manpower through recruiting additional qualified and experienced staff; (iii) maintaining an integrated management system for quality, environment, occupational health and safety management; and a prudent financial management.

APPRECIATION

On behalf of the Group, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, subcontractors and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

Tang Sze Wo

Chairman

13 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Founded over 20 years ago, the Group is a local contractor in the civil engineering construction industry. The Group is principally engaged in the provision of site formation works, road and drainage works and structural works in both public and private sectors in Hong Kong. The Group is an approved contractor of the government of Hong Kong Special Administrative Region (the “**Government**”). The Group registered as a general building contractor and a specialist contractor (site formation works) with the Hong Kong’s Buildings Department.

During the year ended 31 March 2018, the Group has been awarded 12 contracts with an aggregate contract sum of approximately HK\$266.0 million and has completed 1 contract with an aggregate contract sum of approximately HK\$0.7 million. As at 31 March 2018, the Group had 31 contracts in progress with an aggregate contract sum of approximately HK\$460.5 million.

Financial Review

The Group’s revenue increased by approximately HK\$156.2 million, or 173.6%, from approximately HK\$90.0 million for the year ended 31 March 2017 to approximately HK\$246.2 million for the year ended 31 March 2018. Such increase was due to the Group’s key project at Liantang/Heung Yuen Wai Boundary Control Point and commence involvement in the site formation project at Tseung Kwan O Area 137. Direct costs increased by approximately HK\$144.6 million, or 218.0%, from approximately HK\$66.3 million for the year ended 31 March 2017 to approximately HK\$210.9 million for the year ended 31 March 2018. Such increase was mainly in line with the increase in revenue and was mainly attributable to the construction and labour cost, especially increase in cost of machinery and transportations. As a result of the increase in revenue, the Group’s gross profit increase by approximately HK\$11.7 million, or 49.2%, from approximately HK\$23.6 million for the year ended 31 March 2017 to approximately HK\$35.3 million for the year ended 31 March 2018. Gross profit margin decreased from approximately 26.3% for the year ended 31 March 2017 to approximately 14.3% for the year ended 31 March 2018. Such decrease was due to different projects with difference in nature of construction cost and specification of work.

Other income increased by approximately HK\$2.1 million from approximately HK\$0.1 million for the year ended 31 March 2017 to approximately HK\$2.1 million for the year ended 31 March 2018. Such increase was mainly due to rental income of approximately HK\$2.1 million from investment property and machineries.

Despite the Group recorded a fair value loss on convertible loan notes of approximately HK\$0.8 million, other gains and losses increased by approximately HK\$2.2 million or 110.9% from approximately loss of HK\$2.0 million for the year ended 31 March 2017 to approximately gain of HK\$0.2 million for the year ended 31 March 2018. Such increase was mainly due to fair value gain on investment property of HK\$1.0 million, and decrease in loss on disposal of property, plant and equipment amounting to approximately HK\$1.4 million.

Administrative expenses increased by approximately HK\$3.5 million or 62.6% from approximately HK\$5.7 million for the year ended 31 March 2017 to approximately HK\$9.2 million for the year ended 31 March 2018. The increase was due to the increase in administrative and office staff expenses for hiring of senior staff after the listing of the Company’s shares on GEM of the Stock Exchange (the “**Listing**”) and the increase in professional fees.

Finance costs increased by approximately HK\$1.8 million or 140.3% from approximately HK\$1.3 million for the year ended 31 March 2017 to approximately HK\$3.2 million for the year ended 31 March 2018. Such increase was due to the increase in bank interest payment and effective interest of the convertible loan notes issued in December 2016.

Listing expenses increased by approximately HK\$9.5 million or 409.8% from approximately HK\$2.3 million for the year ended 31 March 2017 to approximately HK\$11.8 million for the year ended 31 March 2018. Such Listing expenses are not recurring in nature.

Income tax expenses increased by approximately HK\$2.0 million or 75.6% from approximately HK\$2.7 million for the year ended 31 March 2017 to approximately HK\$4.7 million for the year ended 31 March 2018. Such increase was mainly due to increase in provision of Hong Kong Profits Tax and deferred taxation for the year ended 31 March 2018.

Profit for the year ended 31 March 2018 amounted to approximately HK\$8.8 million, decreased by approximately HK\$1.0 million or approximately 9.9% as compared with HK\$9.7 million for the year ended 31 March 2017.

PROSPECT

The shares of the Company were listed on GEM on 12 February 2018 (the “**Listing Date**”). Net proceeds from the Listing were approximately HK\$30.0 million after deduction of the underwriting commission and relevant listing expenses. The Company has applied fund for the repayment of borrowings and for the acquisition of plant and machinery and motor vehicles for business development.

The Group always strives to improve its operation efficiency and profitability of its business. The Group plans to expand its projects team, accounting and administrative team and lastly its fleet of machinery and equipment, which enhance the basis of its technical capability to bid future projects. It is the Group’s business strategy to keep its site equipment in low average age because newer machines generally have a lesser chance of mechanical failure, operate more efficiently and provide more advanced functionality, which in return would enhance our productivity and profitability. The Group will also proactively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders.

We believe that the higher recognition and financial strength after the Listing, together with more advanced machinery and our experiences in the industry, will give us advantages in soliciting and tendering of construction contracts in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position during the year. As at 31 March 2018, the Group had total bank balances (including pledged bank deposit of approximately HK\$3.0 million) and cash of approximately HK\$42.6 million (31 March 2017: approximately HK\$13.2 million). As at 31 March 2018, the Group had net current asset of approximately HK\$67.7 million, representing an increase of approximately HK\$47.4 million as compared to that of approximately HK\$20.3 million as at 31 March 2017. As a result, current ratio increased to 1.92 times as at 31 March 2018 (31 March 2017: 1.65 times).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's gearing ratio decreased from 83.9% as at 31 March 2017 to 33.6% (dividing all interest-bearing borrowings, obligations under finance leases and convertible loan notes by total equity) as at 31 March 2018. The decrease was mainly due to the conversion of all the outstanding convertible loan notes during the year immediately before the Listing pursuant to the terms and conditions of the convertible loan notes.

Total equity as at 31 March 2018 stood at approximately HK\$110.3 million, representing an increase of approximately HK\$76.5 million compared with approximately HK\$33.8 million as at 31 March 2017. This change was primarily attributable to (i) the issue of 4,000 shares upon the conversion of convertible loan notes by Sigma Square; (ii) the Capitalisation Issue and (iii) the issue of 100,000,000 new shares issued at the price of HK\$0.5 per share by way of public offering in Hong Kong on the Listing Date.

As at 31 March 2018, bank balances and cash were approximately HK\$39.6 million (31 March 2017: approximately HK\$13.2 million), excluding pledged bank deposit of approximately HK\$3.0 million (31 March 2017: nil). Bank balances and cash increased by approximately HK\$26.5 million, which was mainly attributable to approximately HK\$30.0 million raised upon the Listing.

Property, plant and equipment increased by approximately HK\$20.9 million or 109.5%, which was mainly attributable to the acquisition of plant and machinery and motor vehicles during the year ended 31 March 2018. With the enhanced reputation, capital structure and funding of the Company after the Listing, the Company has made additional investment in the machinery and equipment and as such, the Company's ability in soliciting new construction contracts are increased. During the year ended 31 March 2018, the Group acquired approximately HK\$24.4 million property, plant and equipment.

Bank borrowings increased by approximately HK\$15.6 million and obligations under finance leases increased by approximately HK\$4.0 million, respectively. The increases were mainly due to the funding for daily operation and financing the acquisition of plant and machinery and motor vehicles, respectively, during the year ended 31 March 2018.

As at 31 March 2018, the maturity profile of the bank borrowings and obligations under finance leases of the Group falling due within one year, in the second to the fifth year and beyond five years amounted to approximately HK\$14.9 million, HK\$20.1 million and HK\$2.0 million, respectively (31 March 2017: approximately HK\$7.2 million, HK\$7.9 million and HK\$2.3 million, respectively).

Trade and other receivables increased by approximately HK\$29.6 million or 134.1% to approximately HK\$51.7 million as at 31 March 2018. Trade receivables turnover day maintained at approximately 35.3 days (31 March 2017: approximately 39.4 days).

Amount due from customers for contract work increased by approximately HK\$33.8 million or 207.9%, which was increased in line with the business growth.

Trade and other payables increased by approximately HK\$27.7 million or 179.3%, which was in line with the increase in direct cost due to the revenue growth.

As the Company was successfully listed on GEM on the Listing Date, the Group's source of funds can further be satisfied by using a combination of cash generated from operating activities, bank loans and the net proceeds from the Listing and other fund raised from the capital markets from time to time.

Capital Structure

As at 31 March 2018, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from bank and equity attributable to owners of the Group, comprising issued share capital and retained earnings respectively. Borrowings from banks were mainly denominated in Hong Kong dollars and were secured by pledged bank deposits and investment property.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2018, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of listing of the Company as set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" of the prospectus of the Company dated 31 January 2018 (the "Prospectus").

Significant Investments Held

As at 31 March 2018, the Group did not have any significant investments held (31 March 2017: nil).

Charges on the Group's Assets

As at 31 March 2018, the Group's plant and equipment with an aggregate of net book value approximately HK\$25.1 million (31 March 2017: approximately HK\$17.0 million) and investment property of approximately HK\$14.2 million (31 March 2017: approximately HK\$13.2 million) were pledged under finance leases, while bank deposit of approximately HK\$3.0 million (31 March 2017: nil) was pledged to secure banking facilities granted to the Group.

Foreign Exchange Exposure

The Group are mainly denominated in Hong Kong dollars. The Group's operating transactions such as revenue, direct costs, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. The Group currently has no foreign currency hedging policy and the management monitors the foreign exchange exposure by closely monitoring the movement of foreign currency rates. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arises.

Contingent Liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities (31 March 2017: nil).

Capital Commitment

As at 31 March 2018, the Group did not have any significant capital commitment (31 March 2017: nil).

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plan for material investments and capital assets.

Employees and Remuneration Policies

As at 31 March 2018, the Group had a total staff (including the Directors) of approximately 260 employees (31 March 2017: 60). Total staff cost including Directors' remuneration for the year ended 31 March 2018 amounted to approximately HK\$67.1 million (year ended 31 March 2017: approximately HK\$15.0 million). The remuneration package the Group offers to its employees includes salary and discretionary bonuses. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of employees, which forms the basis of the Group's decisions with respect to salary increment, discretionary bonuses and promotions.

Use of proceeds

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$30.0 million. After the Listing, a part of these proceeds have been applied for the purposes as set out in the section headed the "Future Plans And Use Of Proceeds" in the Prospectus.

An analysis of the planned usage of net proceeds as stated in the Prospectus and the actual utilisation of the net proceeds from the Listing Date up to 31 March 2018 are set out as below:

Business objective as stated in the Prospectus	Planned use of net proceeds from the Listing Date to 31 March 2018⁽¹⁾ HK\$'million	Actual use of net proceeds during the period from the Listing Date to 31 March 2018 HK\$'million
To reduce financial cost and increase profit return	2.10	2.09

Notes:

- As disclosed in the Prospectus, the estimated net proceeds from the listing, after deduction of the underwriting fees and expenses paid by the Company in connection therewith, were approximately HK\$25 million. The actual net proceeds received by the Company were approximately HK\$30 million. The Company intends to adjust the difference of approximately HK\$5 million to each business strategies in the same proportion as the original funds applied as shown in the Prospectus.
- As at 31 March 2018, the unused net proceeds have been placed as deposits into licensed banks in Hong Kong.

Comparison between business objectives with actual business progress

During the period between the Listing Date and 31 March 2018 (the “**Period**”), the Group has utilised approximately HK\$2.1 million to expand its business. An analysis comparing the intended 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 2018 is set out below:

Business strategy as stated in the Prospectus	Implementation activity up to 31 March 2018 as stated in the Prospectus	Actual business progress up to 31 March 2018
To reduce financial cost and increase profit return	Company to reduce financial costs by repaying short-term loans	Parts of bank borrowings and obligations under finance leases were repaid

Notes:

1. The business objectives as stated in the Prospectus were based on the best estimation of the future industry conditions made by the Group at the time of preparing the Prospectus. The actual use of net proceeds was applied in accordance with the actual industry conditions.
2. Since the Listing of the Company on the Listing Date, the Directors have been constantly reviewing and comparing the Group’s business strategies as disclosed in the Prospectus with changing industry conditions in order to ensure the net proceeds are applied in the most effective ways and in the best interest of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang Sze Wo (鄧仕和) (“Mr. SW Tang”), aged 56, is our executive Director, chairman of the Board and compliance officer. Mr. SW Tang is primarily responsible for overall planning and strategic development and financial management of our Group. He founded our Group in February 1997. Prior to this, he was employed by Shun Yip Construction Co., Limited from March 1984 to January 1994, mainly responsible for supervision and training. From January 1994 to December 1996, he was employed as a general foreman by Hongkong Macau (Holding) Limited, responsible for the management and supervision of various building development projects in Hong Kong and the PRC. He was an independent non-executive director of Keen Ocean International Holding Limited, a company listed on the Stock Exchange (stock code: 8070) from February 2016 to June 2017.

Mr. SW Tang obtained a Master of Construction Engineering and Management from the Griffith University in Australia in April 2002. He obtained a Bachelor of Science in Construction Project Management with honours from the University of Central Lancashire in June 2005. He was also awarded the Certificate in Legal Studies in July 2006 and the Diploma in Legal Studies in September 2007 from the University of Hong Kong School of Professional and Continuing Education. Mr. SW Tang was admitted as a member of the Hong Kong Institution of Engineers in May 2007 and a registered professional engineer (civil) of the Engineers Registration Board of Hong Kong in September 2008. He was appointed as a member of the Registered Contractors’ Disciplinary Board Panel between June 2008 and June 2011. In January 2015, he was appointed as the vice president of The Hongkong Registered Contractors Association and the chairman of Water Supplies, a sub-group of The Hongkong Registered Contractors Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SW Tang was a director of the following companies incorporated in Hong Kong, which were dissolved with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Construction Industry Training Authority – Management Graduates Alumni Association Limited	Promotion of industry development	27 December 2006	Dissolution by way of creditors' voluntary winding up	The Construction Industry Training Authority – Construction Management Graduates Alumni Association decided to cease operation of the company
Crown Fame Engineering Consultants Limited	Provision of consultancy services	17 July 2015	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Fook Hoi International Enterprises Limited	Dormant	16 October 2009	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Friendship Construction Engineering Limited	Dormant	18 February 2011	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Hung Yue Construction Company Limited	Dormant	11 March 2016	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Kong Ki Construction Limited	Dormant	15 January 2010	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Organic Farming Service Limited	Dormant	9 October 2015	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Sheung Fat Construction & Engineering Limited	Dormant	29 September 2000	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Sheung Moon Infrastructure Engineering Limited	Dormant	7 November 2014	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Sheung On Construction & Engineering Limited	Dormant	28 December 2001	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
The Hong Kong Institute of Professional Engineers Limited	Promotion of industry development	5 August 2011	Striking off under section 291 of the Predecessor Companies Ordinance	Organisation ceased to operate the Company
Trump Engineering Limited	Dormant	29 January 2016	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Yue Kei Construction Company Limited	Dormant	22 September 2006	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business

Mr. SW Tang confirmed that (i) all debts and liabilities of Construction Industry Training Authority – Construction Management Graduates Alumni Association Limited were settled at the time of its dissolution and (ii) each of the other companies stated above of which he was a director was solvent at the time of their respective dissolution.

