

LEAP Holdings Group Limited 前進控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1499



ANNUAL REPORT 2016

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Details of Directors and Senior Management	11
Corporate Governance Report	15
Directors' Report	26
Independent Auditors' Report	37
Consolidated Statement of Profit or Loss and Other Comprehensive Income	39
Consolidated Statement of Financial Position	40
Consolidated Statement of Changes in Equity	42
Consolidated Statement of Cash Flows	43
Notes to the Consolidated Financial Statements	44
Financial Highlights	94

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ip Ying Chau (*Chairman*)
Mr. Chan Wing Chung
Ms. Tung Ah Pui Athena
Mr. Chan Chiang Kan
Mr. Mui Wai Sum (Appointed on 29 April 2016)

Independent Non-executive Directors

Mr. Cheung Kwok Yan Wilfred
Mr. Feng Zhidong
Mr. Ho Ho Ming

AUDIT COMMITTEE

Mr. Cheung Kwok Yan Wilfred (*Chairman*)
Mr. Feng Zhidong
Mr. Ho Ho Ming

NOMINATION COMMITTEE

Mr. Ip Ying Chau (*Chairman*)
Mr. Ho Ho Ming
Mr. Feng Zhidong

REMUNERATION COMMITTEE

Mr. Feng Zhidong (*Chairman*)
Mr. Ip Ying Chau
Mr. Ho Ho Ming

COMPANY SECRETARY

Ms. So Hau Kit

AUTHORISED REPRESENTATIVES

Mr. Ip Ying Chau
Ms. Tung Ah Pui Athena

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2701-02, 27th Floor, Win Plaza,
9 Sheung Hei Street, San Po Kong,
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street, PO Box 1350,
Grand Cayman, KY1-1108, Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

COMPLIANCE ADVISER

TC Capital International Limited
Suites 1903-1904, 19th Floor, Tower 6, the Gateway,
Harbour City, 9 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Loong and Yeung
Solicitors of Hong Kong
Room 1603, 16/F, China Building,
29 Queen's Road Central, Hong Kong

PRINCIPAL BANKS

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

AUDITORS

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

COMPANY'S WEBSITE

www.leapholdings.hk

STOCK CODE

1499

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of LEAP Holdings Group Limited (the "Company", together with subsidiaries of the Company, the "Group"), it is my pleasure to present to the shareholders the annual report of the Group for the year ended 31 March 2016 (the "Review Period").

The Company was successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 September 2015 (the "Listing Date"). This is an important milestone of our history and the listing status has elevated the Group in all business aspects, especially in establishing a better reputation in the industry for taking new projects. This is particularly crucial to the Group in the face of the expected growth in the construction industry due to the active development in residential property market and infrastructures in Hong Kong. We accept the challenge to maximise value to our shareholders, and to this end, we have considered carefully in deploying the net proceeds received from the share offer with reference to market condition and in accordance with the prospectus of the Company dated 21 August 2015 (the "Prospectus").

Over the financial year, our project works remained robust, especially for our foundation works and ancillary work services, with increase in revenue by approximately HK\$88.3 million for the Review Period as compared to the previous year in this segment. Revenue from the construction wastes handling services also showed improvement, segment revenue was recorded at approximately HK\$67.2 million the Review Period, representing an increase of approximately HK\$5.6 million as compared to the previous year.

Although our Group's profits attributable to owners of the Company decreased by approximately HK\$9.3 million or 24.1% from approximately HK\$38.5 million for the year ended 31 March 2015 to approximately HK\$29.2 million for the Review Period, the decrease in profits attributable to owners of the Company was mainly due to the non-recurring listing expenses of approximately HK\$12.0 million (2015: HK\$3.8 million) incurred during the Review Period. Excluding the aforementioned non-recurring expenses, our Group's profits attributable to owners of the Company would have been approximately HK\$41.2 million for the Review Period.

Our Group has been relentlessly looking for new businesses, despite the uncertainty the construction industry in Hong Kong is facing, including the drop in amounts of capital works projects due to filibustering in the Legislative Council causing delay in funding approval for public works. During the Review Period, our Group managed to be awarded 14 new contracts with total contract value of approximately HK\$274.0 million.

We envisage demand for foundation works will remain high owing to the housing market driven by property investments and a growing population. I note that the Government intends to increase construction supply and provide a lot of opportunities. According to the 2015-16 Budget Speech, the Government is budgeted to invest approximately HK\$76.3 billion on public infrastructure. We would continue to focus on our core businesses of foundation works and ancillary services and construction wastes handling services in Hong Kong.

The Group entered the FY2017 with good momentum and we remain optimistic for the long term in spite of the increase in the number of competitors in the industry.

On behalf of the Board, I wish to take this opportunity to thank our dedicated employees for their continued loyalty, diligence and contributions throughout the year. I would also like to express my sincere gratitude to our shareholders, business partners, customers, suppliers and subcontractors for their continued support to our Group.

Ip Ying Chau

Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's major sources of revenue were from foundation works and ancillary services and construction wastes handling services in Hong Kong.

The Company's shares (the "Shares") were successfully listed on the Stock Exchange on 2 September 2015 when 286,000,000 new Shares had been offered for subscription and 286,000,000 Shares for sale, at an offer price of HK\$0.25 per Share.

Foundation Works and Ancillary Services

The foundation works of the Group mainly included site formation works, excavation and lateral support ("ELS") works, piling construction, pile caps or footing construction and reinforced concrete structure works and ancillary services mainly included hoarding and demolition works and lease of machinery.

During the Review Period, revenue from this segment amounted to approximately HK\$332.1 million, approximately HK\$88.3 million more than that for the year ended 31 March 2015. Such growth was mainly attributable to the commencement of the newly awarded projects in Ma On Shan, Kwun Tong and Aberdeen. During the Review Period, such projects contributed significantly to the growth of the Group's revenue in this segment and recorded revenue of approximately HK\$68.2 million.

Gross profit of this segment during the Review Period was approximately HK\$61.4 million, increased approximately 4.3% as compared with approximately that of HK\$58.9 million for the year ended 31 March 2015. Such increase was mainly due to the commencement of the newly awarded projects in Ma On Shan, Kwun Tong and Aberdeen. Gross profit margin of this segment for the Review Period was approximately 18.5%, representing a decrease of 5.7 percentage points from approximately that of 24.2% for the year ended 31 March 2015. The decrease was mainly due to various design-and-build foundation and ancillary services projects with higher gross profit margin in North Point, Kwai Chung and Causeway Bay had carried out substantial work in the previous financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Construction Wastes Handling Services

The Group's construction wastes handling services mainly included the management and operation of public fill reception facilities such as public fill banks and temporary construction waste sorting facilities, for construction and demolition materials.

During the Review Period, revenue from this segment amounted to approximately HK\$67.2 million, increased approximately HK\$5.6 million as compared with that of HK\$61.6 million for the year ended 31 March 2015. Gross profit of this segment for the Review Period was approximately HK\$9.0 million, increased approximately 164.1% as compared with that of HK\$3.4 million for the year ended 31 March 2015. Such increase was mainly due to decrease in cost of sales. The decrease in cost of sales was mainly attributable to: (i) the decrease in cost of diesel fuel for transportation as a result of decreased average purchase price of diesel fuel; (ii) the decrease in the machinery rental cost after the addition of machinery and motor vehicles; and (iii) the decrease in the usage of parts and consumables for machinery and motor vehicles after the replacement of old ones. Gross profit margin of this segment for the Review Period was approximately 13.4%, representing an increase of 7.9 percentage points from approximately 5.5% for the year ended 31 March 2015. Such increase was mainly due to the decrease in cost of sales as mentioned above.