Mr. Lai Yung Sang (黎容生), aged 49, is our executive Director and chief executive officer. Mr. Lai is primarily responsible for general operations and construction project management of our Group. He received a Certificate in Civil Engineering from the Haking Wong Technical Institute in Hong Kong in October 1992 and a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University in October 1995. He further obtained Industrial Centre Training Certification in Metal Scaffolding from the Hong Kong Polytechnic University in January 2002 and a Certificate for Safety Supervisor from the HSE Training Centre in December 2005. He joined our Group in October 2014 as our deputy general manager primarily responsible for preparing and submissions of tenders for potential projects and was promoted as our general manager in August 2015. His employment history prior to this is set out below:

Period	Company	Position	Responsibilities
August 1988 – May 1991	Sho Bond (Hong Kong) Ltd., a company engaging in construction of waterproofing, concrete repairing and finishing works	Works supervisor	Management of project progress
July 1991 – June 1992	Shui On Civil Contractors Ltd., a company engaging in construction of submachine outfall	Assistant site administrator	Administrative support

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
July 1992 – March 1995	The Express Builders Co., Ltd., a company engaging in construction of formation and foundation works	Construction site engineer	Project management including the management and issuing of project process and co-ordination and meeting with sub-contractors, contractors, consultants and clients
April 1995 – March 1997	Well Technology Engineering Co., Ltd., a company engaging in construction of structural and pipe works	Site engineer	Project management including the management and issuing of project process and co-ordination and meeting with sub-contractors, contractors, consultants and clients
August 1997 to January 2003	Kin Lee Ko Construction Co., Ltd., a company engaging in construction of site formation, structural and road and drainage works	Site agent	Project management including preparation of quotations and tenders, managing and issuing of project progress, co-ordination with sub-contractors, contractors, consultants and clients
February 2003 – July 2015 ^(note)	Kin Lee Civil Engineering Co., Ltd., a company engaging in construction of site formation and structural works	Site agent	Project management including preparation of quotations and tenders, managing and issuing of project progress, co-ordination and meeting with sub-contractors, contractors, consultants and clients

Note: From October 2014 to July 2015, Mr. Lai also worked with Kin Lee Civil Engineering Co., Ltd., on a part-time basis to mainly attend to any follow-up works of a completed project.

Mr. Lai was a director of the following company incorporated in Hong Kong, which was dissolved with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Ever-Living Industrial Company Limited	Trading of plastic raw materials	9 August 2002	Striking off under section 291 of the Predecessor Companies Ordinance	Ceased to carry out business

Mr. Lai confirmed that the above company of which he was a director was solvent at the time of its dissolution.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Kwok Yiu Chris (王國耀), aged 59, was appointed as our independent non-executive Director on 24 January 2018. Since returning from the United Kingdom in 1992, he has been an specialist in Cardiology at the Heart Center of the Hong Kong Adventist Hospital since December 1992. Dr. Wong has been an Honorary Consultant in Cardiology of St. Paul's Hospital since 1995, where he assisted with the planning and acquisition of a new Cardiac Catheterization Laboratory with full electrophysiology capability; and of the Hong Kong Sanatorium & Hospital since January 1999. He obtained a Bachelor of Medicine and Bachelor of Surgery from the University of Glasgow in July 1983 and has been a member of the Royal Colleges of Physicians of the United Kingdom since November 1986. He was further admitted as a member of the North American Society of Pacing & Electrophysiology in 1991, and the British Medical Association in 1992.

Dr. Wong was elected to fellowship of the Hong Kong College of Physicians and the Hong Kong Academy of Medicine in 1992 and 1993, respectively. In 1993, he was also elected to fellowship of the Hong Kong College of Cardiology, in which he had held different positions in the council including the honorary treasurer, the honorary secretary, the president elect and the president. Dr. Wong was further elected to fellowship of the Royal College of Physicians of Edinburgh in 1996; the Royal College of Physicians and Surgeons of Glasgow in September 1999, having been a member of the same since 1987; the Royal College of Physicians of London in 2002; as well as the European Society of Cardiology where he served as the Governor between 2011 and 2016 and the American College of Cardiology in 2012, respectively. Dr. Wong was a non-executive director of Aptus Holdings Limited, a company listed in the Stock Exchange (stock code: 8212) between January 2002 and August 2004. Since 2012, Dr. Wong has served as the vice-president of the New Life Psychiatric Rehabilitation Association.

Dr. Wong was a director of the following company incorporated in Hong Kong, which was dissolved with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
168 Flower's Limited	Floristry and manufacturing	22 August 2008	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Cessation of investment in the company

Dr. Wong confirmed that the above company of which he was a director was solvent at the time of its dissolution.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Choi Chak (黃在澤), aged 52, was appointed as our independent non-executive Director on 24 January 2018. Mr. Wong has worked for various listed companies for over 20 years primarily responsible for financial projection, finance control and accounting matters. Mr. Wong is currently the company secretary of China Minsheng Financial Holding Corporation Limited (formerly known as China Seven Star Holdings Limited) (stock code: 245) on a full-time basis, as well as an independent non-executive director of Keen Ocean International Holding Limited (stock code: 8070) since February 2016. From 1992 to 1998, he worked in Lippo Limited (stock code: 226) with his last position as the general accountant. He was the chief senior accountant in Paradise Entertainment Limited (formerly known as LifeTec Group Limited) (stock code: 1180) from June 1999 to March 2000. From March 2000 to October 2001, he was the accounting manager of Yu Tak International Holdings Limited (formerly known as Hong Kong Jewellery Holdings Limited) (stock code: 8048). He was the senior finance manager in Soundwill Holdings Limited (stock code: 878) from July 2002 to June 2003. He was also the financial controller and company secretary of De Team Company Limited (stock code: 65) from October 2003 to January 2015. All of the above companies are listed on the Stock Exchange. Mr. Wong obtained a bachelor's degree in Business Accounting from the University of Lincolnshire & Humberside, England in June 2000. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in May 2000 and a fellow member of the Association of Chartered Certified Accountants in April 2015.

Mr. Leung Kim Hong (梁劍康), aged 38, was appointed as our independent non-executive Director on 24 January 2018. Mr. Leung was employed with the last position as a graduate engineer by Maunsell Consultants Asia Ltd. and its group companies between July 2002 and February 2007 and acted as a licensed representative of Angus Moore Limited between July 2007 and July 2008. In July 2009, he was engaged by T G Holborn (HK) Limited as a consultant and since July 2013 he worked in KGI Hong Kong Limited and its associate companies with the last position as an investment representative. He had been a full-time consultant at Target Capital Management Ltd between December 2016 and March 2018, responsible for asset management. Mr. Leung graduated from the University of Hong Kong with a Bachelor of Engineering in Civil Engineering in December 2002 and from the Chinese University of Hong Kong with a Master of Business Administration (Weekend Mode) in November 2015. Mr. Leung was conferred by CFA Institute as a Chartered Financial Analyst in March 2013, by Global Association of Risk Professionals as a Financial Risk Manager in April 2010. He has also been a member of The Hong Kong Institution of Engineers since March 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Kan Wai On Thomas (簡維安), aged 55, joined our Group as a project manager in April 2017. Mr. Kan is primarily responsible for planning and project management. He obtained a Certificate in Civil Engineering Studies from the Haking Wong Technical Institute in September 1991 and a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University in October 1995. Mr. Kan obtained the Certificate for Safety Supervisor from the HSE Training Centre in September 2007 and the Construction Industry Safety Training Certificate from the Hong Kong Human Resources Ltd in April 2016. Mr. Kan's employment history prior to joining our Group is set out below:

Period	Company	Position	Responsibilities
February 1992 – May 1995	Gammon Construction Ltd, a company engaging in construction of G1 works and providing technical advice	Senior technician	Monitoring site works and safety
May 1995 – January 1998	Chung Wah Machine Well Eng. Ltd, a company engaging in construction of ground investigation work and piling work	Site agent	Monitoring site works and safety
February 1998 – September 2002	City Geo.Eng. Co., Ltd., a company engaging in site investigation and gravity works	Site agent	Monitoring site works and safety
February 2002 – September 2006	Falcon Construction Engineering Ltd., a company engaging in construction of gravity, piling and foundation works	Supervisor	Monitoring site works and safety
October 2006 – September 2007	Chesco Engineering Ltd., a company engaging in construction of gravity, piling and foundation works	Site agent	Monitoring site works and safety
October 2007 – October 2010	Falcon Foundation Engineering Company Limited, a company engaging in construction of ground treatment and piling foundation work	Senior supervisor	Monitoring site works and safety
October 2010 – August 2011	China National Chemical Engineering Group Corporation, a company engaging in construction of cyclor track and formation work	Senior supervisor	Preparing the work program and materials

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
August 2011 – October 2016	Win Win Way Construction Company Ltd, a company engaging in construction of site investigation piling and foundation including building works	Site agent	Preparing the work program and materials
December 2016 – April 2017	Leadtops Raymond Limited, a company engaging in building and formation work	Consultant inspector	Inspecting work progress

Mr. Ho Wai Cheong (何偉昌), aged 50, is the senior quantity surveyor of our Group, responsible for quantity surveying of civil projects. Mr. Ho obtained a diploma in Surveying (Quantity Surveying) from the College of Estate Management in February 1994, a Higher Diploma in Building Technology and Management from the Hong Kong Polytechnic University in November 1990. He joined our Group in March 2017 as a senior quantity surveyor. Mr. Ho's employment history prior to joining our Group is set out below:

Period	Company	Position	Responsibilities
June 1992 – June 1995	Acer Freeman Fox Consultant TW74/90, a company engaging in government projects	Surveyor officer (quantity)	Preparing final accounts and contract claims; liaising with contractors
June 1996 – June 1997	Balfour Beatty Limited, a company engaging in railway projects	Project quantity surveyor	Post contract, cost control and project administration
June 1998 – June 1999	Downer Construction Ma On Shan Reservoir and Associated, a company engaging in government water works	Project quantity surveyor	Post contract, cost control and final accounts
April 2000 – May 2002	(HKACEJV – CC 213), a company engaging in railway projects	Building quantity surveyor	Post contract sub-contractor management and contract claims
May 2005 – August 2010	China International Water & Electricity Corporation, a company engaging in government projects	Project quantity surveyor	Negotiating contracts; project cost control; obtaining permits; preparing temporary traffic arrangement designs

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
July 2011 – July 2013	Kwan Lee Construction Ltd, a company engaging in drainage projects of the government	Senior quantity surveyor	Preparing final accounts; negotiating settlements
June 2014 – October 2016	Chevalier Construction HK, a company engaging in waterworks projects	Senior quantity surveyor	Preparing final accounts and contract claims submission and settlement

Mr. Sek Wai Kit (石偉杰), aged 36, is the senior accounting manager of our Group, responsible for financial control of our Group. Mr. Sek received a Bachelor of Business Accounting from the Australia Catholic University in November 2004. He has been a member of CPA Australia since September 2009. Mr. Sek joined our Group as an accountant in November 2016. His employment history prior to joining our Group is set out below:

Period	Company	Position	Responsibilities
November 2004 – March 2006	Chan, Seing & Company, a company engaging in accounting, audit and tax services	Junior audit assistant	Providing audit, taxation and accountancy services for trading, property investment and manufacturing companies; client management
May 2006 – May 2011	Y. W. Ip & Company, a company engaging in accounting, audit and tax services	Senior audit assistant	Providing audit, taxation and accountancy services for and reviewing internal control systems of trading, property investment and manufacturing companies incorporated in Hong Kong and China; drafting audit report and consolidated financial statements in statutory format; preparing audit planning memorandum and audit highlights; supervising junior colleagues
July 2011 – March 2014	Wing Tai Properties (Hong Kong) Limited, a company engaging in property development	Internal auditor	Preparing risk assessment for the audit projects; performing internal control, operational and financial reviews; drafting internal audit reports; supervising the internal audit assistants

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Company	Position	Responsibilities
March 2014 – March 2016	Hong Kong Red Cross	Internal audit officer	Preparing risk assessment; performing internal control and operational reviews; drafting internal audit reports
April 2016 – November 2016	China Technical Markets Limited, a company engaging in construction	Accountant	Preparing account and financial statements; providing analysis of bar-bending construction work; handling monthly payroll; preparing budgets

Mr. Tse Wai Chun (謝維俊), aged 27, is the accounting manager of our Group and is responsible for accounting management. He joined our Group as an accountant in March 2015, responsible for handling accounts and customer relations. He obtained a Certificate in Disciplinary Forces from the Lingnan Institute of Further Education in July 2011 and is currently pursuing an Advanced Diploma in Accounting at the University of Hong Kong School of Professional and Continuing Education. He was an administrative assistant of Best Global Asia Pacific Limited between November 2012 and November 2014, responsible for stock management, data collection and organisation and customer relations.

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 March 2018.

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the “CG Code”) to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

During the period from the Listing Date to 31 March 2018, the Company has complied with the code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

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 as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the period from the Listing Date to 31 March 2018.

BOARD OF DIRECTORS

Up to the date of this annual report, the Board comprises five directors, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive directors

Mr. Tang Sze Wo (*Chairman*) (*appointed on 31 May 2017*)

Mr. Lai Yung Sang (*appointed on 12 July 2017*)

Independent non-executive directors

Dr. Wong Kwok Yiu Chris (*appointed on 24 January 2018*)

Mr. Wong Choi Chak (*appointed on 24 January 2018*)

Mr. Leung Kim Hong (*appointed on 24 January 2018*)

The biographical details of all Directors are set out on pages 14 to 23 of this annual report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of the Board.

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

Board meetings and board practices

The Board will conduct at least four regular meetings a year. At least a 14-day notice will be given to all Directors before convening the Board meeting. All related information will be submitted to the Directors at least three days in advance. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "**Articles**"). All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the period from the Listing Date and up to the date of this annual report, one board meeting was held. Details of the attendance of Directors are as follows:

Directors	Attendance/ Number of meeting(s) held
Executive Directors	
Mr. Tang Sze Wo	1/1
Mr. Lai Yung Sang	1/1
Independent Non-Executive Directors	
Dr. Wong Kwok Yiu Chris	1/1
Mr. Wong Choi Chak	1/1
Mr. Leung Kim Hong	1/1

During the Board meeting held on 13 June 2018, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company. The senior management of the Company also provided a confirmation to the Board on the effectiveness of the Company's risk management and internal control systems.

Appointment and re-election of directors

The current Articles provide that 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 and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Under the code provision A.4.1 of the CG Code, the non-executive Directors should be appointed for a specific term. Each of the executive Directors and independent non-executive Directors has entered into a services contract or an appointment letter with the Company respectively. The services contract of each of the executive Directors is for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The appointment letter of each of the independent non-executive Directors is for a term of two years commencing from his appointment date, which may be terminated by not less than one month's notice in writing served by either party on the other. The aforesaid services contracts or appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles.

Continuing professional development

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 March 2018, each of the Directors, namely Mr. Tang Sze Wo, Mr. Lai Yung Sang, Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong, received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company.

All Directors, namely Mr. Tang Sze Wo, Mr. Lai Yung Sang, Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong, have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Independent non-executive directors

The Company has three independent non-executive Directors, representing more than one-third of the Board, to comply with Rules 5.05(1) and 5.05A of the GEM Listing Rules. Furthermore, among the three independent non-executive Directors, Mr. Wong Choi Chak has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

In accordance to Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written annual confirmation of his independence. The Company, based on such confirmations, considers Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong to be independent.

Chairman and chief executive

In accordance to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. Tang Sze Wo, the Chairman, is responsible for overall planning and strategic development and financial management of the Group. Mr. Lai Yung Sang, the chief executive officer, is responsible for general operations and construction project management of the Group.

BOARD COMMITTEES

To assist the board in its work, the Board is assisted by four board committees, namely the audit committee, the remuneration committee, the nomination committee and the risk management committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website (www.smcl.com.hk) and the GEM's website (www.hkgem.com).

Audit Committee

The board has established an audit committee (the "**Audit Committee**") on 24 January 2018, which operates under terms of reference approved by the Board. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies of the Group, and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Choi Chak, Dr. Wong Kwok Yiu Chris and Mr. Leung Kim Hong. Mr. Wong Choi Chak, who has the appropriate accounting and financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules, is the chairman of the Audit Committee.

According to the current terms of reference of the Audit Committee, meetings of the Audit Committee shall be held at least twice a year.

CORPORATE GOVERNANCE REPORT

One Audit Committee meeting was held during the period from the Listing Date to the date of this annual report. The Audit Committee has reviewed the internal audit report submitted by the independent internal control adviser. The Audit Committee has also reviewed the adequacy of resources, qualification and experience of staff of the Group's accounting, internal audit and financial reporting function and their training programmes and budget, and has reviewed the third quarterly results for the nine-month ended 31 December 2017. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 March 2018, and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure and has reviewed the remuneration of the auditor for the year ended 31 March 2018 and has recommended the Board to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company for the year ending 31 March 2019, subject to approval by the shareholders at the forthcoming annual general meeting expected to be held on 24 August 2018. The Audit Committee has also reviewed the Company's financial controls, internal control and risk management systems, and recommended the Board on risk management and internal control matters. The Audit Committee has also reviewed and monitored corporate governance functions as stipulated in code provision D.3.1 of the CG Code delegated by the Board. The attendance record of each member of the Audit Committee meeting is set out as follows:

Members	Attendance/ Number of meeting(s) held
Mr. Wong Choi Chak (<i>Chairman</i>)	1/1
Dr. Wong Kwok Yiu Chris	1/1
Mr. Leung Kim Hong	1/1

In the opinion of the Audit Committee, as the Company has appointed the independent internal control adviser to review the Group's risk management and internal control systems, the internal audit function of the Company remain in effective.

Corporate governance function

The Board has delegated the functions of corporate governance to the Audit Committee with terms of reference as set out in code provision D.3.1 of the CG Code. The aforesaid duties include:

- (a) to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- (e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report of the Company.

Remuneration committee

The Board has established a remuneration committee (the "**Remuneration Committee**") on 24 January 2018, which operates under terms of reference approved by the Board. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company. The Remuneration Committee has adopted the second model described in code provision B.1.2(c)(ii) under the CG Code (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member).

The Remuneration Committee currently comprises three members, namely Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong. Dr. Wong Kwok Yiu Chris is the chairman of the Remuneration Committee.

One Remuneration Committee meeting was held during the period from the Listing Date to the date of this annual report. The Remuneration Committee has reviewed the Company's remuneration policies, the remuneration packages of all executive Directors and senior management of the Company. In the opinion of the Remuneration Committee, the remuneration payable to all executive Directors and the senior management is in accordance with the terms of the services contracts and such remuneration is fair and reasonable. Details of the attendance of the members of the Remuneration Committee meeting are as follows:

Members	Attendance/ Number of meeting(s) held
Dr. Wong Kwok Yiu Chris (<i>Chairman</i>)	1/1
Mr. Wong Choi Chak	1/1
Mr. Leung Kim Hong	1/1

Remuneration of Senior management

The remuneration of the members of the senior management by band for the year ended 31 March 2018 is set out below:

Remuneration bands	Number of Individuals	
	2018	2017
Nil to HK\$1,000,000	3	3

Further particulars regarding directors' remuneration and the five highest paid employees are set out in note 10 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

Nomination committee

The Board has established a nomination committee (the "Nomination Committee") on 24 January 2018, which operates under terms of reference approved by the Board. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

The Nomination Committee currently comprises three members, namely Mr. Leung Kim Hong, Dr. Wong Kwok Yiu Chris and Mr. Wong Choi Chak. Mr. Leung Kim Hong is the chairman of the Nomination Committee.

One Nomination Committee meeting was held during the period from the Listing Date to the date of this annual report. The Nomination Committee has reviewed the structure, size and composition of the Board and board diversity policy as well as discussing matters regarding the retirement and re-election of Directors. The Nomination Committee has also assessed the independence of independent non-executive Directors, and has reviewed and recommended to the Board on the change of independent non-executive director and the composition of the Board committees. Details of the attendance of the members of the Nomination Committee meeting are as follows:

Members	Attendance/ Number of meeting(s) held
Mr. Leung Kim Hong (<i>Chairman</i>)	1/1
Dr. Wong Kwok Yiu Chris	1/1
Mr. Wong Choi Chak	1/1

Procedure for nomination of directors

1. When there is a vacancy in the Board, the Nomination Committee evaluates the balance of gender, age, culture, ethnicity and educational background, skills, knowledge and professional experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).
2. Prepare a description of the role and capabilities required for the particular vacancy.
3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.
4. Arrange interview(s) with each candidate for the Nomination Committee to evaluate whether he/she meets the criteria adopted by the Nomination Committee for nomination of directors. One or more members of the Nomination Committee will attend the interview.
5. Conduct verification on information provided by the candidate.
6. Convene a Nomination Committee meeting to discuss and vote on which candidate to nominate to the Board.
7. Make recommendation to the Board on the candidate(s) for directorship.
8. Convene a Board meeting to discuss and vote on which candidate to appoint to the Board.

Criteria for nomination of directors

1. Common criteria for all Directors

- (a) Character and integrity.
- (b) The willingness to assume directors' fiduciary responsibility.
- (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs.
- (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company.
- (e) Significant business or public experience relevant and beneficial to the Board and the Company.
- (f) Breadth of knowledge about issues affecting the Company.
- (g) Ability to objectively analyse complex business problems and exercise sound business judgement.

- (h) Ability and willingness to contribute special competencies to Board activities.
- (i) Fit with the Company's culture.

2. **Criteria applicable to non-executive Directors/independent non-executive Directors**

- (a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings.
- (b) Accomplishments of the candidate in his/her field.
- (c) Outstanding professional and personal reputation.
- (d) The candidate's ability to meet the independence criteria for directors established in the Listing Rules.

Risk management committee

The Board has established a risk management committee (the "**Risk Management Committee**") on 24 January 2018 to review the general goals and fundamental policies of the risk and compliance management, internal control and risk management and internal audit functions of the Group and made recommendations to the Board on the same.

The Risk Management Committee currently comprises three members, namely Mr. Wong Choi Chak, Mr. Tang Sze Wo, Dr. Wong Kwok Yiu Chris and Mr. Leung Kim Hong. Mr. Wong Choi Chak is the chairman of the Risk Management Committee.

One Risk Management Committee meeting was held during the period from the Listing Date to the date of this annual report. The Risk Management Committee has reviewed the risk management policy and the Company's internal control and risk management systems, and recommended to the Board on risk management and internal control matters. The Risk Management Committee has also reviewed the adequacy of resources, qualification and experience of staff of the Group's internal audit function. In the opinion of the Risk Management Committee, as the Company has appointed the independent internal control adviser to review the Group's risk management and internal control systems, the internal audit function of the Company remain in effective. Details of the attendance of the members of the Risk Management Committee meeting are as follows:

Members	Attendance/ Number of meeting(s) held
Mr. Wong Choi Chak (<i>Chairman</i>)	1/1
Mr. Tang Sze Wo	1/1
Dr. Wong Kwok Yiu Chris	1/1
Mr. Leung Kim Hong	1/1

ACCOUNTABILITY AND AUDIT

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2018, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's remuneration

During the year ended 31 March 2018, the remuneration paid or payable to the Company's auditor in respect of their audit and non-audit services was as follows:

	<i>HK\$'000</i>
Audit service	600
Non-audit services*	3,329
Total	<u>3,929</u>

* The non-audit services mainly include acting as reporting accountants of the Company in relation to the initial public offering of the Company's share on GEM of the Stock Exchange, tax compliance services and other advisory services.

BOARD DIVERSITY POLICY

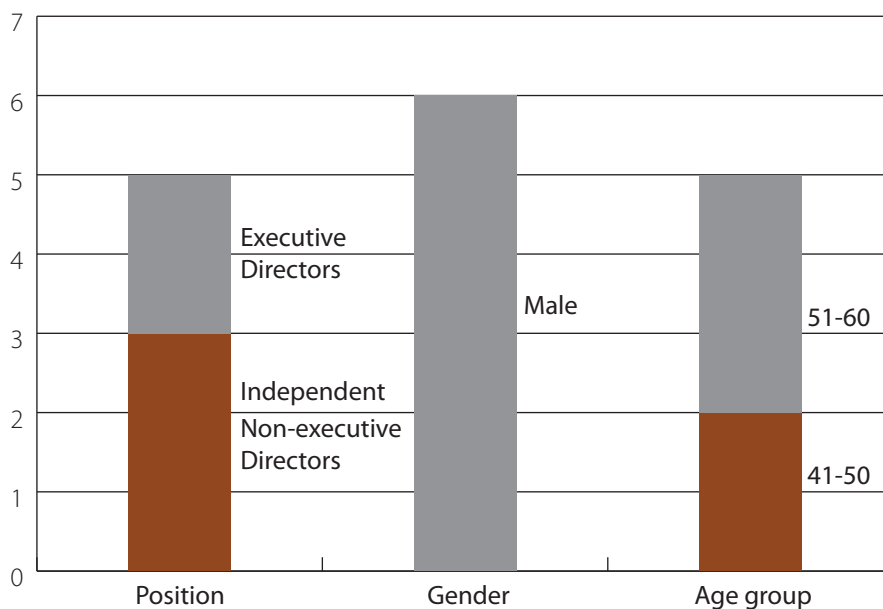
In accordance with the latest amendment and requirements of Corporate Governance Code and Corporate Governance Report in Appendix 15 of the GEM Listing Rules by the Stock Exchange, the Company has adopted a board diversity policy. The policy is summarized as below:

The Board Diversity Policy (the "**Policy**") of the Company specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills. Based on the Nomination Committee's review for the year ended 31 March 2018, the Nomination Committee considers that these measurable objectives have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company's corporate governance and business development needs.

CORPORATE GOVERNANCE REPORT

The Nomination Committee of the Board will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of this Policy. The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 14 to page 23 of this annual report.



The Nomination Committee has reviewed the members, structure and composition of the Board, and is of the opinion that the rational structure of the Board and the experiences and skills of the Directors in various aspects and fields may enable the Company to maintain high standard operation.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

OVERVIEW

The Board acknowledges its responsibility to maintain an appropriate and effective risk management and internal control systems of the Group in order to drive the achievement of strategic objectives and sustainability, as well as to safeguard the Group's assets and the shareholder's value.

The Group has established a risk management policy with reference to the Internal Control – Integrated Framework released by the Committee of Sponsoring Organisations of the Treadway Commission to govern the risk management and internal control systems of the Group. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Roles and responsibilities, risk management and internal control review processes are well-defined in the risk management policy.

Roles and responsibilities

In order to build up risk awareness and control responsibility of every employee, roles and responsibilities over the risk management function and internal control system are specified.

The Board is responsible to oversee and conduct an annual review on the effectiveness of risk management and internal control systems. Audit Committee provides the Board its independent view on the effectiveness of risk management and internal control systems on an annual basis, after taking into account the independent and internal assessment result provided by independent internal control adviser and Risk Management Committee, respectively. Risk Management Committee assists the Board and Audit Committee to monitor significant risk exposures and to review the assessment result on the effectiveness of risk management and control activities.

Department heads and employees perform risk management and control activities in accordance with the established internal policies and guidelines. Any material risk identified and the relevant action plans recommended are reported to senior management for assessment and update in risk register. As the communication channel between staff at operational level and those charged with governance, senior management is responsible to monitor the risk management and control activities and provide guidance to department heads and employees, as well as to report to Risk Management Committee in relation to the assessment result on effectiveness of risk management and control activities.

Risk management and internal control review processes

Risk management and internal control review processes of the Group are divided into 4 core stages stated as follows:

- Risk identification

Factors and conditions which cause risks hindering the achievement of business objectives are identified and categorised into 4 types of risks: strategic, financial, operational and compliance.

- Risk assessment

Risk assessment consists of 2 major processes: risk analysis and risk treatment. During the process of risk analysis, the likelihood of occurrences and the severity of potential impact of risks identified are assessed as high, medium or low levels. Risks are prioritised based on the risk rating scores arriving from combination of the likelihood and impact levels of risks. After considering the risk prioritisation result, risk appetite and cost and benefit analysis, risk treatment methods including avoidance, control, transfer and acceptance can be selected to handle risks at different levels.

- Risk control activities

Control activities are designed to cope with risks identified after deciding the risk treatment methods. Roles and responsibilities, workflows and control measures are stipulated in a diverse range of written policies and procedures to guide control activities of the management and staff concerned. Risk register is maintained to record the risks and the relevant control measures.

Certain significant risks identified during the reporting period and the relevant risk mitigation plans are shown as below:

- (i) The Group's civil engineering construction works generate certain pollutions and may cause a wide variety of occupational health and safety ("OHS") hazards such as personal injuries or fatal accidents. To cope with the risks, the Group adopts an environmental management system, and an occupational health and safety management system, which have been certified in compliance with the standards required under ISO 14001:2015 and OHSAS 18001:2007, respectively. Procedures and measures on environmental protection and OHS are clearly specified in the Group's policies, manuals and plans. Monitoring on the strict compliance and implementation by both employees and subcontractors are performed by environmental and safety supervisors.
- (ii) The Group places heavy reliance on a limited number of major customers and a limited number of projects. There is no assurance that the Group is able to secure new projects from existing customers or seek cooperation with new customers. To minimise the risks, the Group strives to enhance its competitiveness by expanding its project team with high competence and qualification, keeping its site equipment in low average age, high efficiency and advanced functionality, maintaining a long-term good relationship with customers, subcontractors and suppliers, and proactively seek potential projects from both public and private sectors.
- (iii) The Group engages subcontractors and suppliers to provide subcontracting works, and construction materials and site equipment, respectively. The availability, performance, qualification and legal compliance of the subcontractors and suppliers directly affect the result of the Group's projects. To mitigate the risks, the Group establishes internal procedures on assessment, review and monitoring of its subcontractors and suppliers. On-site inspection and monitoring are carried out to track the work progress and supervise quality of sub-contracting works and functionality of site equipment.

- Supervision and reporting

Internal assessment on the effectiveness of risk management and control activities are carried out by employees at operational level and monitored by senior management. The result of assessment, including the identification of weaknesses and improvement areas and the suggested remedial action plans, is reported to Risk Management Committee for review.

An independent review on the effectiveness of risk management and internal control systems is conducted by an independent internal control adviser. Appropriate remedial action plans are developed timely to rectify weaknesses and risks identified during the independent assessment.

Both results of internal and independent assessments are submitted to Audit Committee and the Board for evaluation on the effectiveness of risk management and internal control systems.

Timeline on completion of remedial actions and the responsible parties are provided in the remedial action plans. Follow-up on the remediation status is monitored by senior management.

INSIDE INFORMATION CONTROL

To comply with its obligations under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the GEM Listing Rules, the Company has established an internal policy to govern the procedures and internal controls for the handling and dissemination of inside information with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

To prohibit mishandling of inside information, the Group assigns the roles and responsibilities on handling and management of information with different nature to appropriate personnel. All employees are required to follow the code of conduct in staff handbook to prevent unauthorised use, discussion, sharing and disclosure of unpublished information. In addition, all Board members who are aware of or privy to inside information are bound by the code of conduct regarding securities transactions. Confidentiality of information is maintained through certain ways including dissemination of information to specified personnel on a need-to-know basis, entering into confidentiality agreements for significant negotiations or when it is necessary to provide inside information to external professional parties, and review of all presentation materials in advance before releasing to media and analysts.

The Group's identification, analysis, review and reporting process of inside information are set up in the internal policy to guide the handling and dissemination of inside information. For any potential inside information which comes to the attention of one or more of its officer, it is escalated promptly, timely and on a structured flow to the Board for review and matching against the sensitivity list to decide and approve if it is inside information which requires disclosure. Inside information is disseminated to the public as soon as reasonably practicable in an equal and timely manner.