New Projects Awarded

During the Review Period, the Group had been awarded 14 new contracts with total contract value of approximately HK\$274.0 million. Details of the new projects were as follows:

Type of Projects	Site Location	Type of Works
Foundation Works and Ancillary Services	Southern district	Foundation works
Foundation Works and Ancillary Services	Eastern district	Bored piles construction works
Foundation Works and Ancillary Services	Yau Tsim Mong district	Disposal of excavated materials
Foundation Works and Ancillary Services	Sai Kung district	Hoarding, pipe pile and king post works
Foundation Works and Ancillary Services	Tsuen Wan district	Hoarding and demolition works
Foundation Works and Ancillary Services	Kowloon City district	Piling foundation works and ancillary works
Foundation Works and Ancillary Services	Yuen Long district	Site formation, ELS and concrete footing construction
Foundation Works and Ancillary Services	Wan Chai district	Hoarding and demolition works
Foundation Works and Ancillary Services	Southern district	Piling foundation works and ancillary works
Foundation Works and Ancillary Services	Kowloon City district	Site formation works
Foundation Works and Ancillary Services	Southern district	Ground investigation related works
Foundation Works and Ancillary Services	Eastern district	Hoarding, foundation and ELS works
Foundation Works and Ancillary Services	Sha Tin district	Hoarding, foundation and ELS works
Foundation Works and Ancillary Services	Kwun Tong district	ELS works

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Projects in Progress

As at 31 March 2016, the Group had 18 projects in progress with total contract value amounted to approximately HK\$650.3 million. Details of projects in progress were as follows:

Type of Projects	Site Location	Type of Works
Foundation Works and Ancillary Services	Southern district	Foundation works
Foundation Works and Ancillary Services	Eastern district	Bored piles construction works
Foundation Works and Ancillary Services	Yau Tsim Mong district	Disposal of excavated materials
Foundation Works and Ancillary Services	Sai Kung district	Hoarding, pipe pile and king post works
Foundation Works and Ancillary Services	Tsuen Wan district	Hoarding and demolition works
Foundation Works and Ancillary Services	Kowloon City district	Piling foundation works and ancillary works
Foundation Works and Ancillary Services	Yuen Long district	Site formation, ELS and concrete footing construction
Foundation Works and Ancillary Services	Wan Chai district	Hoarding and demolition works
Foundation Works and Ancillary Services	Southern district	Piling foundation works and ancillary works
Foundation Works and Ancillary Services	Eastern district	Hoarding, foundation and ELS works
Foundation Works and Ancillary Services	Sha Tin district	Hoarding, foundation and ELS works
Foundation Works and Ancillary Services	Kwun Tong district	ELS works
Foundation Works and Ancillary Services	Kwai Tsing district	Reinforced concrete structure works
Foundation Works and Ancillary Services	Sha Tin district	Site formation and ELS works
Foundation Works and Ancillary Services	Yau Tsim Mong district	ELS and piling works
Foundation Works and Ancillary Services	Yau Tsim Mong district	ELS and piling and structure works
Foundation Works and Ancillary Services	Yau Tsim Mong district	Earthwork
Construction Wastes Handling	Tseung Kwan O Area 137 and Tuen Mun Area 38	Operation of temporary construction waste sorting facilities

Completed Projects

During the Review Period, the Group completed 11 projects. Details of completed projects were as follows:

Type of Projects	Site Location	Type of Works
Foundation Works and Ancillary Services	Kowloon City district	Site formation works
Foundation Works and Ancillary Services	Southern district	Ground investigation related works
Foundation Works and Ancillary Services	Kowloon City district	Sheet piling works
Foundation Works and Ancillary Services	Tai Po district	Removal and disposal of existing filled materials
Foundation Works and Ancillary Services	Southern district	Foundations, ELS and pile caps works
Foundation Works and Ancillary Services	Sha Tin district	Site formation works
Foundation Works and Ancillary Services	Sha Tin district	Foundation works
Foundation Works and Ancillary Services	Eastern district	Foundation, ELS and pile cap works
Foundation Works and Ancillary Services	Eastern district	Site formation and foundation works
Foundation Works and Ancillary Services	Kwai Tsing district	Site formation and ELS works
Foundation Works and Ancillary Services	Wan Chai district	Foundation works

FINANCIAL REVIEW

Revenue

Revenue increased significantly by approximately 30.8% from approximately HK\$305.3 million for the year ended 31 March 2015 to approximately HK\$399.3 million for the Review Period. The growth is mainly due to the commencement of the newly awarded projects in Ma On Shan, Kwun Tong and Aberdeen during the Review Period.

Gross profit and gross profit margin

Gross profit increased by approximately 13.0% from approximately HK\$62.3 million for the year ended 31 March 2015 to approximately HK\$70.4 million for the Review Period. The increase in gross profit was mainly due to the increase in business activities of the commencement of the newly awarded projects mentioned above. Gross profit margin for the Review Period was approximately 17.6%, representing a decrease of 2.8 percentage points from approximately 20.4% for the year ended 31 March 2015. The decrease was mainly due to the lower gross profit margin achieved for the foundation works and ancillary services segment as a result of the carrying out of substantial works for projects located in North Point, Kwai Chung and Causeway Bay, which have a higher gross profit margin, during the year ended 31 March 2015.

Other income and net gains

Other income and net gains mainly consisted of interest income, gain or loss on the disposal of property, plant and equipment and government grants. During the Review Period, other income and net gains amounted to approximately HK\$0.9 million (2015: HK\$6.2 million).

Administrative and other operating expenses

The administrative and other operating expenses of the Group for the Review Period amounted to approximately HK\$32.6 million, representing an increase of approximately 83.7% compared with approximately HK\$17.7 million for the year ended 31 March 2015. Such increase was mainly due to the one-off listing expenses incurred of approximately HK\$12.0 million (2015: HK\$3.8 million), increase in staff costs and charity donation during the Review Period.

Finance costs

Finance costs decreased by approximately 20.7% from approximately HK\$1.4 million for the year ended 31 March 2015 to approximately HK\$1.1 million for the Review Period, which is mainly due to the decrease in the amount of bank borrowings during the Review Period. Most of the new borrowings drawn during the Review Period was made during the end of the Review Period and as such the said new borrowings did not have a significant impact on finance costs for the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Income tax expense

Income tax expense increased by approximately 7.6% from approximately HK\$7.9 million for the year ended 31 March 2015 to approximately HK\$8.5 million for the Review Period. Such increase was due to the one-off listing expenses which was not tax deductible.

Profit for the year

The Group recorded a net profit of approximately HK\$29.2 million for the Review Period, representing a decrease of approximately 29.8% compared with approximately HK\$41.6 million for the year ended 31 March 2015. The decrease in the profit for the year was mainly due to the increase in administrative and other operating expenses as discussed above.