ASSESSMENT ON EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has conducted an annual review on the continuous effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls for the year ended 31 March 2018. The Board is of the opinion that the Group's risk assessment and internal control systems were adequate and effective after its annual review on the followings aspects:

- the result of the internal assessment conducted by employees and senior management;
- the internal audit report issued by the independent internal control adviser;
- the changes in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
- the extent and frequency of communication of monitoring results, which enables the Board, Audit Committee and Risk Management Committee to assess control of the Group and the effectiveness of risk management;
- the significant control failings or weaknesses that have been identified during the year, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition;
- the effectiveness of the Group's processes for financial reporting and GEM Listing Rule compliance; and
- the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions.

The Board has performed the annual review on the need for an internal audit function in the year. In view of the fact that the business operation of the Group is not multinational, diversified and complicated, roles and responsibilities taken up by Risk Management Committee and the independent internal control adviser are considered appropriate and cost-effective to take the place of an internal audit function in carrying out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems.

GENERAL MEETING

The Company has been listed on GEM since 12 February 2018. No general meeting was held during the period from the Listing Date to 31 March 2018.

INVESTORS AND SHAREHOLDERS RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

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

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

Right to Convene Extraordinary General Meeting

All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders. According to Article 58 of the Articles, one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings can call for an extraordinary general meeting. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Procedures for proposing a person for election as a director

If a shareholder wishes to propose a person (the "**Candidate**") for election as a director of the Company at a general meeting, he/she shall deposit a written notice (the "**Written Notice**") to the office of the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or the principal place of business of the Company in Hong Kong at Room A, 15th Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

CORPORATE GOVERNANCE REPORT

The Written Notice (i) must include the personal information of the Candidate as required by Rule 17.50(2) of the GEM Listing Rules; and (ii) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected as a Director.

The period for lodgment of the Written Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary with details as follows:

Address : Room A, 15th Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon,
Hong Kong
Fax : 2473 3036
Email : info@smcl.com.hk

Right to Put Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised). However, shareholders who wish to propose resolutions may follow article 58 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 58 are set out above.

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

Share registration matters shall be handled for the shareholders by the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

COMPANY SECRETARY

The Company engages Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited and a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries, which is an external service provider, as its company secretary. Her primary contact at the Company is Mr. Sek Wai Kit, senior accounting manager of the Company.

During the year ended 31 March 2018, Ms. Chau has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company for the period from the Listing Date to 31 March 2018.

The Directors submit herewith their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2018.

Corporate reorganisation and placing

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island (the “**Companies Law**”) on 31 May 2017. Pursuant to a reorganisation to rationalise the group structure in preparation for the Listing, the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company’s shares (the “**Shares**”) have been listed on GEM since 12 February 2018.

Principal places of business

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business is Room A, 15th Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 35 to the consolidated financial statements.

Business Review

A fair review of the Group’s business during the year is provided in the Management Discussion and Analysis section on pages 8 to 13 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the Risk Management and Internal Control Framework section on page 36. Also, the financial risk management objectives and policies of the Group can be found in note 30 to the consolidated financial statements. The Group does not have any significant events since the end of reporting period and as at the date of this Annual Report. A summary of the results and of the assets and liabilities of the Group’s Financial Highlights on page 5 of this annual report. In addition, discussions on the Group’s environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the Environmental, Social and Governance Report section on pages 61 to 75. The probable future business development of the Company is discussed in the paragraph headed “Prospect” in the Management Discussion and Analysis section from pages 8 to 13 of this annual report.

REPORT OF THE DIRECTORS

Results

The results of the Group for the financial year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 82.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018.

Annual general meeting

The forthcoming annual general meeting (the “**Annual General Meeting**”) of the Company is scheduled to be held on 24 August 2018. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company (the “**Shareholders**”) in due course.

The register of members of the Company will be closed from 21 August 2018 to 24 August 2018 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 20 August 2018.

Deed of non-competition

A deed of non-competition (the “**Deed of Non-competition**”) dated 24 January 2018 was entered into by Chrysler Investments Limited, a limited liability company incorporated in the British Virgin Islands (“**BVI**”), and Mr. Tang Sze Wo in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. Pursuant to the Deed of Non-competition, each controlling Shareholder of the Company has undertaken to the Company (for itself and for the benefit of its subsidiaries) that with effect from the Listing Date and for so long as the Shares remain listed on the Stock Exchange and (i) our Controlling Shareholders individually or collectively with their close associates are, directly or indirectly, interested in not less than 30% of our Shares in issue; or (ii) the relevant Controlling Shareholder remains as our executive Director, each of our Controlling Shareholders shall, and shall procure that its/his respective close associates shall, except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of our Group or any business activities which our Group may undertake in the future;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group;

- (c) keep our Board informed of any matter of potential conflicts of interests between the relevant Controlling Shareholders (including its/his close associates) and our Group, in particular, a transaction between any of the relevant Controlling Shareholders (including its/his close associates) and our Group; and
- (d) provide as soon as practicable upon our Company's request a written confirmation in respect of compliance by it with the terms of the Deed of Non-Competition and their respective consent to the inclusion of such confirmation in our Company's annual report and all such information as may be reasonably requested by our Company for its review.

In addition, each of our Controlling Shareholders hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of our Group (the "**Business Opportunity**") is made available to it/him or its/his close associates (other than members of our Group), he/it will direct or procure the relevant close associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholders shall provide or procure its/ his close associates to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. If he/it (or his/its close associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of our Group, he/it shall give our Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of our Company. None of our Controlling Shareholders and their respective close associates (other than members of our Group) will pursue the Business Opportunity until our Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by our independent non-executive Directors taking into consideration the prevailing business and financial resources of our Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity.

Each of our Controlling Shareholders further irrevocably and unconditionally undertakes that he/ it will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-Competition; and (ii) confirm to our Company on an annual basis as to whether he/it has complied with such undertakings.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% or more of our Shares, or our Shares cease to be listed on GEM.

REPORT OF THE DIRECTORS

The independent non-executive Directors are responsible for reviewing, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-competition. During the period from the Listing Date to 31 March 2018, each controlling Shareholder of the Company has made annual confirmation of compliance of the Deed of Non-competition, and the independent non-executive Directors have also reviewed the implementation of the Deed of Non-competition, and confirmed that the controlling Shareholders have fully abided by the Deed of Non-competition without any breach of the Deed of Non-competition.

Major customers and suppliers

During the year ended 31 March 2018, the Group's five largest customers accounted for approximately 97.1% of the revenue. The Group's five largest suppliers accounted for approximately 74.2% of the total purchases for the year ended 31 March 2018. In addition, the Group's largest customer accounted for approximately 45.0% of the revenue and the Group's largest supplier accounted for approximately 19.2% of the total purchases for the year ended 31 March 2018.

As far as the Company is aware, as at the date of this annual report, none of the Directors, their close associates nor any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's customers and suppliers as disclosed above.

Reserves

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2018 are set out in the consolidated statement of changes in equity and note 34 to the consolidated financial statements respectively in this annual report.

Distributable reserves

As at 31 March 2018, there was no reserve available for distribution to the Shareholders.

Investment property

As at 31 March 2018, the Group's investment property amounted to approximately HK\$14.2 million, representing approximately 24.8% of the Group's total non-current assets and approximately 7.2% of the Group's total assets. Management appointed an external valuer to determine the fair value of the Group's investment property.

Related disclosures are included in notes 15 of the financial statements.

Property, plant and equipment

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

Share capital

Details of movements in the share capital of the Company during the year ended 31 March 2018 are set out in note 24 to the consolidated financial statements in this annual report.

Directors

During the year ended 31 March 2018 and up to the date of this annual report, the Directors were:

Executive directors

Mr. Tang Sze Wo (*Chairman*) (*appointed on 31 May 2017*)

Mr. Lai Yung Sang (*appointed on 12 July 2017*)

Independent non-executive directors

Dr. Wong Kwok Yiu Chris (*appointed on 24 January 2018*)

Mr. Wong Choi Chak (*appointed on 24 January 2018*)

Mr. Leung Kim Hong (*appointed on 24 January 2018*)

Further details of the Directors are set forth in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

All Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Article 83(3) and 84(1) of the Article.

Directors’ service contracts

None of the Directors (including those proposed for re-election at the Annual General Meeting) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Share option scheme

The following is a summary of the principal terms of the share option scheme adopted under the written resolutions of the shareholders of the Company passed on 24 January 2018 (“**Share Option Scheme**”) and the terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Who may join*

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

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and related entities to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Hong Kong Public Offering, being 40,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, our Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(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 Share Option Scheme and any other share option schemes of our 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 Shares in issue as of the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 23.03(4) and 23.06 of the GEM Listing Rules and/or such other requirements as prescribed under the GEM Listing Rules from time to time; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest 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) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the GEM Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his associates and all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.

(g) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of our Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules)

and ending on the date of actual publication of the results announcement.

(h) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(i) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option 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 our 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 Share Option Scheme. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) *Performance target*

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the option to the extent not already exercised on the date of cessation shall lapse automatically on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) *Rights on dismissal*

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) *Rights on takeover*

If a general offer is made to all our Shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;

- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or in relation to an employee of our Group (if so determined by our Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (h).

REPORT OF THE DIRECTORS

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of our Board*

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

No share options were granted, exercised, cancelled or lapsed by the Company under the Scheme since its adoption and there were no outstanding share options under the Scheme up to the date of this annual report.

DISCLOSURE OF INTERESTS

(a) Interests and short position of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations

Immediately following the Listing and as at 31 March 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 or short positions which they 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 as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

(i) Interests in the company

Name of Director	Capacity/ Nature of interest	Number of shares	Approximate percentage of shares
Mr. Tang Sze Wo (<i>note</i>)	Interest in a controlled corporation	260,000,000 (long position)	65.0%

Note:

These shares are held by Chrysler Investments Limited, a company incorporated in the BVI and the entire share capital of which is held by Mr. Tang Sze Wo. Mr. Tang Sze Wo is deemed to be interested in these shares held by Chrysler Investments Limited under the SFO.

(ii) Interests in associated corporation(s) of the company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Percentage of shareholding
Mr. Tang Sze Wo	Chrysler Investments Limited	Beneficial owner	1 (long position)	100%

REPORT OF THE DIRECTORS

Save as disclosed above, immediately following the Listing and as at 31 March 2018, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and 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/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules.

(b) Interests and short positions of the substantial shareholders in the shares and underlying shares

So far as the Directors are aware, immediately following the Listing and as at 31 March 2018, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholder	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholding in our Company
Chrysler Investments Limited (Note 1)	Beneficial owner	260,000,000 (long position)	65%
Mr. Tang Siu Fung Calvin (Note 2)	Interest in a controlled corporation	40,000,000 (long position)	10%
Sigma Square Investment Management Limited (Note 2)	Interest in a controlled corporation	40,000,000 (long position)	10%
Altivo Ventures Limited (Note 2)	Beneficial owner	40,000,000 (long position)	10%

Notes:

1. Chrysler Investments Limited is a company incorporate in the BVI and the entire share capital of which is held by Mr. Tang Sze Wo.
2. These Shares are held by Altivo Ventures Limited, a company incorporated in the BVI and the entire share capital of which is held by Sigma Square Investment Management Limited, a company incorporated in Hong Kong and wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. Tang Sze Wo. Each of Sigma Square Investment Management Limited and Mr. Tang Siu Fung Calvin is deemed to be interested in these Shares held by Altivo Ventures Limited under the SFO.

Save as disclosed above, immediately following the Listing and as at 31 March 2018, the Directors and chief executive are not aware of any person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this annual report, at no time during the period from the Listing Date to 31 March 2018 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUFFICIENCY OF PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required by the GEM Listing Rules up to the date of this annual report.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with the highest emoluments are set out in note 10 to the consolidated financial statements in this annual report. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2018.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2018.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2018.

REPORT OF THE DIRECTORS

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2018, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2018 are set out in notes 20, 21 and 22 to the consolidated financial statements in this annual report.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2018 are set out in note 27 to the consolidated financial statements in this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, namely Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak, Mr. Leung Kim Hong a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and based on their confirmations, the Company considers all the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS

The related party transactions of the Company are set out in note 32 to the consolidated financial statements in this annual report. None of the related party transactions fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 20 of the GEM Listing Rules which are required to comply with any of the relevant reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 31 March 2018, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Shares.

DONATIONS

During the year ended 31 March 2018 (31 March 2017: nil), Sheung Moon Construction Limited, an indirect wholly-owned subsidiary of the Company, donated HK\$300,000 to support the community activities.

DIRECTORS' INDEMNITIES

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which such Director shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty in his office. None of the Directors shall be answerable for the acts, receipts, neglects or defaults of the other or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of his office, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, LY Capital Limited ("**LY Capital**"), neither LY Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and LY Capital in 8 February 2018) as at the date of this annual report.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 24 to 40 of this annual report.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the section headed "Financial Highlights" on page 5 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events since the end of the reporting period and as the date of this Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company. From the incorporation of the Company and up to the date of his annual report, there has been no change in the Company's auditor.

CHANGES IN THE DIRECTORS' INFORMATION

The changes in the information of Directors since the Listing Date are set out below:

1. Mr. Wong Choi Chak, an independent non-executive Director, became the sole company secretary of China Minsheng Financial Holding Corporation Limited (stock code: 245) on 16 February 2018.
2. Mr. Leung Kim Hong, an independent non-executive Director, cease to be a licensed representative under SFO to carry out Types 1, 4 and 9 regulated activities under the SFO since March 2018; and he ceased to be a full-time consultant at Target Capital Management Ltd since March 2018.

Save for the above, there is no other change in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

OBLIGATIONS OF ON-GOING DISCLOSURE UNDER THE GEM LISTING RULES

The Company has no any other disclosure obligation under Rule 17.22, Rule 17.23 and Rule 17.24 of the GEM Listing Rules.

By order of the Board
Tang Sze Wo
Chairman

Hong Kong, 13 June 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This is the first Environmental, Social and Governance (“**ESG**”) Report issued by the Group, which discloses the policies and measures in relation to the environmental and social aspects, and the relevant key performance indicators (the “**KPIs**”) for the financial year ended 31 March 2018, in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) as set out in Appendix 20 to the GEM Listing Rules. For information regarding corporate governance, details are presented in the Corporate Governance Report.

The Group principally engages in the business of civil engineering construction works in both public and private sectors in Hong Kong through its indirect wholly-owned subsidiary, Sheung Moon Construction Limited (“**Sheung Moon Construction**”). Having taking into account the main business activity of the Group, and the concerns and expectations of both internal and external stakeholders, the Group has identified certain material environmental and social issues for disclosure of the Group’s performance in Hong Kong.

ENVIRONMENTAL PROTECTION

Emission

The Group recognises that certain pollutions are inevitably arised from the civil engineering construction works. To minimise the environmental impacts, the Group is dedicated to protect the environment by enhancing means to mitigate emissions and promoting environmental awareness.

An environmental management system, which has been certified in compliance with the standard required under ISO 14001:2015, is adopted by the Group. The system is supported with a set of environmental management manual and policy, which specifies the workflow and measures for employees to follow on mitigation of air pollution, effluents and wastes, and noise control. Regular review on the adequacy of the existing system is conducted to enable the constant improvement in environmental sustainability.

Air pollution

Air emissions of the Group are mainly nitrogen oxides (“**NOx**”), sulphur oxides (“**SOx**”) and particulate matter (“**PM**”) generated from vehicles owned by the Group and operating of generators and excavators, while greenhouse gas (“**GHG**”) emissions are mainly derived from (i) direct emissions from stationary combustion source of machinery such as electricity generator under scope 1A of Reporting Guidance on Environmental KPIs (the “**KPIs Reporting Guidance**”); (ii) direct emissions from mobile combustion source of the vehicles under scope 1B of the KPIs Reporting Guidance; and (iii) indirect emission from electricity consumed in office under scope 2 of the KPIs Reporting Guidance. Other indirect emissions under scope 3 of the KPIs Reporting Guidance are minimal comparatively and excluded from the disclosure in this report. Details of the key performance data are shown in the section “Environmental Key Performance Data for the Reporting Period”.

To reduce air emissions and GHG emissions, relevant measures are employed for saving and efficient use of energy. Details of the initiatives implemented are stated in the section “Use of Resources”. Besides, the Group adopts the policy of treatment at source. For instance, ultra-low sulphur diesel is used for operating generators and excavators to substantially reduced emissions from fuel combustion processes.

ENVIRONMENTAL PROTECTION – continued

Emission – continued

Air pollution – continued

Apart from the above-mentioned types of air emissions and GHG emissions, dust emission is one of the major sources of air pollutants. Certain site specific measures implemented by the Group to minimise impact brought by dust emission are described as follows:

- Water spraying is used when handling dusty materials, or when the construction activity or the working environment is probable to create dust. For example, during delivery of raw sand and aggregate, on the dust emitting surfaces of unpaved areas and construction areas, and when trucks passing through the access road.
- Heights from which materials are dropped are minimised to limit fugitive dust generation during loading/unloading.
- Speed limit signage is put up at appropriate locations to restrict the speed of vehicles.
- Vehicles transporting dusty materials are fitted with side and tailboards. The materials transported are properly covered.
- Washing facilities are provided at the exits from work areas for the usage of vehicles before leaving the site.

Effluents

Effluents are generated from the site discharge. The Group adopts the following measures to reduce the impact of discharge to the environment:

- Construction site run-off are directed into storm drains via adequately designed waste water treatment facilities such as sand traps and silt traps. Channels, earth bunds or sand bag barriers are provided on-site to properly direct storm water to the said facilities.
- Silt removal facilities, channels and manholes along roads and pedestrian walkways are properly maintained. Deposited silt and grit are removed regularly to ensure that these facilities are functioning at all times.
- Measures are taken to prevent the washing away of construction materials, soil, silt or debris into any drainage system and river channel. For example, manholes should be adequately covered.
- The Group installs sewage treatment facilities at construction site to collect sewage such as washing water of vehicle and rainy water for treatment in sedimentation tanks. The treated effluents are reused for water spraying and irrigation purposes.

ENVIRONMENTAL PROTECTION – continued

Emission – continued

Wastes

Construction and demolition (“C & D”) materials, both inert and non-inert, are the major wastes generated from the Group’s works. The Group strictly implements and monitors the trip ticket system for orderly disposal of C & D wastes to designated disposal facilities by trucks. However, since Hong Kong is running out of both reclamation sites and landfill space for the disposal of C & D wastes, the Group intends to handle the C & D wastes in a more environmentally responsible manner based on 3 strategies “reduce”, “reuse” and “recycle”. Certain means for achievement of the 3 strategies are mentioned below:

- Reduction of waste:
 - (i) Ordering materials at the right quantity, size and time; and
 - (ii) Proper storage and maintenance of materials to protect them from wastage. For example, plaster and cement are stored under cover to avoid getting damp.
- Reuse and recycle of waste:
 - (i) Proper sorting of inert C & D materials against non-inert C & D materials with signage. Inert materials with good quality are able to be recycled for use in construction project;
 - (ii) Utilise surplus materials through cross site transfer where possible; and
 - (iii) Search for availability of opportunities to use recycled C & D materials during the planning stage of project.

Noise

Some of the construction works are carried out in urban areas. In order to reduce the impact on the public’s daily life, works are undertaken in accordance with the permitted work hours as specified by the customers. Besides, unused equipment are required to be turned off. All equipment at site are properly maintained and are inspected before use for compliance of permitted noise level. In addition, acoustic barriers are installed as appropriate.

During the reporting period, the Group has fully complied with all applicable environmental related laws and regulations. The Group was not aware of material non-compliance issues related to environmental protection.

ENVIRONMENTAL PROTECTION – continued

Use of Resources

Purchased electricity used in office, diesel oil used for generators and excavators, and water utilised at construction sites are the main resources consumed by the Group. There are no significant issues identified in sourcing water that is fit for purpose. The Group encourages the resources conservation through implementation of green management and promotion of saving and efficient use of resources. The relevant measures include:

- Engines of trucks and construction equipment such as generators and excavators are switched off during idling;
- Trucks and equipment are regularly inspected to ensure they are operating efficiently;
- C & D wastes are carried and delivered by trucks at maximum weight without overloading to reduce the frequency of delivery;
- Reminder label on energy and water saving is posted next to the electrical switch. For example, a label reminding the users to set temperature between 24 to 26 degree celsius is fixed next to the air-conditioning switch;
- Energy-efficient appliances such as refrigerators with Grade 1 energy label are used; and
- Effluents are treated and reused for water spraying and irrigation purposes at construction sites.

The Environmental and Natural Resources

The Group's construction work generates certain emissions and impacts on the environment including air pollution, effluents, wastes, noise and impacts on the landscape. The Group strives to enforce the established policies and measures to mitigate the impacts on the environment and natural resources. In addition to the specific measures during the construction work and the usage of resources mentioned in the above sections, the Group believes that a better planning at both the corporate strategic planning stage and the construction project planning stage is of equal importance to protect the environment. The relevant measures are stated as follows:

- The Group's tendering strategy is to focus on tenders for civil engineering construction contracts which are related to the same project in which the Group has participated. The Group is able to mobilise the same workforce and equipment to carry out works at different construction sites in close proximity. Materials for construction sites nearby can be purchased in a batch and delivered at one time. As such, saving of resources such as diesel oil consumed on carrying the labour, equipment and materials to the construction sites, and electricity consumed on site office (if the construction sites nearby share one office) can be achieved.

ENVIRONMENTAL PROTECTION – continued

The Environmental and Natural Resources – continued

- Consideration of environmental protection is embedded in the design and planning of construction works, including the construction methods adopted and the materials used. For instance, low waste construction designs and technologies such as adoption of lean construction, balanced cut and fill, and off-site prefabrication are adopted.
- Impact on landscape is assessed before execution of work. Tree protection zone is demarcated to protect the existing trees within the work boundary at the construction site. Opportunities and methods on transplanting of trees that need to be removed are also considered.

Environmental Key Performance Data for the Reporting Period

Air Emissions	Absolute Value (kg)
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• NO _x	1,944.33
• SO _x	40.70
• PM	<u>146.72</u>

Greenhouse Gas Emissions	Intensity (tonnes per million revenue)	Absolute Value (tonnes)
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• CO ₂ equivalent emissions under scope 1	27.14	6,626.35
• CO ₂ equivalent emissions under scope 2	<u>0.05</u>	<u>12.11</u>

Total	<u>27.19</u>	<u>6,638.46</u>
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Non-hazardous Waste	Intensity (tonnes per million revenue)	Absolute Value (tonnes)
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• Inert C & D waste	0.90	220.40
• Non-inert C & D waste	<u>0.29</u>	<u>70.50</u>

Total	<u>1.19</u>	<u>290.90</u>
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION – continued

Environmental Key Performance Data for the Reporting Period – continued

Resources Consumption	Intensity (kwh'000 per million revenue)	Absolute Value (kwh'000)
Energy Consumption		
• Electricity	0.09	22.42
• Diesel oil used for generators and excavators	48.10	11,743.29
Total	48.19	11,765.71
	Intensity (cbm per million revenue)	Absolute Value (cbm)
Water Consumption	195.97	47,850

SOCIAL COMMITMENT

Employment and Labour Standards

Civil engineering construction industry is labour intensive, which generates demands for all kinds of labour force, including skilled labour, semi-skilled labour or unskilled labour. The Group believes that a well-established system on human resources management (“HRM”) can assist the Group to manage every act of employment and labour practices fairly and impartially. As such, a set of policies and procedures in relation to HRM and staff handbook are formulated in accordance with the applicable laws and regulations such as Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

The Group adopts the equal employment opportunity policy which applies to the procedures relating to recruitment and promotion, termination and dismissal, and remuneration, compensation and benefits. Key element of the equal employment opportunity policy is that every act of employment is based on capabilities, qualifications, experiences and skills without discrimination with respect of race, nationality, religious belief, sex, age, marital status, disability or other characteristic protected by the applicable laws and regulations. The Group promotes a work environment free from discrimination as well as any form of harassment.

SOCIAL COMMITMENT – continued

Employment and Labour Standards – continued

During the recruitment process, personal information of candidates are strictly reviewed and verified. Any candidates with the age under 15 are rejected to conduct interview and refused to be employed by the Group.

Remuneration package of employees comprises of basic salaries, year-end incentives and other compensations such as compensation on a work-related injury. Mandatory provident fund contributions pursuant to Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) are made for all eligible employees. Annual performance appraisal of every employee is carried out to evaluate individual work performance, contributions to the project or the Group's result as a whole for consideration of salary review and promotion. In addition to performance of employees, other factors such as demand and shortage of labour, and salary benchmark in the industry are also taken into consideration.

Employees are scheduled to work in normal working hours of business days, except for sit workers who are compensated for working overtime. Attendance of employees is recorded by using time clock, and reviewed by the management to avoid disputes with employees. Employees are entitled to holidays and leaves stipulated in employment contract including statutory holidays, annual leave, sick leave, maternity leave, paternity leave and work-related injury leave. Forced labour is prohibited under the Group's policy.

During the reporting period, the Group has strictly adhered to all applicable laws and regulations in relation to employment and labour practices. The Group was not aware of material non-compliance issues related to employment and labour practices, including child labour and forced labour.

Health and Safety

Subject to the risk of exposing to a wide variety of OHS hazards at work in construction site, the Group endeavors to promote OHS awareness and create a safe and healthy workplace for its labour and subcontractors. The Group aims at minimizing the reported accidents, major accidents and fatal injuries at construction sites.

In accordance with the applicable laws and regulations in relation to OHS including Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Group adopts an occupational health and safety management system, which has been certified in compliance with the standard required under OHSAS 18001:2007. OHS related roles and responsibilities of each position in the project team including project manager, site agent, safety supervisor and safety officer are clearly defined. In addition, details of OHS measures and procedures are clearly specified in the OHS manual and policy established. Certain significant OHS policies and measures are mentioned in the following:

SOCIAL COMMITMENT – continued

Health and Safety – continued

- OHS training: All workers should attend induction training which covers core topics including OHS policy and objectives, OHS plans and measures, relevant OHS regulations, use of personal protective equipment, emergency procedures and first aid facilities, soon after they commenced their work at site. Refresher induction course is normally provided at intervals of 6 months. Workers also require to attend regular tool box talks which covers the topics such as working at height and fire escape, as well as specific OHS training for potential high-risk activities. All employees and subcontractors working on site must complete the mandatory basic safety training course and possess the construction industry safety training certificate.
- Regular safety inspection: Various types of safety walk and inspection such as daily safety inspection, weekly daily safety inspection and after-holiday safety inspection are carried out to check the conformance with regulatory and other contractual requirements, and the effectiveness on implementation of operational control measures.
- OHS hazards analysis: During the OHS hazards analysis, activities with OHS hazards identified are categorised into different risk level under risk assessment process. According to the results of the risk assessment, risk control safety measures including method statements, in-house safety rules or safe working procedures, are developed. Sometimes, personal protective equipment such as safety helmets, belts and shoes, eyes and ears protectors, and respirators, are used to cope with the hazards.
- Emergency preparedness: Foreseeable emergency situations at site such as fire, explosion and electric shock are identified at the early stage of the project. The corresponding emergency responding procedures and recovery arrangements are established for employees to follow. Emergency drill and training are arranged on a regular basis to ensure proper handling of emergency situations and proper usage of emergency responding equipment including portable fire extinguishers and first-aid equipment.
- Accident investigation: Accident reporting and investigation procedures, as well as the procedures on making recommendation of corrective actions are in place to guide the employees to report an accident in a clear and unbiased manner with a whole picture, to conduct investigation thoroughly and analyse the root cause, and to formulate corrective action or preventive measures to avoid recurrence.

During the reporting period, all applicable laws and regulations with respect to OHS were adhered to by the Group. The Group was not aware of material non-compliances issues related to OHS.

SOCIAL COMMITMENT – continued

Development and Training

Human capital is the most valuable assets which drives the business growth and long-term success of the Group. The Group places sufficient resources in provision of adequate training and development to employees to ensure that the Group's competent management and workforce are well-equipped with required skills, technical knowledge and capabilities.

Apart from the in-house training such as initial induction training, and regular training on OHS and environmental sustainability for site labour as mentioned under the section "Health and Safety", the Group also sponsors employees to attend training courses organized by external institutions in relation to construction supervision, advanced construction techniques, and technology and management.

Supply Chain Management

While the main business operation of the Group is to undertake civil engineering construction works, the Group does not have qualified skilled workforce for certain components of civil engineering construction works such as rebar fixing work and formboard erecting works. These types of works are therefore subcontracted to the Group's subcontractors. On the other hand, the Group purchases construction materials such as concrete, reinforcement steel bars, precast concrete units, timbers and diesel fuel, and rent site equipment such as dump trucks, crane lorries and excavators from suppliers for undertaking the construction works.

In view of the fact that establishing and maintaining a responsible and high-standard supply chain is vital to the sustainability performance of the Group, procedures on managing both subcontractors and suppliers are well-developed. There are generally 2 stages on the assessment and management of subcontractors and suppliers: (i) initial assessment; and (ii) periodic and ongoing review and monitoring.

During initial assessment, a comprehensive set of assessment criteria are considered and analysed including background, reputation and resources of the potential subcontractor or supplier, experience, service quality and safety records of the potential subcontractor, and delivery timeliness and quality of materials or equipment provided by the potential supplier. All approved and qualified subcontractors and suppliers are included in the list of approved subcontractors and suppliers.

Performance evaluation of both suppliers and subcontractors are conducted at least annually. For subcontractors, periodic supervision on their performance, and compliance with relevant laws and regulations as well as the Group's internal standards of quality control, safety and environmental compliance are carried out through on-site inspection and monitoring of work progress. Subcontractors and suppliers who fail the periodic assessment are removed from the list of approved subcontractors and suppliers.

SOCIAL COMMITMENT – continued

Product Responsibility

One of the primary focus of the Group is to maintain high quality of its construction work and protect its corporate reputation. It is always the Group's emphasis not to put the workers, subcontractors and the general public at risk. The Group achieves its objective by (i) establishing a management system conforming to quality management system standard (ISO 9001:2008), environmental management system standard (ISO 14001:2015) and occupational health and safety management standard (OHSAS 18001:2007); (ii) obtaining various approvals and certificates required for the Group's business operations including Certificate of Registration of General Building Contractor GBC 7/2004, Certificate of Registration of Specialist Contractor SC(SF) 11/2005 – (site formation works), and being admitted on probation on the Approved List for Contractors in the categories of Site Formation (Group B) and Roads and Drainage (Group A) (iii) forming a competent, skilled and experienced management and workforce team; (iv) investment in different types of site equipment to improve efficiency of site operation; (v) maintaining a stable, responsible and high-standard supply chain; (vi) developing or following site management plan which guide the implementation of waste management and OHS policy; and (vii) carrying out close monitoring and on-site supervision on the progress and quality of work.

The Group does not rely heavily on active marketing. Besides, in view of the business nature of the Group and the services provided, labelling and privacy matters are not applicable to the Group. As such, no relevant policies in relation to advertising, labelling and privacy are disclosed.

During the reporting period, the Group has strictly complied with applicable laws and regulations in relation to quality control, and health and safety.

Anti-corruption

The Group sets up a high business integrity and ethics in its corporate culture through the thorough communication with employees on the provisions of code of conduct, conflicts of interest, confidentiality and use of the Group's assets and information as set out in the employee handbook. Employees are encouraged to take part in the promotion of high ethical standards. In addition to abiding by the established code of conducts in employee handbook, employees are encouraged to raise awareness of identification of possible improprieties, and to voice out without fear of reprisals.

The Group provides clear guidance on the whistleblowing policy and procedures by defining the activities which constitute misconduct or malpractice, formulating the reporting procedures of allegation by the whistleblowers and the investigation procedures, and specifying the protection and support provided to the whistleblowers. Audit Committee has overall responsibility to ensure investigation procedures of suspect improprieties are properly conducted, and to protect the whistleblowers from being unfairly dismissed, victimised or punished.