PROSPECTS

Affordable housing supply is expected to increase because of the continual hyperactive housing market driven by property investments and a growing population. Therefore, demand for foundation works is expected to remain high. According to the 2015 Policy Address, the private sector is expected to produce about 14,600 flats per year in the coming five years, compared with about 11,400 flats per year in the past five years. The demand for commercial buildings is also expected to remain high, given the number of newly registered companies in Hong Kong continues to grow, from about 139,530 units in 2010 to about 167,280 units in 2014. This implies the continual demand for office space and hence foundation works. According to the 2015-16 Budget Speech, the Government is budgeted to invest approximately HK\$76.3 billion on public infrastructure. The investment will cover (i) the proposal of developing a new commercial district between Hong Kong Island and Lantau Island through building an artificial island; and (ii) the feasibility study of the six sites inside the hotel belt near Victoria Harbour and next to the Kai Tak Cruise Terminal. As a result, with the Government's initiative, it is expected the demand for foundation works service will continue to increase in Hong Kong, providing opportunities for the growth of the foundation industry. However, the construction industry becomes more and more competitive due to the increase in the number of competitors. As such, the Group strives to develop its relationship with different customers for exploring future opportunities. The Group would continue to focus on its core businesses on foundation works and ancillary services and construction wastes handling services in Hong Kong. In order to achieve the continuing growth of its core businesses, the Group would reinforce its well-established position in the market via its reputation, expertise and experienced management.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the share offer received by the Company in relation to the Listing were approximately HK\$60.2 million, after deduction of underwriting fees and commissions and expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed “Future plans and use of proceeds” in the Prospectus. Such uses were to acquire machinery and equipment, strengthen the workforce and manpower, repay the outstanding bank borrowings to reduce our finance costs and fund general working capital as follows:

	Planned use of proceeds	Actual use of proceeds from the Listing Date to 31 March 2016
	HK\$'000	HK\$'000
Repayment of the outstanding bank borrowing	8,000	5,583
Acquisition of machinery and equipment	36,500	27,646
Strengthening the workforce and manpower	10,200	4,718
General working capital	5,500	5,500
	60,200	43,447

The Directors are not aware of material change to the planned use of proceeds as at the date of this report. Any net proceeds that were not applied immediately have been placed in the short-term demand deposits with authorised financial institutions or licensed banks in Hong Kong as at the date of this report.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the Listing on the Listing Date.

As at 31 March 2016, the Group had cash and bank balances of approximately HK\$50.3 million (31 March 2015: approximately HK\$22.5 million). The increase was mainly due to the net proceeds received from the Listing. The interest-bearing loans of the Group as at 31 March 2016 was approximately HK\$29.9 million (31 March 2015: approximately HK\$25.7 million).

The gearing ratio is calculated based on the amount of total interest-bearing loans divided by total equity. The gearing ratio of the Group as at 31 March 2016 was approximately 17.9% (as at 31 March 2015: approximately 29.8%). As a result of the increased equity following the Listing, the Group's gearing ratio decreased. The Group did not carry any hedging for its floating borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PLEDGE OF ASSETS

The Group's machinery and equipment with an aggregate net book value of approximately HK\$12.7 million and HK\$13.3 million and motor vehicles with an aggregate net book value of approximately HK\$6.8 million and HK\$9.9 million as at 31 March 2016 and 2015, respectively, were pledged under finance leases.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Review Period.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the Review Period, the Group did not hold any significant investments nor have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures apart from the reorganisation of the Group disclosed in the Prospectus.

CAPITAL COMMITMENTS

The Group had capital commitment amounted to approximately HK\$6.4 million as at 31 March 2016 (31 March 2015: approximately HK\$0.2 million).

CONTINGENT LIABILITIES

Save as disclosed in note 28 to the consolidated financial statements in this report, the Group had no other contingent liabilities as at 31 March 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, the Group employed 236 staff (31 March 2015: 275 staff). Total staff costs including directors' emoluments for the Review Period, amounted to approximately HK\$96.4 million (for the year ended 31 March 2015: approximately HK\$68.6 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group provides adequate job training to the employees to equip them with practical knowledge and skills.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. IP Ying Chau (葉應洲) (“**Mr. Ip**”), aged 45, is the Company’s executive Director, chairman and chief executive officer. Mr. Ip is primarily responsible for overall strategic development, project management and client management of the Group. Mr. Ip is also a director of all the wholly-owned subsidiaries of the Group. Mr. Ip together with Mr. Chan, founded Progressive Foundation on 11 May 2012 and was appointed as director of Bright Access on 17 November 2014. Mr. Ip obtained a Bachelor of Engineering degree from the University of Hong Kong in January 1995 and a Master of Science degree in Engineering from the University of Hong Kong in December 1998. Mr. Ip has accumulated about 19 years of experience in the foundation works industry. Prior to joining Bright Access and co-founding Progressive Foundation, Mr. Ip was a graduate engineer at Ove Arup and Partners Hong Kong Limited from August 1994 to August 1998, an assistant geotechnical engineer at Mass Transit Railway Corporation Limited (stock code: 66) from August 1998 to March 2001 and a project manager at Konwall Construction and Engineering Company Limited and W.M. Construction Limited from April 2001 to February 2005 and from September 2006 to March 2012, respectively. Mr. Ip is the spouse of Ms. Tung Ah Pui Athena.

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

Mr. CHAN Wing Chung (陳永忠) (“**Mr. Chan**”), aged 51, is the Company’s executive Director and vice chairman. Mr. Chan is primarily responsible for overall strategic development, project management and client management of the Group. Mr. Chan is also a director of all the wholly-owned subsidiaries of the Group except for Win Target. Mr. Chan joined Chung Shun and Bright Access as a director on 4 February 2004 and 28 November 2008, respectively, and together with Mr. Ip Ying Chau, founded Progressive Foundation on 11 May 2012. He has over 20 years of experience in the foundation works industry. Mr. Chan attended secondary school education in Hong Kong. Mr. Chan was a director of Ace Team Development Limited which was incorporated in Hong Kong and was dissolved by means of striking off on 29 January 2010 pursuant to section 291 of the Predecessor Companies Ordinance. Mr. Chan confirmed that the said company was solvent and inactive at the time of being struck off and that its dissolution had not resulted in any liability or obligation imposed against him.

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

Ms. TUNG Ah Pui Athena (董亞蓓) (“**Ms. Tung**”), aged 45, is the Company’s executive Director. Ms. Tung is responsible for general management, as well as the daily operations of the Group including human resources management, strategic planning and business development of the Group, developing and implementing business plans and budgets and their periodical review and establishing and monitoring the compliance with company policies and procedures. Ms. Tung possesses over 10 years of project management experience in various industries. Between March 2006 and June 2010, Ms. Tung was the order management manager at Bayer MaterialScience Limited. She was employed as the portfolio lead in the department of information management at Cathay Pacific Airways Limited from October 2010 to January 2012. From January 2012 to September 2014, she was employed by Standard Chartered Bank (HK) Limited and her last designation was director of channel management department. Ms. Tung obtained a Bachelor of Arts degree from The Chinese University of Hong Kong in December 1995 and a Professional Diploma in Six Sigma (Black Belt) for Service Industries from the School of Continuing and Professional Studies at The Chinese University of Hong Kong in June 2010. Ms. Tung is the spouse of Mr. Ip.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. CHAN Chiang Kan (陳獎勤) (“**Mr. Chan C.K.**”), aged 45, is the Company’s executive Director. Mr. Chan C.K. is responsible for assisting the Company’s chief executive officer in project management. He has over 16 years of experience in the foundation work industry. Prior to joining the Group, Mr. Chan C.K. worked for Maunsell Geotechnical Services Limited (“Maunsell”) from November 1995 to June 2000 as assistant engineer. He later rejoined Maunsell again in February 2001 and worked until April 2007 with last position held as geotechnical engineer. From July 2009 to August 2012, he was employed as an engineer at Ove Arup and Partners Hong Kong Limited. Mr. Chan C.K. was seconded to Win Win Way Construction Company Limited as a senior project manager from August 2012 to February 2013 when he joined the Group as a project manager in August 2012. Mr. Chan C.K. obtained a Bachelor of Engineering from The Hong Kong Polytechnic University in October 1995 and a Master of Science degree in Engineering from the University of Hong Kong in December 2006. Mr. Chan C.K. is a member of the Hong Kong Institution Engineers and the Institution of Civil Engineers. Mr. Chan C.K. is also a registered professional engineer (civil).