During the reporting period, the Group has strictly adhered to the relevant laws and regulations in relation to corrupt practices. The Group was not aware of corruption issues including bribery, extortion, fraud and money laundering.

SOCIAL COMMITMENT – continued

Community Investment

The Group understands that its support to the local communities is as important as its commitment to corporate profitability for long-term sustainability of the business. The Group is committed to continuously participate in charity and community activities.

During the reporting period, Sheung Moon Construction donated HK\$300,000 to Sha Tau Kok Livelihood and Welfare Association to support the community activities in Sha Tau Kok.

INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE

	The ESG Guide	Relevant Disclosure Section
A. Environmental		
<i>A1. Emissions</i>		
	<u>General Disclosure</u>	
	Information on:	“Environmental Protection – Emission” and “Environmental Protection – The Environmental and Natural Resources”
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	
	KPI A1.1 The types of emissions and respective emission data.	“Environmental Protection – Emission – Air pollution” and “Environmental Protection – Environmental Key Performance Data for the Reporting Period”
	KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Emission – Air pollution” and “Environmental Protection – Environmental Key Performance Data for the Reporting Period”
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable

INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Emission – Wastes” and “Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A1.5 Description of measures to mitigate emissions and results achieved.	“Environmental Protection – Emission – Air pollution”
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	“Environmental Protection – Emission – Wastes”
<i>A2. Use of Resources</i>	
<u>General Disclosure</u>	“Environmental Protection – Use of Resources”
Policies on the efficient use of resources, including energy, water and other raw materials.	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	“Environmental Protection – Environmental Key Performance Data for the Reporting Period”
KPI A2.3 Description of energy use efficiency initiatives and results achieved.	“Environmental Protection – Use of Resources”
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	“Environmental Protection – Use of Resources”
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<p>A3. <i>The Environment and Natural Resources</i></p> <p><u>General Disclosure</u></p> <p>Policies on minimising the issuer’s significant impact on the environment and natural resources.</p> <p>KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>	<p>“Environmental Protection – The Environmental and Natural Resources”</p> <p>“Environmental Protection – The Environmental and Natural Resources”</p>
<p>B. Social</p> <p><i>Employment and Labour Practices</i></p> <p>B1. Employment</p> <p><u>General Disclosure</u></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	<p>“Social Commitment – Employment and Labour Standards”</p>
<p>B2. Health and Safety</p> <p><u>General Disclosure</u></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	<p>“Social Commitment – Health and Safety”</p>

INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<p>B3. Development and Training <u>General Disclosure</u></p> <p>Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.</p>	<p>“Social Commitment – Development and Training”</p>
<p>B4. Labour Standards <u>General Disclosure</u></p> <p>Information on:</p> <ul style="list-style-type: none">(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to preventing child and forced labour.</p>	<p>“Social Commitment – Employment and Labour Standards”</p>
<p><i>Operating Practices</i></p> <p>B5. Supply Chain Management <u>General Disclosure</u></p> <p>Policies on managing environmental and social risks of the supply chain.</p>	<p>“Social Commitment – Supply Chain Management”</p>
<p>B6. Product Responsibility <u>General Disclosure</u></p> <p>Information on:</p> <ul style="list-style-type: none">(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	<p>“Social Commitment – Product Responsibility”</p>

INDEX OF GENERAL DISCLOSURES AND KPIS AGAINST THE ESG GUIDE – continued

The ESG Guide	Relevant Disclosure Section
<p>B7. Anti-corruption <u>General Disclosure</u></p> <p>Information on:</p> <ul style="list-style-type: none">(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to bribery, extortion, fraud and money laundering.</p>	“Social Commitment – Anti-corruption”

Community

<p>B8. Community Investment <u>General Disclosure</u></p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.</p>	“Social Commitment – Community Investment”
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Note: Recommended disclosures in relation to the KPIs of social aspects were not reported in this Report.



TO THE SHAREHOLDERS OF SHEUNG MOON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sheung Moon Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 82 to 141, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter

How our audit addressed the key audit matter

Revenue and direct costs from civil engineering construction contracts and amounts due from/to customers for contract work

We identified the recognition of revenue and direct costs from civil engineering construction contracts and amounts due from/to customers for contract work as a key audit matter due to the management's judgement and estimates involved in determining the progress and outcome of the construction project, particularly in estimating the total budget costs.

During the year ended 31 March 2018, the Group generated revenue of HK\$246,194,000 from civil engineering construction services. Amounts due from and amounts due to customers for contract work of HK\$50,049,000 and HK\$2,243,000, respectively, were recorded in the consolidated statement of financial position as at 31 March 2018.

Our procedures in relation to recognition of revenue and direct costs from civil engineering construction contracts and amounts due from/to customers for contract work included:

- Understanding management's process in estimation of the contract revenue, budget costs and determination of completion status of the civil engineering construction contracts;
- Checking the total contract value to the contracts and variation orders, if any, on a sample basis;
- Evaluating the reasonableness of estimated total contract costs by comparing the actual costs incurred to date against management's estimations and the actual profit margin of other similar projects, on a sample basis;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters – continued

Key audit matter

Revenue and direct costs from civil engineering construction contracts and amounts due from/to customers for contract work – continued

The Group recognised contract revenue and direct costs of civil engineering construction contracts by reference to the stage of completion of the contract activity at the end of the reporting period, as set out in note 4 to the consolidated financial statements. As disclosed in note 5 to consolidated financial statements, the recognition of revenue, direct costs and amounts due from/to customers for contract work therefore relies on the management's estimation of the progress and outcome of the project, which involves the exercise of significant management judgement, particularly in estimating the total budget costs, which are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred and the profitability assessment of on-going civil engineering construction contracts. The actual outcome of contracts in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and cost to be recognised.

How our audit addressed the key audit matter

- Evaluating the reasonableness of direct costs from civil engineering construction service recognised to date by checking to the supporting documents including the certificates and invoices issued by the major contractors/suppliers/vendors and their correspondences issued to evaluate progress of respective projects, on a sample basis, and discussing with the management of the Group to understand the status of respective civil engineering construction contracts;
- Evaluating the reasonableness of percentage of completion of civil engineering construction contracts in progress by comparing the percentage calculated based on costs incurred at the end of the reporting period against that calculated based on external surveyors' certifications, on a sample basis, and investigating any significant differences identified; and
- Assessing the appropriateness of the basis of deriving the amounts due from/to customers for contract work by checking, on a sample basis, to the amount of costs incurred up to date, and progress billings to the external surveyors' certifications.

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 judgement 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued

- 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 Lee Wing Cheong, Wilfred.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Revenue	6	246,194	89,977
Direct costs		(210,915)	(66,332)
Gross profit		35,279	23,645
Other income		2,122	31
Other gains and losses	7	216	(1,989)
Administrative expenses		(9,191)	(5,654)
Finance costs	8	(3,165)	(1,317)
Listing expenses		(11,827)	(2,320)
Profit before taxation	9	13,434	12,396
Taxation	11	(4,657)	(2,652)
Profit for the year		8,777	9,744
Other comprehensive income for the year:			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Surplus on transfer from property, plant and equipment to investment property		–	2,695
Total comprehensive income for the year		8,777	12,439
Earnings per share (HK cents per share)	13		
Basic		3.19	4.10
Diluted		3.19	4.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment	14	39,938	19,068
Investment property	15	14,200	13,200
Rental deposits		80	80
Pledged bank deposit	18	3,000	–
		57,218	32,348
Current assets			
Trade and other receivables	16	51,657	22,066
Amounts due from customers for contract work	17	50,049	16,253
Bank balances and cash	18	39,643	13,158
		141,349	51,477
Current liabilities			
Trade and other payables	19	43,113	15,436
Amounts due to customers for contract work	17	2,243	1,695
Tax payable		1,400	2,444
Bank borrowings	20	22,188	6,552
Obligations under finance leases	21	4,712	5,061
		73,656	31,188
Net current assets		67,693	20,289
Total assets less current liabilities		124,911	52,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-current liabilities			
Obligations under finance leases	21	10,136	5,758
Convertible loan notes	22	–	10,993
Deferred taxation	23	4,472	2,061
		<u>14,608</u>	<u>18,812</u>
Net assets		<u>110,303</u>	<u>33,825</u>
Capital and reserves			
Share capital	24	4,000	–
Reserves		<u>106,303</u>	<u>33,825</u>
Total equity		<u>110,303</u>	<u>33,825</u>

The consolidated financial statements on pages 82 to 141 were approved and authorised for issue by the Board of Directors on 13 June 2018 and are signed on its behalf by:

TANG SZE WO
DIRECTOR

LAI YUNG SANG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Property revaluation reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2016	10,262	-	-	-	11,124	21,386
Profit for the year	-	-	-	-	9,744	9,744
Surplus on transfer from property, plant and equipment to investment property	-	-	-	2,695	-	2,695
Total comprehensive income for the year	-	-	-	2,695	9,744	12,439
Transfer upon Group Reorganisation (defined in note 2)	(10,262)	-	10,262	-	-	-
At 31 March 2017	-	-	10,262	2,695	20,868	33,825
Profit and total comprehensive income for the year	-	-	-	-	8,777	8,777
Issue of shares of the Company (note 2(iv))	*	10,000	-	-	-	10,000
Issue of shares upon conversion of convertible loan notes (note 24)	*	13,479	-	-	-	13,479
Capitalisation Issue (note 24(d))	3,000	(3,000)	-	-	-	-
Issue of shares upon Listing (defined in note 24)	1,000	49,000	-	-	-	50,000
Transaction costs directly attributable to issue of shares upon Listing	-	(5,778)	-	-	-	(5,778)
At 31 March 2018	4,000	63,701	10,262	2,695	29,645	110,303

* Amount less than HK\$1,000.

Note: The other reserve of the Group represents the difference between the nominal amount of the share capital of Sheung Moon Construction Limited ("Sheung Moon Construction"), an indirect wholly-owned subsidiary of the Company, and the nominal amount of share capital of Attaway Developments Limited ("Attaway Developments"), a direct wholly-owned subsidiary of the Company, pursuant to the Group Reorganisation as defined in note 2.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	13,434	12,396
Adjustments for:		
Depreciation	3,473	2,620
Finance costs	3,165	1,317
Gain on fair value of investment property	(1,000)	–
Loss on disposal/written off of property, plant and equipment	3	1,449
Loss on fair value change of convertible loan notes	781	540
Operating cash flows before movements in working capital	19,856	18,322
Increase in rental deposits	–	(80)
Increase in trade and other receivables	(29,591)	(12,860)
Changes in amounts due from/to customers for contract work, net	(33,248)	(18,268)
Increase in trade and other payables	20,518	11,867
Cash used in operations	(22,465)	(1,019)
Hong Kong Profits Tax paid	(3,290)	(545)
NET CASH USED IN OPERATING ACTIVITIES	(25,755)	(1,564)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(7,576)	(1,793)
Placement of pledged bank deposit	(3,000)	–
Proceeds from disposal of property, plant and equipment	24	4,130
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(10,552)	2,337

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018	2017
	HK\$'000	HK\$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares upon Listing	50,000	–
New bank borrowings raised	26,866	1,253
Proceeds from issue of shares of the Company	10,000	–
Repayments of bank borrowings	(11,230)	(2,343)
Repayments of obligations under finance leases	(6,231)	(4,220)
Payment of transaction costs directly attributable to issue of shares upon Listing	(5,153)	–
Interests paid	(1,460)	(864)
Issue of convertible loan notes	–	10,000
Advance from a director	–	6,456
Repayment to a director	–	(6,476)
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	62,792	3,806
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,485	4,579
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	13,158	8,579
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	39,643	13,158
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL

Sheung Moon Holdings Limited (the "Company") was incorporated and registered in the Cayman Islands as an exempted company with limited liability on 31 May 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 February 2018. The address of the registered office and principal place of business are stated in the "Corporate Information" section of the annual report. The immediate holding company of the Company is Chrysler Investments Limited ("Chrysler Investments"), which is incorporated in the British Virgin Islands ("BVI") and owned by Mr. Tang Sze Wo ("Mr. SW Tang").

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of civil engineering construction service.

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Before the completion of the group reorganisation, Sheung Moon Construction, the operating subsidiary of the Group, was owned by Mr. SW Tang. In preparation of the listing of the Company's shares on GEM of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the reorganisation ("Group Reorganisation") as described below.

- (i) On 28 February 2017, Attaway Developments was incorporated as limited liability company in the BVI by issuing one share of United States dollar ("US\$") 1.00 to Mr. SW Tang.
- (ii) On 27 March 2017, Attaway Developments acquired the entire issued share capital of Sheung Moon Construction from Mr. SW Tang by issuing 99 shares of Attaway Developments. Upon the completion of transaction, Sheung Moon Construction became the wholly-owned subsidiary of Attaway Developments.
- (iii) On 31 May 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each with one share allotted and issued to the initial subscriber at par. On 31 May 2017, the initial subscriber transferred his one share to Chrysler Investments at par.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

- (iv) On 28 June 2017, the Company acquired the entire issued share capital of Attaway Developments from Mr. SW Tang and in consideration and exchange, the Company allotted and issued 21,999 shares to Chrysler Investments, credited as fully paid up. On the same date, the Company allotted and issued 4,000 shares to Chrysler Investments at the cash consideration of HK\$10,000,000.

Pursuant to the Group Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 28 June 2017.

The Group resulting from the Group Reorganisation, which involves interspersing the Company and Attaway Developments between Mr. SW Tang and Sheung Moon Construction, is continued to be controlled by Mr. SW Tang and is regarded as a continuing entity. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2017 and 2018 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the years, or since their respective dates of incorporation, where there are shorter periods.

The consolidated statement of financial position of the Group as at 31 March 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities as if the current group structure had been in existence at that date taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has consistently applied all the new and revised HKFRSs, Hong Kong Accounting Standards (“HKAS”), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for the Group’s accounting period beginning on 1 April 2017 for current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts” ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹

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

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 9 "Financial Instruments"

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

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

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. 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 and risk management policies as at 31 March 2018, the directors of the Company anticipate that all financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39 on initial application of HKFRS 9.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers and related parties is low. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future consolidated financial statements. It is also expected that the application of HKFRS 9 in the future will have no material change on the amounts reported based on the analysis of the Group's financial assets and financial liabilities as at 31 March 2018 on the basis of the facts and circumstances that existed at that date.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

HKFRS 15 “Revenue from Contracts with Customers” – continued

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

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

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

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

The Group has assessed that the contracts with customers fulfill the criteria for recognising revenue over time under HKFRS 15. Two methods can be used under HKFRS 15 to measure the Group’s progress towards complete satisfaction of a performance obligation satisfied over time, including output method and input method. In measuring the work progress under HKFRS 15, the Group considers that an input method with reference to the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs would appropriately depict the transfer of control of goods or services to customers for individual projects under HKFRS 15. Based on the assessment performed with reference to the existing contractual arrangements with its customers as at 31 March 2018, the directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures but will have no material change on the timing and amounts of revenue recognised in the consolidated financial statements of the Group in the future.

HKFRS 16 “Leases”

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

HKFRS 16 “Leases” – continued

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$979,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Under HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. However, the directors of the Company do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group. Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment property and derivative component in relation to the convertible loan notes that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for 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 this consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

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

The principal accounting policies adopted are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation

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

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

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

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

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

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

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from civil engineering construction contracts is based on the stage of completion at the end of the reporting period. The Group's policy for recognition of revenue from foundation engineering services is described in accounting policy for civil engineering service contracts below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Service income is recognised when the services are rendered.

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

Civil engineering construction contracts

Where the outcome of a civil engineering construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a civil engineering construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

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

Where 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 amounts due to customers for contract work. 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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

Income tax expense represents the sum of the income tax expense 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 profits. 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is 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 assets and liabilities 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.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

All borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by the employees up to the reporting date. Any changes in the liabilities’ carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Provisions

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment property and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property is included in profit or loss for the period in which they arise.