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

Mr. MUI Wai Sum (梅偉琛) (“**Mr. Mui**”), aged 28, is the Company’s executive Director. Mr. Mui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Mui holds a Bachelor of Business Administration Degree with major in General Finance from the Chinese University of Hong Kong. Mr. Mui had worked in Corporate Restructuring Services for an international accounting firm. He has extensive experience in corporate finance, corporate restructuring and securities investment. Mr. Mui currently serves as an executive director of Sunrise (China) Technology Group Limited (stock code: 8226) and Sau San Tong Holdings Limited (stock code: 8200), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

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

Independent non-executive Directors

Mr. CHEUNG Kwok Yan Wilfred (張國仁) (“**Mr. Cheung**”), aged 37, was appointed as an independent non-executive Director on 12 August 2015. Mr. Cheung graduated from the University of Buckingham in the United Kingdom with a Bachelor of Science (Economics) in accounting and financial management in February 2005. Mr. Cheung is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Directors. Mr. Cheung joined Moores Rowland Mazars CPA Limited in September 2005 as associate and later transferred his employment under Mazars CPA Limited after the reorganisation of Moores Rowland Mazars in June 2007. Mr. Cheung left Mazars CPA Limited in October 2007 and joined Grant Thornton as senior accountant in its China practice division until December 2008. Mr. Cheung then moved to the United Kingdom and worked for the Royal Bank of Canada Europe Limited as accounts preparer in its CEES UK Department from March 2009 to January 2010. Mr. Cheung then returned to Hong Kong and was employed by Harmonic Strait Financial Holdings Limited (formerly known as Rainbow Brothers Holdings Limited) (Stock code: 33), the issued shares of which is listed on the Main Board of the Stock Exchange, from February 2010 to August 2010 as senior associate in corporate finance. Mr. Cheung later joined Mega International Food Limited as its financial controller in September 2010 and was appointed as general manager of its fellow subsidiary, Poly Shining Limited, Mr. Cheung left the group in March 2013. From August 2013 onwards, Mr. Cheung sits at the head of finance and is the Finance Director of The Gate Worldwide Limited, an international advertising agency.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. Cheung was an independent non-executive director of Chun Sing Engineering Holdings Limited (stock code: 2277) between December 2014 and June 2016, whose securities are listed on the Main Board of the Stock Exchange.

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

Mr. FENG Zhidong (馮志東) (“**Mr. Feng**”), aged 42, was appointed as an independent non-executive Director on 12 August 2015. Mr. Feng graduated from the School of Business of Renmin University of China with his major study in international accounting in July 1995 and obtained the Master Degree of Business Administration in South China University of Technology in February 2004. He obtained the qualification of Chinese Accountant in May 1995. Mr. Feng is a member of Hong Kong Securities and Investment Institute and Hong Kong Investor Relations Association. Mr. Feng is also the Deputy General Manager of the Capital Department of Yue Xiu Enterprises (Holdings) Limited (“Yuexiu Group”) since December 2009 and the general manager of the Investor Relations Department of a group company of Yuexiu Property Company Limited (stock code: 123) since April 2012. Mr. Feng is familiar with the operations of capital markets of listed companies and has participated in major capital operation projects of the Yuexiu Group since 2007. He also has practical experience in financial management, capital operations and managing investor relations.

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

Mr. HO Ho Ming (何昊銘) (former name: **HO Wing Hang** (何榮亨)) (“**Mr. Ho**”), aged 44, was appointed as an independent non-executive Director on 12 August 2015. Mr. Ho is currently an adjunct professor of the Department of Real Estate and Construction at the University of Hong Kong. In addition, Mr. Ho is an honorary associate of the Asia-Pacific Institute of Business of The Chinese University of Hong Kong and an external advisory member of the Departmental Advisory Committee on Applied Mathematics at The Hong Kong Polytechnic University. Mr. Ho has about 16 years of experience in the field of investment banking and credit rating. From April 1996 to September 1997, he was employed as an analyst by Credit Suisse First Boston (Hong Kong) Limited. From September 1997 to September 1998, he was employed as an analyst by Merrill Lynch (Asia Pacific) Limited. From December 1999 to February 2002, he was employed as an Associate by Bear Sterns Asia Limited. From April 2003 to October 2013, he was employed by Fitch (Hong Kong) Limited and his position was senior director, structured finance at the time of his departure. From October 2013 to September 2014, he was employed as chief analyst by Universal Credit Rating Group. Mr. Ho graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration in Information and Systems Management in November 1996. He also obtained a Master of Business Administration degree from the University of Cambridge, the United Kingdom in May 2000.

Mr. Ho is currently an independent non-executive director of KSL Holdings Limited (stock code: 8170), Wan Kei Group Holdings Limited (stock code: 1718) and Kwan On Holdings Limited (stock code: 8305), the issued shares of which are listed on the Stock Exchange.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

SENIOR MANAGEMENT

Mr. KWAN Chung Shing (關仲誠先生), aged 51, is the head of site operation of the Group. Mr. Kwan joined the Group on 1 April 2006. Mr. Kwan has over 30 years of experience in the construction industry. Mr. Kwan is responsible for overseeing the site operations, as well as quality control of the Group's projects. Prior to joining the Group, he was employed as a land surveyor at Gammon Construction Company Limited and Paul Y. Construction Company Limited from June 1983 to November 1987 and from December 1987 to December 1989, respectively, and a project manager at Chung Shun Heavy Machine from December 1989 to March 2006. He attended secondary school education in Hong Kong.

Ms. FONG Yeuk Lan (方若蘭女士), aged 37, is the head of the quantity surveying department and a senior quantity surveying manager of the Group. Ms. Fong joined the Group on 1 June 2002. She has over 12 years of experience in quantity surveying. Ms. Fong is responsible for overseeing quantity surveying activities including cost control. Prior to joining the Group, she was employed as an assistant quantity surveyor at China State Construction & Engineering Corporation from September 2001 to May 2002. Ms. Fong obtained a Bachelor of Engineering in Building Engineering (Construction Engineering and Management) from the City University of Hong Kong in February 2010.

COMPANY SECRETARY

Ms. SO Hau Kit (蘇巧潔女士), aged 38, was appointed as the company secretary of the Company on 12 August 2015. Ms. So is a director of Wonder World Corporate Services Limited with over 9 years of experience in company secretarial services and commercial solutions. Ms. So is an associate member of The Hong Kong Institute of Chartered Secretaries since October 2011 and also an associate member of The Institute of Chartered Secretaries and Administrators since August 2011. She obtained a degree of Master of Corporate Governance in June 2011 and a Bachelor of Business Administration in December 2008 from The Open University, Hong Kong. Ms. So is also the company secretary of King Force Security Holdings Limited (stock code: 8315), a company listed on the Growth Enterprise Market of the Stock Exchange and is principally engaged in provision of security guarding services and Yat Sing Holdings Limited (stock code: 3708), a company listed on the Main Board of the Stock Exchange and is principally engaged in building maintenance and renovation services. During the three years immediately preceding the Latest Practicable Date, Ms. So has not been a director of a public company the securities of which are listed on any securities market in Hong Kong.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding a high standard of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company from the Listing Date.

CORPORATE GOVERNANCE CODE

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out Appendix 14 (the "CG Code") to the Listing Rules from the Listing Date up to the date of this report, save for the deviation from code deviation from A.2.1 which is explained below. The Company periodically reviews its corporate governance practices to ensure that they continue to meet the requirements of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should not be performed by the same individual.

Mr. Ip Ying Chau is the Chairman and the chief executive officer of the Company. With his extensive experience in the industry, the Board believes that vesting the roles of both Chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Ip Ying Chau performs both the roles of Chairman and chief executive officer, the division of responsibilities between the Chairman and chief executive officer is clearly established. The two roles are performed by Mr. Ip Ying Chau distinctly. The Company considers that it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules. In response to a specific enquiry by the Company, all Directors have confirmed that they complied with the requirements of the Model Code since the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE REPORT (continued)

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;
2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director shall receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors will be continuously updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

During the Review Period and up to the date of this annual report, all Directors, namely Mr. Ip Ying Chau, Mr. Chan Wing Chung, Ms. Tung Ah Pui Athena, Mr. Chan Chiang Kan, Mr. Mui Wai Sum, Mr. Cheung Kwok Yan Wilfred, Mr. Feng Zhidong and Mr. Ho Ho Ming, have participated in continuous professional training to develop and refresh their knowledge and skills in relation to their contribution to the Board.

CORPORATE GOVERNANCE REPORT (continued)

The training each Director received during the Review Period is summarised as below:

Name of Directors	Reading materials regarding regulatory update and corporate governance matters	Attending seminars/in-house workshops relevant to the Company's business, Listing Rules compliance and risk management
Executive Directors		
Mr. Ip Ying Chau	√	√
Mr. Chan Wing Chung	√	√
Ms. Tung Ah Pui Athena	√	√
Mr. Chan Chiang Kan	√	√
Mr. Mui Wai Sum	√	√
Independent non-executive Directors		
Mr. Cheung Kwok Yan Wilfred	√	√
Mr. Feng Zhidong	√	√
Mr. Ho Ho Ming	√	√

THE BOARD

Role and function

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Composition

As at the date of this annual report, the Board currently comprises eight members, consisting of five executive Directors and three independent non-executive Directors.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

CORPORATE GOVERNANCE REPORT (continued)

The Board comprises the following Directors:

Executive Directors

Mr. Ip Ying Chau (*Chairman and chief executive officer*)

Mr. Chan Wing Chung

Ms. Tung Ah Pui Athena

Mr. Chan Chiang Kan

Mr. Mui Wai Sum (Appointed on 29 April 2016)

Independent Non-executive Directors

Mr. Cheung Kwok Yan Wilfred

Mr. Feng Zhidong

Mr. Ho Ho Ming

Biographical details of the Directors and senior management of the Company are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 11 to 14 of this annual report.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of our Group. In designing the Board’s composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

Board Meetings

The Board has four scheduled meetings a year. Additional meetings would be arranged if and when required.

CORPORATE GOVERNANCE REPORT (continued)

The company secretary of the Company (the “Company Secretary”) assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days’ notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at a reasonable time before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings. Drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board’s and Board committees’ meetings are kept by the Company Secretary and are open for inspection by any Director or committee member.

If a substantial shareholder of the Company or a Director has a conflict of interest in a matter (including material transactions with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of resolution.

Attendance records

From the Listing date up to 31 March 2016, a total of 2 Board meetings and no general meeting were held and the attendance records are as follows:

Name of Director	Meetings attended/ Number of general meetings attended	Meetings attended/ Number of Board meetings
Executive Directors		
Mr. Ip Ying Chau	–	2
Mr. Chan Wing Chung	–	2
Ms. Tung Ah Pui Athena	–	2
Mr. Chan Chiang Kan	–	2
Mr. Mui Wai Sum (Appointed on 29 April 2016)	–	–
Independent non-executive Directors		
Mr. Cheung Kwok Yan Wilfred	–	2
Mr. Feng Zhidong	–	2
Mr. Ho Ho Ming	–	2

CORPORATE GOVERNANCE REPORT (continued)

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointments and re-election of Directors

Directors can be nominated by members of the Board during the year to fill casual vacancies or as an addition to existing Board. The Nomination Committee, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointments of new Directors. The Nomination Committee then nominates the most suitable candidate to be appointed to the Board.

According to the articles of association of the Company (the "Articles of Association"), any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director is appointed for a specific term and is subject to retirement by rotation at least once every three years.

In accordance with Article 108(a) of the Articles of Association of the Company, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Chan Wing Chung, Ms. Tung Ah Pui Athena and Mr. Chan Chiang Kan will retire from office as Directors at the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer themselves for re-election.

Mr. Mui Wai Sum was appointed as an executive Director by the Board with effect from 29 April 2016. Mr. Mui Wai Sum, being eligible, offers himself for re-election at the AGM pursuant to article 112 of the Articles.

Chairman and Chief Executive

Mr. Ip Ying Chau serves as the Chairman and executive Director, as well as the chief executive officer of the Company. He is responsible for formulating corporate and business strategies and making major operational decisions. With the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

INDEPENDENT NON-EXECUTIVE DIRECTORS

From the Listing Date, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, the number of which must represent at least

CORPORATE GOVERNANCE REPORT (continued)

one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise.

The independent non-executive Directors are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the independent non-executive Directors brings his own relevant expertise to the Board and its deliberations. None of the independent non-executive Directors has any business or financial interests with the Group nor has any relationship with other Directors.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 37 of this annual report.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Mr. Ip (chairman of the Nomination Committee), Mr. Ho and Mr. Feng, the majority of them are independent non-executive Directors. The principal duties of the Nomination Committee include, among other things:

- review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independence of independent non-executive Directors;
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and
- conform to any requirement, direction, and regulation that may from time to time be contained in the memorandum and articles of association of the Company or imposed by the Listing Rules or applicable law.

From the Listing date up to the date of 31 March 2016, no meeting of the Nomination Committee was held. However, subsequent to the Review Period and up to the date of this annual report, two meetings of the Nomination Committee were held to review the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, assess the independence of INEDs and make recommendations to the Board on the appointment of a Director and the proposal of re-appointment of Directors at the forthcoming AGM.

Nomination Committee

Meetings attended/Eligible to attend

Mr. Ip Ying Chau (<i>Chairman</i>)	2/2
Mr. Ho Ho Ming	2/2
Mr. Feng Zhidong	2/2

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Feng (the chairman of the Remuneration Committee), Mr. Ip and Mr. Ho, the majority of the Remuneration Committee are the independent non-executive Directors which complied with rule 3.25 of the Listing Rules. The principal duties of the Remuneration Committee include, among other things:

- consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;
- make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- make recommendations to the Board on the remuneration of non-executive Directors;
- consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
- review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
- ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
- conform to any requirement, direction, and regulation that may from time to time be contained in the memorandum and articles of association of the Company or imposed by the Listing Rules or applicable law.

The Remuneration Committee may consult the Chairman about their proposals relating to the remuneration of other executive Directors. The Remuneration Committee takes into consideration industry practices and norms in compensation, in addition to the performance relative to the industry and the performance of the individual Directors. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

From the Listing date up to the date of 31 March 2016, no meeting of the Remuneration Committee was held. However, subsequent to the Review Period and up to the date of this annual report, two meetings of the Remuneration Committee were held for:

1. determining the policy for the remuneration of executive Directors;

CORPORATE GOVERNANCE REPORT (continued)

2. assessing performance of executive Directors; and
3. approving the terms of an executive Director's Service Contract.