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

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply of services, or 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 items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on for 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

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.

Leasing

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

The Group as lessor

Rental income from operating is recognised in profit or loss on straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

Leasehold land and building

When the Group makes payments for a property interest which 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 entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing – continued

Leasehold land and building – continued

When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire lease is generally classified as if the leasehold land is under finance lease.

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its 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 asset individually, 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as other gains and losses immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

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

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

Financial assets

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 or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables 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 loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

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

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, observable changes in national or local economic conditions that correlate with default on receivables.

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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) held for trading or (ii) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities at fair value through profit or loss – continued

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 30.

Financial liabilities at amortised cost

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

Convertible loan notes

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Convertible loan notes – continued

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Deferred taxation on an investment property

For the purpose of measuring deferred tax liabilities arising from an investment property that is measured using the fair value model, the management of the Group has reviewed the investment property of the Group's subsidiary and concluded that the investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, the management of the Group has determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the management of the Group does not expect to have tax consequence on disposal of the investment property.

Key source of estimation uncertainty

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY – continued

Key source of estimation uncertainty – continued

Civil engineering construction contracts

The recognition of revenue, direct costs and amounts due from/to customers for contract work relies on the management's estimation of the progress and outcome of the construction project, which involves the exercise of significant management judgement, particularly in estimating the total budget costs.

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each civil engineering construction contract as the contract progresses. Budget costs are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of civil engineering construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the profitability assessment of on-going civil engineering construction contracts. For more complex contracts, in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes of contracts in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and cost to be recognised in future years as an adjustment to the amounts recorded to date, as well as to the carrying amounts of amounts due from/to customers for contract work.

As at 31 March 2018, the carrying amounts of amounts due from customers for contract works and amounts due to customers for contract works are HK\$50,049,000 and HK\$2,243,000 (2017: HK\$16,253,000 and HK\$1,695,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the civil engineering construction services provided by the Group to external customers. The Group's revenue is solely derived from civil engineering construction services during the year. For the purpose of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision makers ("CODM"), review the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of services provided:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	246,194	89,046
Macau	–	931
	246,194	89,977

All of the Group's non-current assets are located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A	110,719	59,457
Customer B	N/A*	11,805
Customer C	108,065	N/A [#]

* Revenue from the relevant customer was less than 10% of the Group's total revenue for the year.

[#] No revenue attributed from the relevant customer for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

7. OTHER GAINS AND LOSSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Fair value change of investment property	1,000	–
Loss on fair value change of convertible loan notes	(781)	(540)
Loss on disposal/written-off of property, plant and equipment	(3)	(1,449)
	<u>216</u>	<u>(1,989)</u>

8. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interests on:		
Bank borrowings	915	411
Finance leases	545	453
	<u>1,460</u>	864
Effective interest expense on convertible loan notes	1,705	453
	<u>3,165</u>	<u>1,317</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

9. PROFIT BEFORE TAXATION

	2018	2017
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 10)	3,510	3,286
Other staff costs	61,234	11,216
Retirement benefit scheme contributions for other staff	2,336	477
Total staff cost	67,080	14,979
Auditor's remuneration	600	300
Depreciation on property, plant and equipment	3,473	2,620
Rental income from machineries (included in other income)	(1,922)	-
Gross rental income from investment property	(164)	-
Less: direct operating expense incurred for investment property that generate rental income for the year	28	-
	(136)	-
Minimum lease payments under operating leases in respect of		
– rented premises	499	77
– site equipment	20,987	1,708
	21,486	1,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

(i) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors of the Company (including emoluments for services as director/employee of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the year are as follows:

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Performance related incentive payment <i>HK\$'000</i> (note)	Retirement benefit scheme contributions <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
2018					
Executive directors:					
Mr. SW Tang	-	1,950	-	18	1,968
Lai Yung Sang ("Mr. Lai")	-	1,300	200	18	1,518
Independent non-executive directors:					
Wong Kwok Yiu Chris ("Dr. Wong")	8	-	-	-	8
Wong Choi Chak ("Mr. Wong")	8	-	-	-	8
Leung Kim Hong ("Mr. Leung")	8	-	-	-	8
	<u>24</u>	<u>3,250</u>	<u>200</u>	<u>36</u>	<u>3,510</u>
2017					
Executive directors:					
Mr. SW Tang	-	1,950	-	18	1,968
Mr. Lai	-	1,300	-	18	1,318
	<u>-</u>	<u>3,250</u>	<u>-</u>	<u>36</u>	<u>3,286</u>

Note: The performance related incentive payment is determined with reference to the Group's operating result and individual performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(i) Directors' and chief executive's emoluments – continued

Mr. SW Tang was appointed as a director of the Company on 31 May 2017 and Mr. Lai was appointed as a director of the Company on 12 July 2017.

Mr. SW Tang acts as the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Dr. Wong, Mr. Wong and Mr. Leung were appointed as independent non-executive directors of the Company on 24 January 2018.

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

Neither the chief executive nor any of the directors waived any emoluments during the year.

(ii) Information regarding employees' emoluments

For the year ended 31 March 2018, out of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company, whose emoluments are included in the disclosures above. The emoluments of the remaining three (2017: three) individuals are as follows:

	2018 HK\$'000	2017 HK\$'000
Employees		
– Salaries and other benefits	2,000	1,254
– Retirement benefit scheme contributions	53	51
	<u>2,053</u>	<u>1,305</u>

The number of the highest paid employees who are not directors of the Company have their emoluments within the following band:

	Number of employees	
	2018	2017
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(ii) Information regarding employees' emoluments – continued

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Tax charge comprises:		
Hong Kong Profits Tax:		
Current tax	2,081	1,981
Underprovision in prior years	165	–
	<u>2,246</u>	<u>1,981</u>
Macau Complementary Tax	–	60
	<u>2,246</u>	<u>2,041</u>
Deferred taxation (note 23)	2,411	611
	<u>4,657</u>	<u>2,652</u>

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

Under the applicable corporate tax law in Macau, income tax was calculated at 12% on certain estimated assessable profits for the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

11. TAXATION – continued

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before taxation	13,434	12,396
Tax at the Hong Kong Profits Tax rate of 16.5%	2,217	2,045
Tax effect of expenses not deductible for tax purposes	2,440	547
Tax effect of income not taxable for tax purposes	(165)	–
Effect of different tax rate of operations in other jurisdictions	–	60
Underprovision in prior years	165	–
Tax charge	4,657	2,652

12. DIVIDENDS

The board of directors of the Company does not recommend the payment of final dividend for the year ended 31 March 2018 (2017: nil).

13. EARNINGS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings		
Profits for the year attributable to owners of the Company for the purposes of calculating basic earnings per share	8,777	9,744
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	–	–
Gain (loss) on fair value change of convertible loan notes	–	–
Earnings for the purpose of diluted earnings per share	8,777	9,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

13. EARNINGS PER SHARE – continued

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	275,245	237,778
Effect of dilutive potential ordinary shares on convertible loan notes	—	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>275,245</u>	<u>237,778</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation and the Capitalisation Issue as detailed in note 24 had been effective on 1 April 2016 and has been retrospectively adjusted for the deemed bonus element of the capital contribution relating to the shares of the Company issued to Chrysler Investments on 28 June 2017.

The calculation of diluted earnings per share for the year ended 31 March 2018 has not taken into account the effect of the potential ordinary shares on convertible loan notes as the assumed conversion would result in an increase in earnings per share.

The effect of dilutive potential ordinary shares on convertible loan notes for the year ended 31 March 2017 is not considered as the condition for the conversion of convertible loan notes has not been fulfilled as at 31 March 2017 and the number of ordinary shares contingently issuable upon the conversion of the convertible loan notes depends on whether the Listing takes place. Accordingly, the computation of diluted earnings per share for the year ended 31 March 2017 does not assume the conversion of the convertible loan notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 April 2016	10,811	422	6,376	15,230	150	32,989
Additions	-	152	912	5,458	52	6,574
Disposals/written-off	-	(422)	(66)	(6,500)	-	(6,988)
Transfer to investment property	(10,811)	-	-	-	-	(10,811)
At 31 March 2017	-	152	7,222	14,188	202	21,764
Additions	-	-	11,585	11,988	797	24,370
Disposals/written-off	-	-	(31)	-	-	(31)
At 31 March 2018	-	152	18,776	26,176	999	46,103
DEPRECIATION						
At 1 April 2016	90	14	394	1,277	16	1,791
Provided for the year	216	46	799	1,516	43	2,620
Eliminated on disposals/ written-off	-	(56)	(53)	(1,300)	-	(1,409)
Eliminated upon transfer to investment property	(306)	-	-	-	-	(306)
At 31 March 2017	-	4	1,140	1,493	59	2,696
Provided for the year	-	46	1,315	1,982	130	3,473
Eliminated on disposals/ written-off	-	-	(4)	-	-	(4)
At 31 March 2018	-	50	2,451	3,475	189	6,165
CARRYING AMOUNTS						
At 31 March 2018	-	102	16,325	22,701	810	39,938
At 31 March 2017	-	148	6,082	12,695	143	19,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

14. PROPERTY, PLANT AND EQUIPMENT – continued

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the lease or 50 years
Leasehold improvements	Over the lease terms
Motor vehicles	10% – 20%
Plant and machinery	10%
Office equipment, furniture and fixtures	20% – 30%

All the Group's leasehold land and buildings were situated in Hong Kong.

As at 31 March 2018, the net book values of motor vehicles include an amount of HK\$11,772,000 (2017: HK\$6,072,000), and net book values of plant and machinery include an amount of HK\$13,277,000 (2017: HK\$10,974,000) in respect of assets held under finance leases.

15. INVESTMENT PROPERTY

	<i>HK\$'000</i>
FAIR VALUE	
As at 1 April 2016	–
Transferred from property, plant and equipment and as at 31 March 2017	13,200
Fair value change during the year	<u>1,000</u>
As at 31 March 2018	<u>14,200</u>

The investment property is situated in Hong Kong.

The Group's property interests held under operating leases to earn rentals for capital appreciation purposes are measured using the fair value and are classified and accounted as investment property.

During the year ended 31 March 2017, the use of property of the Group had been changed from owner-occupation to leasing out for rental income. The leasehold land and building with net book value of HK\$10,505,000 were transferred from property, plant and equipment to investment property at the date of the end of owner-occupation. Upon the change of intended use, the difference of HK\$2,695,000 between the net book value and the fair value of the property of HK\$13,200,000 was recognised in other comprehensive income and accumulated in "property revaluation reserve".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

15. INVESTMENT PROPERTY – continued

The fair value of the Group's investment property as at 31 March 2018 has been arrived at on the basis of a valuation carried out by CHFT Advisory and Appraisal Limited (2017: carried out by Crowe Horwath (HK) Consulting & Valuation Limited), independent qualified professional valuers not connected to the Group. The fair value was determined based on direct comparison method making reference to comparable sales transactions as available in the relevant markets.

In determining the fair value of the property, the directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The directors of the Company work closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

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

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

Investment property held by the Company	Fair value as at		Fair value hierarchy	Valuation technique and key input(s)
	31 March 2018 HK\$'000	31 March 2017 HK\$'000		
Industrial property in Hong Kong	14,200	13,200	Level 2	Direct comparison method based on the market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties

There were no transfers into or out of Level 2 during the year.

As at 31 March 2018, the Group has pledged the investment property to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

16. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	33,743	13,871
Retention receivables	15,594	7,630
Prepayments and deposits	2,320	76
Prepaid listing expenses	–	489
	<u>51,657</u>	<u>22,066</u>

The Group allows credit period ranging from 30 to 45 days to its customers from the date of invoices on progress payments of contract works. The following is an ageing analysis of the trade receivables presented based on the customer's payment certificate date at the end of the reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	15,669	9,139
31 – 60 days	17,624	4,225
61 – 90 days	–	507
91 – 180 days	450	–
	<u>33,743</u>	<u>13,871</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality, their qualifications and experience in the civil engineering construction industry. Credit limits attributable to customers are reviewed regularly. Approximately 99% (2017: 96%) of trade receivables of the Group as at 31 March 2018 that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$450,000 (2017: HK\$607,000) which are past due at 31 March 2018, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivables and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

16. TRADE AND OTHER RECEIVABLES – continued

The following is an aging analysis of trade receivables which are past due but not impaired, at the end of the reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Overdue by:		
0 – 30 days	–	100
31 – 60 days	–	507
61 – 90 days	450	–
	450	607

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables past due but not impaired as at the end of the reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the directors of the Company believe that no recognition of impairment is required.

Retention receivables represented retention monies withheld by customers of contract works, which are unsecured interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Retention receivables are to be settled, based on the expiring of the defect liability period, at the end of the reporting period as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
On demand or within one year	8,245	1,066
After one year	7,349	6,564
	15,594	7,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	315,819	138,324
Less: Progress billings	(268,013)	(123,766)
Total	47,806	14,558
Analysed as:		
Amounts due from customers for contract work	50,049	16,253
Amounts due to customers for contract work	(2,243)	(1,695)
	47,806	14,558

18. PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

Pledged bank deposit of HK\$3,000,000 (2017: nil) represents a bank deposit pledged to a bank to secure bank borrowings of the Group amounting to HK\$10,161,000 (2017: nil) as at 31 March 2018 which is expected to be recovered after one year and therefore classified as non-current assets. The pledged bank deposit carries fixed interest rate at 0.01% per annum as at 31 March 2018.

Bank balances carry interest at prevailing market rates ranging from 0.001% to 0.01% (2017: 0.001% to 0.01%) per annum as at 31 March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

19. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	15,852	8,674
Retention payables	2,645	1,091
Accrued listing expenses	1,885	353
Accrued share issue cost	625	–
Accruals and other payables	1,253	1,523
Salaries payables	6,968	1,789
Receipt in advance	6,871	1,526
Payables for acquisition of property, plant and equipment	7,014	480
	43,113	15,436

The credit period of trade payables is ranging from 0 to 30 days.

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

	As at 31 March	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	7,515	8,289
31 – 60 days	1,306	373
61 – 90 days	–	–
Over 90 days	7,031	12
	15,852	8,674

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For the year ended 31 March 2018

20. BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Secured	21,191	3,764
Unsecured	997	2,788
	22,188	6,552
Fixed-rate bank borrowings	997	2,090
Variable-rate bank borrowings	21,191	4,462
	22,188	6,552
The carrying amounts are repayable*:		
Within one year	10,227	2,156
More than one year but not exceeding two years	2,846	1,052
More than two years but not exceeding five years	7,074	1,036
More than five years	2,041	2,308
Amounts due within one year shown under current liabilities**	22,188	6,552

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

** The amounts contained a repayable on demand clause and are classified as current liabilities.

The above variable-rate bank borrowings bear interest ranging from HK\$ Best Lending Rate less a spread or Hong Kong Prime Rate plus a spread. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2018	2017
Effective interest rate per annum:		
Fixed-rate bank borrowings	4.84%	7.70% to 8.75%
Variable-rate bank borrowings	2.84% to 4.00%	2.84% to 7.50%

The secured bank borrowings are secured by the investment property owned by the Company as stated in note 15 and/or the pledged bank deposit as stated in note 18. As at 31 March 2018, all bank borrowings of the Group are guaranteed by the Company (2017: all bank borrowings were guaranteed by Mr. SW Tang).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

21. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles and machineries under finance leases with lease terms ranging from 3 to 5 years. Interest rates underlying the obligations under these finance leases are fixed ranging from 3.26% to 6.48% (2017: 3.55% to 6.48%) per annum as at 31 March 2018. These leases have terms of purchase option for the purchase of those leased assets at nominal amount.

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Amounts payable under finance leases:				
Within one year	5,316	5,473	4,712	5,061
More than one year but within two years	4,062	2,869	3,652	2,630
More than two years but within five years	6,821	3,346	6,484	3,128
	<u>16,199</u>	<u>11,688</u>	<u>14,848</u>	<u>10,819</u>
Less: Future finance charges	<u>(1,351)</u>	<u>(869)</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>14,848</u>	<u>10,819</u>	<u>14,848</u>	<u>10,819</u>
Less: Amounts due for settlement within one year (shown under current liabilities)			<u>(4,712)</u>	<u>(5,061)</u>
Amounts due for settlement after one year (shown under non-current liabilities)			<u>10,136</u>	<u>5,758</u>

The Group's obligations under finance leases were secured by the lessor's charge over the motor vehicles and plant and machinery as disclosed in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

22. CONVERTIBLE LOAN NOTES

On 22 December 2016, an agreement (the "Investment Agreement") was entered between the Group and Sigma Square Investment Management Limited ("Sigma Square"), a limited company wholly owned by the son of Mr. SW Tang, for the grant of a loan to the Group with principal amount of HK\$10,000,000 with an interest rate of 12.0% per annum (the "Loan"). In the event that the Listing takes place within 18 months (i.e. 21 June 2018) from the date of agreement, the Loan will be converted into 10% equity interest of the enlarged share capital of the Company immediately upon completion of the Listing. In the event that the Listing does not take place within 18 months from the date of agreement, the Company is required to repay the Loan plus accrued interest on the expiry of 24 months from the date of agreement (i.e. 21 December 2018).

The convertible loan notes contain two components, debt component and derivative (representing conversion option) component. The effective interest rate of the debt component is 22.34% per annum. The derivative component is measured at fair value with changes in fair value subsequent to the initial recognition recognised in profit or loss.

Upon the completion of the hearing process of the Listing on 23 January 2018, Sigma Square converted the convertible loan notes into 4,000 ordinary shares of the Company, being 10% equity interest of the enlarged share capital of the Company immediately upon completion of the Listing.

The movement of the debt and derivative components of the convertible loan notes during current and prior years is set out as below:

	Debt component HK\$'000	Derivative component HK\$'000	Total HK\$'000
Grant of the Loan	7,965	2,035	10,000
Interest charge	453	–	453
Loss arising on changes of fair value	–	540	540
At 31 March 2017	8,418	2,575	10,993
Interest charge	1,705	–	1,705
Loss on arising on changes in fair value	–	781	781
Conversion during the year	(10,123)	(3,356)	(13,479)
At 31 March 2018	–	–	–

The fair value of the Company's conversion option as at the date of grant of the Loan and 31 March 2017 had been arrived at on the basis of a valuation carried out on the respective dates by Crowe Horwath (HK) Consulting Valuation Limited, an independent qualified professional valuer not connected to the Group. The fair value of the Company's conversion option as at the date of conversion had been arrived at on the basis of valuation carried out on that date by CHFT Advisory and Appraisal Limited, an independent qualified professional valuer not connected to the Group. The fair value was determined based on Binominal option pricing model. The key inputs used in the model are disclosed in note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

23. DEFERRED TAXATION

The followings are the deferred tax (asset) liability recognised and movements thereon during the current and prior years:

	Tax losses <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	(215)	1,665	1,450
Charge to profit or loss (note 11)	<u>215</u>	<u>396</u>	<u>611</u>
At 31 March 2017	–	2,061	2,061
Charge to profit or loss (note 11)	<u>–</u>	<u>2,411</u>	<u>2,411</u>
At 31 March 2018	<u>–</u>	<u>4,472</u>	<u>4,472</u>

24. SHARE CAPITAL

The share capital shown in the consolidated financial statements as at 31 March 2017 represented the issued share capital of Attaway Developments. The share capital as at 31 March 2018 represents the issued share capital of the Company with details as follows:

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 May 2017 (date of incorporation)	38,000,000	380
Increase on 24 January 2018 (note d)	<u>1,962,000,000</u>	<u>19,620</u>
At 31 March 2018	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 31 May 2017 (date of incorporation) (note a)	1	–
Issue of shares upon Group Reorganisation (note b)	21,999	–
Issue of shares on capital injection (note b)	4,000	–
Conversion of convertible loan notes (note c)	4,000	–
Issue of shares on Capitalisation Issue (note d)	299,970,000	3,000
Issue of shares upon Listing (note e)	<u>100,000,000</u>	<u>1,000</u>
At 31 March 2018	<u>400,000,000</u>	<u>4,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

24. SHARE CAPITAL – continued

Notes:

- (a) On 31 May 2017, the Company was incorporated 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 with one share allotted and issued to the initial subscriber at par. On 31 May 2017, the initial subscriber transferred his one share to Chrysler Investments at par.
- (b) On 28 June 2017, through the Group Reorganisation, 21,999 ordinary shares were allotted, issued and credit as fully paid up by the Company. On the same date, the Company allotted and issued 4,000 ordinary shares to Chrysler Investments at cash consideration of HK\$10,000,000.
- (c) On 23 January 2018, pursuant to the Investment Agreement and as nominated by Sigma Square, the Company allotted and issued 4,000 ordinary shares to Altivo Ventures Limited, being a wholly-owned subsidiary of Sigma Square, upon the conversion of convertible loan notes as disclosed in note 22.
- (d) Pursuant to the written resolutions passed by the shareholders on 24 January 2018, the authorised share capital of the Company increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 ordinary shares of HK\$0.01 each which, upon issue, shall rank pari passu in all aspects with the existing issued ordinary shares. Pursuant to the same written resolutions, upon completion of the public offer of the shares of the Company, on 12 February 2018, the Company was authorised to capitalise a sum of HK\$3,000,000 standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 299,970,000 ordinary shares of the Company (the “Capitalisation Issue”).
- (e) In connection with the listing of the shares of the Company on GEM of the Stock Exchange on 12 February 2018, the Company allotted and issued a total of 100,000,000 ordinary shares at HK\$0.50 per share for an aggregate consideration of HK\$50,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

25. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	581	464
In the second to fifth year inclusive	398	851
	979	1,315

Operating lease payments represent rentals payable by the Group for office premises. Leases and fixed rentals are negotiated for a term ranging from one year to three years.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	395	–
In the second to fifth year inclusive	230	–
	625	–

The Group's investment property is held for rental purposes. The property held has committed tenant for periods of up to three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

26. NON-CASH TRANSACTION

During the year ended 31 March 2018, the Group entered into finance leases in respect of motor vehicles and plant and machineries with total value of HK\$10,260,000 (2017: HK\$4,151,000) at the inception of the finance leases.

27. RETIREMENT BENEFITS SCHEMES

The Group participates a MPF Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount is HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in notes 9 and 10.

28. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 24 January 2018 for the primary purpose of providing incentives to directors and eligible employees. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years. Details of the Scheme are set out in the section headed "Share Option Scheme" of the report of the directors in the annual report of the Company for the year ended 31 March 2018.

No share options were granted, exercised, cancelled or lapsed under the Scheme during the year nor outstanding as at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners 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, obligations under finance leases and convertible loan notes, as disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure through new share issue as well as the issue of new debts or the redemption of existing debts.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>91,980</u>	<u>34,659</u>
Financial liabilities		
Amortised cost	47,966	26,389
Derivative financial instruments	<u>-</u>	<u>2,575</u>

Financial risk management objectives and policies

The Group's consolidated financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables, bank borrowings and convertible loan notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

30. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 20 for details of the bank borrowings). The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank balances, bank borrowings and obligations under finance leases.

The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HK\$ Best Lending Rate or Hong Kong Prime Rate arising from the Company's variable-rate bank borrowings.

Sensitivity analysis

The directors of the Company consider the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year and 50 basis points increase or decrease are used.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2018 would decrease/increase by approximately HK\$88,000 (2017: HK\$19,000).

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, pledge bank deposit and bank balances.

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

30. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk – continued

The directors of the Company adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, is required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks on trade receivables and retention receivables from the largest debtor amounting to HK\$18,053,000 and HK\$7,118,000, respectively as at 31 March 2018 (representing approximately 53.5% and 45.6% of the Group's trade receivables and retention receivables) (2017: HK\$6,145,000 and HK\$6,167,000, representing approximately 44.3% and 80.8% of the Group's trade receivables and retention receivables, respectively). The directors of the Company closely monitor the subsequent settlement of the customers. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is considered limited as such amounts are placed in banks with good reputations.

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 directors of the Company to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows. The directors of the Company monitor the utilisation of bank borrowings and ensure compliances with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

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.

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For the year ended 31 March 2018

30. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
31 March 2018						
Non-derivative financial liabilities						
Trade and other payables	N/A	25,778	-	-	25,778	25,778
Bank borrowings	3.78	22,188	-	-	22,188	22,188
Obligations under finance leases	4.55	5,316	4,062	6,821	16,199	14,848
		<u>53,282</u>	<u>4,062</u>	<u>6,821</u>	<u>64,165</u>	<u>62,814</u>
31 March 2017						
Non-derivative financial liabilities						
Trade and other payables	N/A	11,419	-	-	11,419	11,419
Bank borrowings	5.04	6,552	-	-	6,552	6,552
Obligations under finance leases	4.96	5,473	2,869	3,346	11,688	10,819
Convertible loan notes	12.00	-	12,400	-	12,400	8,418
		<u>23,444</u>	<u>15,269</u>	<u>3,346</u>	<u>42,059</u>	<u>37,208</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

30. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Bank borrowings with a repayment on demand clause are included in the “On demand or less than 1 year” time band in the above maturity analysis. As at 31 March 2018, the aggregate carrying amount of these bank borrowings is approximately HK\$22,188,000 (2017: HK\$6,552,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the directors of the Company review the expected cash flow information of the Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate %	On demand or less than 1 year HK\$’000	1 – 2 years HK\$’000	2 – 5 years HK\$’000	Over 5 years HK\$’000	Total undiscounted cash flows HK\$’000	Total carrying amount HK\$’000
Bank borrowings:							
31 March 2018	3.78	10,782	3,240	7,643	2,245	23,910	22,188
31 March 2017	5.04	2,393	1,177	1,353	2,574	7,497	6,552

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

30. FINANCIAL INSTRUMENTS – continued

Fair value measurements of financial instruments – continued

Fair value measurement and valuation process

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company will determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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

The Group's derivative component in relation to the convertible loan notes was measured at fair value as at 31 March 2017. The following table gives information about how the fair value of such financial liability is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial liability	Fair value as at 31 March 2018 HK\$'000	Fair value as at 31 March 2017 HK\$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to the fair value
Derivative component in relation to the convertible loan notes (see note 22)	N/A	2,575	Level 3	Binomial option pricing model	Expected volatility: 54.8%	The higher the expected volatility, the higher the fair value
					Risk-free rate: 0.8%	The higher the risk-free rate, the lower the fair value
					Business value of the Company: HK\$96,671,000	The higher the expected business value, the higher the fair value
					Expected dividend yield: 0%	The higher expected dividend, the lower the fair value.

30. FINANCIAL INSTRUMENTS – continued

Fair value measurements of financial instruments – continued

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

If expected volatility of the Company has been 5% higher/lower for the valuation of derivative component in relation to the convertible loan notes and all other variables were held constant, the post-tax profit for the year ended 31 March 2017 would decrease/increase by approximately HK\$288,000/HK\$215,000, respectively.

If business value of the Company has been 5% higher/lower for the valuation of derivative component in relation to the convertible loan notes and all other variables were held constant, the post-tax profit for the year ended 31 March 2017 would decrease/increase by approximately HK\$373,000/HK\$277,000, respectively.

There was no transfer among different levels of the fair value hierarchy during both years.

Reconciliation of Level 3 fair value measurements

	<i>HK\$'000</i>
Grant of the Loan	2,035
Fair value loss charged to profit or loss	540
At 31 March 2017	2,575
Fair value loss charged to profit or loss	781
Conversion during the year	(3,356)
At 31 March 2018	–

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

The fair value of the financial assets and liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing model based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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31. MOVEMENT ON GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued share issue cost	Bank borrowings	Obligations under finance leases	Convertible loan notes	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2016	–	7,642	10,888	–	18,530
Financing cash flows	–	(1,501)	(4,673)	10,000	3,826
Purchase of property and equipment through finance leases	–	–	4,151	–	4,151
Loss on fair value change	–	–	–	540	540
Finance costs recognised	–	411	453	453	1,317
At 31 March 2017	–	6,552	10,819	10,993	28,364
Financing cash flows	(5,153)	14,721	(6,776)	–	2,792
Issue cost accrued	5,778	–	–	–	5,778
Purchase of property and equipment through finance leases	–	–	10,260	–	10,260
Issue of shares upon conversion of convertible loan notes	–	–	–	(13,479)	(13,479)
Loss on fair value change	–	–	–	781	781
Finance costs recognised	–	915	545	1,705	3,165
At 31 March 2018	<u>625</u>	<u>22,188</u>	<u>14,848</u>	<u>–</u>	<u>37,661</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related party during the year:

	2018 HK\$'000	2017 <i>HK\$'000</i>
Rental fee for site machinery to Sheung Moon Engineering Company Limited ("Sheung Moon Engineering")	–	324
Management fee to Sheung Moon Engineering	–	56
	<u> </u>	<u> </u>

As at 31 March 2017, the entire bank borrowings and obligations under finances leases were guaranteed by Mr. SW Tang and such personal guarantees were released during the year ended 31 March 2018.

Sheung Moon Engineering is wholly owned by Mr. Tang Kin and Mr. Tang Sze Lun, brothers of Mr. SW Tang, and Mr. Cheung Lin Fat, a nephew of Mr. SW Tang.

Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of the Company during the year ended 31 March 2018, which is disclosed in note 10 to the consolidated financial statements.

33. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings and obligations under finance leases were secured by the following assets:

	2018 HK\$'000	2017 <i>HK\$'000</i>
Investment property	14,200	13,200
Property, plant and equipment	25,049	17,046
Bank deposit	3,000	–
	<u> </u>	<u> </u>
	42,249	30,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 March 2018 HK\$'000
Non-current assets	
Investment in a subsidiary	48,304
Loan to a subsidiary	9,567
	<u>57,871</u>
Current assets	
Amount due from a subsidiary	12,599
Bank balances	22,191
	<u>34,790</u>
Current liabilities	
Other payables	2,736
Amount due to a subsidiary	136
	<u>2,872</u>
Net current assets	<u>31,918</u>
Net assets	<u>89,789</u>
Capital and reserves	
Share capital (note 24)	4,000
Reserves (note)	85,789
	<u>89,789</u>
Total equity	<u>89,789</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – continued

Note:

Movement of the Company's reserves is as follow:

	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 May 2017 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(11,737)	(11,737)
Effect of Group Reorganisation	–	33,825	–	33,825
Issue of shares of the Company	10,000	–	–	10,000
Issue of shares upon conversion of convertible loan notes of a subsidiary	13,479	–	–	13,479
Capitalisation Issue	(3,000)	–	–	(3,000)
Issue of shares upon Listing	49,000	–	–	49,000
Transaction cost directly attributable to issue of shares upon Listing	(5,778)	–	–	(5,778)
At 31 March 2018	63,701	33,825	(11,737)	85,789

35. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2018 and 2017 are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at 31 March		Principal activities
				2018	2017	
Attaway Developments*	BVI 28 February 2017	Hong Kong	US\$100	100%	100%	Investment holdings
Sheung Moon Construction#	Hong Kong 14 February 1997	Hong Kong	HK\$10,262,000	100%	100%	Civil engineering construction business in Hong Kong

* Directly held by the Company.

Indirectly held by the Company.

Other than the Loan (as disclosed in note 22), none of the subsidiaries had issued any debt securities at the end of the reporting period.

SUMMARY OF MAJOR PROPERTY

As at 31 March 2018

INVESTMENT PROPERTY HELD FOR RENTAL PURPOSES

Descriptions	Gross floor area (sq.ft.)	Nature of property	Attributable interest of the Group	Category of lease
Unit 1, 19/F., Global Gateway Tower 63 Wing Hong Street Cheung Sha Wan Kowloon Hong Kong	1,430	Commercial	100%	Medium-term Lease