Remuneration Committee

Meetings attended/Eligible to attend

Mr. Feng Zhidong (<i>Chairman</i>)	2/2
Mr. Ip Ying Chau	2/2
Mr. Ho Ho Ming	2/2

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the requirements of among Listing Rules with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee is to serve as a focal point for communication among other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits. The Audit Committee comprises three independent non-executive Directors, namely Mr. Cheung (chairman), Mr. Feng and Mr. Ho. The primary duties of the Audit Committee include:

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on engaging an external auditors to supply non-audit services;
- to monitor the integrity of financial statements and the annual report and accounts and half-year report, and to review significant financial reporting judgments contained in them;
- to discuss the internal control system with management of our Group to ensure that the management of our Group has performed its duty to have an effective internal control system; and
- to develop and review our Group's policies and practices on corporate governance and make recommendations to the Board and monitor our Group's policies and practices on compliance with legal and regulatory requirements.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

During the Review Period, the Board had no disagreement with the Audit Committee's view on the re-appointment of the external auditors. The financial statements for the Review Period have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE REPORT (continued)

During the Review Period, the Audit Committee held one meeting to review the interim financial results of the Group for the six months ended 30 September 2015. Subsequent to the end of the Review Period and up to the date of this annual report, a meeting of the Audit Committee was held to review the Group's financial result for the Review Period for submission to the Board for approval, review the internal control and risk management systems of the Group, oversee the audit process and make recommendation on the re-appointment of the external auditors.

The attendance records of each member of the Audit Committee are set out below:

Audit Committee	Meetings attended/Eligible to attend
Mr. Cheung Kwok Yan Wilfred (<i>Chairman</i>)	2/2
Mr. Feng Zhidong	2/2
Mr. Ho Ho Ming	2/2

AUDITORS' REMUNERATION

The statement of the external auditors of the Company about its reporting responsibilities for consolidated financial statements is set out in the "Independent Auditors' Report" on page 37.

Annual audit fees of the financial statements of the Group for the Review Period payable to the external auditors were approximately HK\$880,000 (for the year ended 31 March 2015: HK\$300,000). In addition, approximately HK\$2,530,000 (for the year ended 31 March 2015: HK\$nil) was incurred for non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is of the opinion that sound internal control and risk management systems will contribute to the effectiveness and efficiency of the operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Company improves its business and operational activities by identifying the areas of significant business risks via a regular review and taking appropriate measures to control and mitigate these risks. The management of the Company reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee annually.

Although the Group does not have an internal audit function, the Group is committed to maintaining and upholding good corporate governance practice and internal control system. The Group has engaged, CT Partners Consultants Limited to review the effectiveness of the Group's internal control system and the results were summarised and reported to the Audit Committee and the Board.

The Board has reviewed the effectiveness of the risk management and internal control systems and considers the risk management and internal control systems effective and adequate.

COMPANY SECRETARY

The Company has engaged Ms. So Hau Kit as the company secretary. In compliance with rule 3.29 of the Listing Rules, Ms. So Hau Kit has undertaken no less than 15 hours of relevant professional training during the Review Period.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

To promote effective communication, the Company maintains the website at www.leapholdings.hk, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and press releases are updated on the Company's website in a timely fashion.

The 2016 annual general meeting (the "AGM") of the Company will be held on Friday, 9 September 2016. The notice of the AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

Pursuant to the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Procedures for putting forward proposals at shareholders' meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group at shareholders' meeting. Proposals shall be sent to the Board or the company secretary by written requisition to the company secretary at the Company's principal place of business in Hong Kong at Units 2701-02, 27th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong.

Shareholders' enquiries

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at Units 2701-02, 27th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong.

CONSTITUTIONAL DOCUMENTS

Save for the adoption of the amended and restated Memorandum and Articles of Association of the Company for the purpose of the Listing, there are no changes in the Company's constitutional documents during the Review Period.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in provision of foundation works and ancillary services and construction wastes handling. There were no significant changes in the nature of the Group's principal activities during the Review Period.

BUSINESS REVIEW

The business review and outlook of the Group for the Review Period are set out in the section headed "Management Discussion and Analysis" on pages 4 to 10 of this annual report.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2015.

The Company completed the corporate reorganisation (the "Reorganisation") on 23 July 2015 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group.

Details of the Reorganisation are set out in the section headed "History, Development and Group Structure – Our Principal Operating Subsidiaries – Corporate Reorganisation" in the Prospectus. The Shares were listed on the Stock Exchange on 2 September 2015 by way of share offer.

RESULTS AND APPROPRIATIONS

The results of the Group for the Review Period are set out in the consolidated statement of profit and loss.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group:

The Group has a concentrated customer base and any decrease in the number of projects with the Group's top five customers would adversely affect the Group's operations and financial results

A significant portion of the Group's revenue was derived from a small number of customers during the two financial years ended 31 March 2016. The Group's top five customers' revenue contribution for the Review Period was approximately 74.7% (2015: 86.8%) of our revenue, while the Group's largest customer accounted for approximately 18.1% (2015: 39.7%) of our revenue. The Group did not enter into any long-term service agreement or master service agreement with its customers. Furthermore, the Group's service contracts for all foundation works and ancillary services projects and construction wastes handling projects are on a project-by-project basis. As

such, there is no assurance that the Group will be able to retain its customers upon expiry of the contract period or that they will maintain their current level of business with the Group in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded by the Group's top five customers to the Group for whatever reasons, and if the Group is unable to obtain suitable projects of a comparable size and quantity as replacement, the Group's financial conditions and operating results would be materially and adversely affected. Besides, if any of the Group's top five customers experiences any liquidity problem, it may result in delay or default in settling progress payments to the Group, which in turn will have an adverse impact on its cash flows and financial conditions. The Group cannot guarantee that it will be able to diversify its customer base by obtaining significant number of new projects from its existing and potential customers.

The Group determines the price of its tender or quotation based on the estimated time and costs to be involved in a project, yet the actual time and costs incurred may deviate from the Group's estimate due to unexpected circumstances, thereby adversely affecting its operations and financial results

The Group determines the price of tender or quotation based on its cost estimate plus a certain mark-up margin. The actual time and costs incurred by the Group, however, may be adversely affected by various factors, including (i) the specifications, underground conditions and difficulties of the potential project; (ii) the duration of the potential project; (iii) the site location and the conditions and adjacent risk of building structures nearby; (iv) the resource availability; and (v) our previous experience with the customer. Significant changes in any of these or other relevant factors may lead to delay in completion or costs overrun by the Group, and there is no assurance that the actual time and costs incurred by the Group would match its initial estimate. Such delays, cost overruns or mismatch of actual time and costs with the Group's estimates may cause its profitability to be lower than what the Group expected or may expose it to litigation or claims from customers in case of delays. The Group normally sets an extra mark-up margin on top of its estimated costs to cater to the possible unfavourable factors above, yet too high a margin may render the Group's tender or quotation uncompetitive. There is no assurance that the Group will always be able to price its tender or quotation competitively, and if the Group fails to do so, its customers may opt for the Group's competitors, thereby resulting in a decrease in the number of projects awarded to the Group. Even if such a mark-up margin is accepted and agreed by the Group's customer, there can be no assurance that the Group can be fully compensated for the occurrence of the unfavourable factors above. This would adversely affect the Group's operations and financial results. Meanwhile, if the mark-up margin set by the Group is too low, the gross profits may not be able to cover other potential loss arising from any unfavourable circumstances during project implementation. The Group's profitability in the project would hence be adversely and materially affected.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Review Period are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

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

DIRECTORS' REPORT (continued)

RESERVES

Details of movements in the reserves of the Group during the Review Period are set out in the consolidated statement of changes in equity.

As at 31 March 2016, the Company has reserves amounted to approximately HK\$129,939,000 available for distribution.

DIRECTORS

The Directors who held office during the Review Period and up to the date of this annual report were:

Executive Directors

Mr. Ip Ying Chau (*Chairman*)
Mr. Chan Wing Chung
Ms. Tung Ah Pui Athena
Mr. Chan Chiang Kan
Mr. Mui Wai Sum (Appointed on 29 April 2016)

Independent Non-executive Directors

Mr. Cheung Kwok Yan Wilfred
Mr. Feng Zhidong
Mr. Ho Ho Ming

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of commencing from the Listing Date and ending on the date of the 2017 annual general meeting of the Company, unless terminated by not less than six months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term commencing from the Listing Date and ending on the date of the 2016 annual general meeting of the Company, unless terminated by not less than six months' notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2016.

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

As at 31 March 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code, notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares Held/Interested	Percentage of Interest
Chan Wing Chung	Interest of a controlled corporation (Note 1)	1,716,000,000	75%
Ip Ying Chau	Interest of a controlled corporation (Note 1)	1,716,000,000	75%
Tung Ah Pui Athena	Interest of spouse (Note 2)	1,716,000,000	75%

Notes:

1. These shares are held by Grand Jade Group Limited ("Grand Jade"), the entire issued share capital of which is owned as to 50% by Mr. Chan Wing Chung and 50% by Mr. Ip Ying Chau. Therefore, each of Mr. Chan Wing Chung and Mr. Ip Ying Chau is deemed, or taken to be, interested in all Shares held by Grand Jade for the purpose of the SFO.
2. Ms. Tung Ah Pui Athena is the spouse of Mr. Ip Ying Chau. Accordingly, Ms. Tung Ah Pui Athena is deemed, or taken to be, interested in the Shares which Mr. Ip Ying Chau is interested in for the purpose of the SFO.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of Associated Corporation	Capacity/Nature	Number of Shares Held/Interested	Percentage of Interest
Chan Wing Chung	Grand Jade	Beneficial owner	1	50%
Ip Ying Chau	Grand Jade	Beneficial owner	1	50%
Tung Ah Pui Athena	Grand Jade	Beneficial owner	1	50%

DIRECTORS' REPORT (continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

<u>Name of Director</u>	<u>Capacity/Nature</u>	<u>Number of Shares Held/Interested</u>	<u>Percentage of Interest</u>
Grand Jade	Beneficial owner	1,716,000,000	75%
Chan Lai Ting	Interest of spouse (Note)	1,716,000,000	75%

Note:

Ms. Chan Lai Ting is cohabiting with Mr. Chan Wing Chung as spouse. Accordingly, Ms. Chan Lai Ting is deemed, or taken to be, interested in the Shares which Mr. Chan Wing Chung is interested in for the purpose of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Review Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' AND CONTROLLING, SHAREHOLDERS INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance, to which the Company any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted as at 31 March 2016 or any time during the Review Period, nor was there any other transaction, arrangement or contract of significance in relation to the Group's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, every Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors currently in force.

MAJOR CUSTOMERS AND SUPPLIERS

For the Review Period, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 4.9% and 22.2% respectively of the Group's total purchases for the Review Period. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 18.1% and 74.7% respectively of the Group's total revenue for the year.

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees

The Group recognises employees as its valuable assets. The Group provides competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve the Group. The Group has also adopted an annual review system to assess the performance of its staff, which forms the basis of the Group's decisions with respect to salary raises and promotions.

Customers

A majority of the Group's five largest customers have long-standing business relationship with the Group for over four years and the Group will therefore endeavor to accommodate their demands for the Group's services to the extent its resources allow in order to capture more opportunities for larger scale projects in the future. The Group's experience as a quality subcontractor in handling foundation works and construction wastes handling projects also give business advantage to the Group's customers to ensure projects are executive in accordance with their quality standard.

Suppliers and subcontractors

The Group encompasses working relationships with suppliers and subcontractors to meet the Group's customers' needs in an effective and efficient manner. The Group has set up an approved list of suppliers and it selects the suppliers from the list based on the quality of materials, timeliness of delivery, previous experience and length of partnership with the supplier, competitiveness of the price offered and reputation of the supplier.

Subject to the Group's capacity, resources level, types of construction works, cost effectiveness and complexity of the projects, the Group may subcontract certain works to other subcontractors. The Group maintains an internal list of approved subcontractors and carefully evaluate the performance of its subcontractors and selects them based on the experience, quality of works, timeliness of completion for past projects, reputation in the industry, past performances, cost and the Group's relationship with them.

DIRECTORS' REPORT (continued)

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed minimum public float under the Listing Rules since the Listing Date up to the date of this report.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries from the Listing Date up to the date of this report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Review Period, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group save as disclosed below.

Name of Director	Name of entity which is considered to compete or likely to compete with the business of the Group	Description of business	Nature of interests
Ho Ho Ming	KSL Holdings Limited	Principally engaged in the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works.	Independent non-executive director
	Wan Kei Group Holdings Limited	Principally engaged in the provision of (i) foundation works; and (ii) ground investigation field works in Hong Kong.	Independent non-executive director
Cheung Kwok Yan Wilfred	Chun Sing Engineering Holdings Limited (Stock Code: 2277)	Principally engaged in the foundation and substructure construction business in Hong Kong	Independent non-executive director (Resigned 10 June 2016)

On 17 August 2015, the Group and each of Mr. Ip Ying Chau, Mr. Chan Wing Chung and Grand Jade (the "Covenantors") has executed a deed of non-competition (the "Deed of Non-competition"), pursuant to which they have irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of each other member of the Group). Details are set out in the section headed "Relationship with our controlling shareholders – Non-Competition Undertaking" in the Prospectus.

Each of the Covenantors declared that they have complied with the Deed of Non-competition. The independent non-executive Directors have conducted such review for the Review Period and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Apart from the reorganisation in relation to the Listing, during the Review Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") with effect from 12 August 2015. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and are summarised in the Prospectus. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company. No options had been granted under the Share Option Scheme during the Review Period. During the period between the Listing Date and the date of this report, no option has been granted, exercised, cancelled or lapsed. As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 228,800,000, representing 10% of the entire issued share capital of the Company. Details of the Share Option Scheme are set out in note 21 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements were entered into for the Review Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of Cayman Islands.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 7 to the consolidated financial statements.

DIRECTORS' REPORT (continued)

DONATIONS

For the Review Period, the Group made charitable and other donations amounting to approximately HK\$1,160,000.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

EMOLUMENT POLICY

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

The Company has adopted share option schemes as incentive to eligible employees, details of the schemes are set out in the section headed "Share Option Schemes".

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Review Period, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules. Details of significant related party transactions undertaken in the usual course of business are set out in note 27 to the consolidated financial statements. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 15 to 25 of this annual report.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the Review Period (2015: Nil).

AUDITORS

HLB Hodgson Impey Cheng Limited has acted as the auditors of the Group for the Review Period. A resolution for their re-appointment as auditors for the coming year will be proposed at the forthcoming annual general meeting. There is no change in auditors since the date of the Listing.

ENVIRONMENTAL POLICIES

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Disposal (Charges for Disposal of Construction Waste) Regulation, Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) and Boilers and Pressure Vessels Ordinance (Chapter 56 of the Laws of Hong Kong).

In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal.

During the year ended 31 March 2016, our Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Review Period, there was no material breach or non-compliance with the applicable laws and regulations that have a significant impact on the Group.

EVENTS AFTER THE REPORTING PERIOD

On 29 April 2016, Mr. Mui Wai Sum was appointed as an executive Director. For details, please refer to the Company's announcement dated 29 April 2016.

On 26 May 2016, the Company issued and allotted a total of 168,000,000 ordinary Shares of HK\$0.01 each to not less than six placees who and whose ultimate beneficial owners are not connected persons of the Company and are third parties independent of, and not connected with, the Company, any Director(s), chief executive(s) or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates at a price of HK\$0.5 per Share, representing a discount of approximately 29.58% to the closing price of HK\$0.71 per share on that day. The Directors are of the view that the placing will strengthen the financial position of the Group to be able to fund any potential development and investment opportunities to be identified by the Company. It can also broaden the shareholders base and the capital base of the Company. The net proceeds of the placing (after deducting all applicable costs and expenses of the placing) was approximately HK\$81 million, representing a net issue price of approximately HK\$0.48 per placing share. As stated in the announcement of the Company dated 13 May 2016, the Company will allocate (i) approximately HK\$16 million out of the net proceeds from the placing of approximately HK\$81 million for general working capital purposes, among which, approximately HK\$8 million will be used for loan repayment and approximately HK\$8 million will be allocated as general working capital; and (ii) the remaining of the net proceeds of approximately HK\$65 million for financing any potential investment opportunities of the Group that may arise from time to time. As at the date of this report, the Group agreed to acquire an office premise as an investment property from an independent third party at a consideration of HK\$10.2 million. The unutilised portion of the net proceeds from the placing is held in cash and cash equivalents and intended that it will be applied in the manner consistent with the proposed allocations. For details, please refer to the Company's announcements dated 10 May 2016, 13 May 2016 and 26 May 2016.

On behalf of the Board

Ip Ying Chau

Chairman and Chief Executive Officer

27 June 2016

INDEPENDENT AUDITORS' REPORT



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

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

TO THE SHAREHOLDERS OF LEAP HOLDINGS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of LEAP Holdings Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 39 to 93, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Jonathan T.S. Lai

Practising Certificate Number: P04165

Hong Kong, 27 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Revenue	5	399,277	305,313
Cost of sales	6	(328,830)	(242,982)
Gross profit		70,447	62,331
Other income and net gains	5	892	6,245
Administrative and other operating expenses	6	(32,562)	(17,722)
Operating profit		38,777	50,854
Finance costs	9	(1,079)	(1,361)
Profit before income tax		37,698	49,493
Income tax expense	10	(8,473)	(7,872)
Profit and total comprehensive income for the year		29,225	41,621
Profit and total comprehensive income attributable to:			
Owners of the Company		29,225	38,499
Non-controlling interests		–	3,122
Profit and total comprehensive income for the year		29,225	41,621
Basic and diluted earnings per share	11	HK cents 1.35	HK cents 1.92

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	62,261	49,982
Current assets			
Trade and other receivables	16	119,105	86,990
Gross amounts due from customers for contract work	17	26,363	6,431
Amounts due from directors	18	–	9,988
Cash and bank balances	19	50,251	22,543
		195,719	125,952
Total assets		257,980	175,934
EQUITY			
Capital and reserves			
Share capital	20	22,880	1
Reserves		143,581	86,176
Total equity		166,461	86,177
LIABILITIES			
Non-current liabilities			
Borrowings	22	14,046	8,235
Deferred tax liabilities	23	5,787	5,263
		19,833	13,498

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Current liabilities			
Trade and other payables	24	36,405	36,655
Gross amounts due to customers for contract work	17	16,544	10,371
Borrowings	22	15,823	17,455
Current income tax liabilities		2,914	11,778
		71,686	76,259
Total liabilities		91,519	89,757
Total equity and liabilities		257,980	175,934
Net current assets		124,033	49,693
Total assets less current liabilities		186,294	99,675

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 June 2016 and signed on its behalf by:

Mr. Ip Ying Chau
Director

Mr. Chan Wing Chung
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company					Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital	Share premium	Capital reserve	Merger reserve	Retained earnings			
	HK\$'000 (Note 20)	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000			
Balance at 1 April 2014	1	-	-	-	44,178	44,179	2,727	46,906
Profit and total comprehensive income for the year	-	-	-	-	38,499	38,499	3,122	41,621
	1	-	-	-	82,677	82,678	5,849	88,527
Dividends paid to non-controlling interests	-	-	-	-	-	-	(390)	(390)
Acquisitions of non-controlling interests								
– Chung Shun Construction Limited (Note 30(a))	-	-	-	-	4,297	4,297	(4,297)	-
– Win Target Engineering Limited (Note 30(b))	-	-	-	-	(798)	(798)	(1,162)	(1,960)
Balance at 31 March 2015	1	-	-	-	86,176	86,177	-	86,177
Balance at 1 April 2015	1	-	-	-	86,176	86,177	-	86,177
Profit and total comprehensive income for the year	-	-	-	-	29,225	29,225	-	29,225
Dividends paid	-	-	-	-	115,401	115,402	-	115,402
Reorganisation	(1)	-	-	1	(25,000)	(25,000)	-	(25,000)
Shares issued pursuant to the capitalisation issue	20,020	(20,020)	-	-	-	-	-	-
Shares issued under share offer	2,860	68,640	-	-	-	71,500	-	71,500
Shares issuance costs	-	(3,363)	-	-	-	(3,363)	-	(3,363)
Deemed capital contribution	-	-	7,922	-	-	7,922	-	7,922
Balance at 31 March 2016	22,880	45,257	7,922	1	90,401	166,461	-	166,461

Notes:

- The capital reserve represents the deemed capital contribution from the Company's shareholder, Grand Jade Group Limited ("Grand Jade"), in relation to listing expenses reimbursed to the Company during the year ended 31 March 2016.
- The merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Reorganisation (as defined in Note 1 to the consolidated financial statements).

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	25	5,269	51,447
Income tax paid		(16,813)	(673)
Interest paid on bank overdrafts		(127)	(347)
Net cash (used in)/generated from operating activities		(11,671)	50,427
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		2,535	4,734
Purchases of property, plant and equipment		(18,534)	(20,587)
Interest received		58	1
Net cash used in investing activities		(15,941)	(15,852)
Cash flows from financing activities			
Proceeds from share offer		68,137	–
Proceeds from deemed capital contribution		7,922	–
Dividends paid to non-controlling interests		–	(390)
Dividends paid to a shareholder	13	(10,148)	–
Decrease in amount due to a director		–	(1,881)
Acquisition of non-controlling interests		–	(1,960)
Inception of finance leases		6,840	–
Repayment of finance leases		(9,856)	(10,673)
Repayment of bank borrowings		(2,236)	(1,181)
Interest paid on finance leases		(902)	(920)
Interest paid on bank borrowings		(50)	(94)
Net cash generated from/(used in) financing activities		59,707	(17,099)
Net increase in cash and cash equivalents		32,095	17,476
Cash and cash equivalents at beginning of year		18,156	680
Cash and cash equivalents at end of year		50,251	18,156
Analysis of cash and cash equivalents			
Cash and bank balances	19	50,251	22,543
Bank overdrafts	22	–	(4,387)
		50,251	18,156

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 15 May 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 2 September 2015. Its parent and ultimate holding company is Grand Jade, a company incorporated in the British Virgin Islands (“BVI”) and wholly-owned by Mr. Chan Wing Chung (“Mr. Chan”) and Mr. Ip Ying Chau (“Mr. Ip”), the controlling shareholders of the Company.

The address of the Company’s registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the Company’s principal place of business is Units 2701-02, 27th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. The Company is an investment holding company. The Group is principally engaged in provision of foundation works and ancillary services and construction wastes handling.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange (the “Reorganisation”), the group entities were under the control of Mr. Chan and Mr. Ip. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 23 July 2015. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Chan and Mr. Ip prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 March 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 June 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

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

2.1.1 Changes in accounting policy and disclosures

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs – 2010-2012 Cycle, on HKFRS 8, “Operating Segments”, HKAS 16, “Property, Plant and Equipment” and HKAS 38, “Intangible Assets” and HKAS 24, “Related Party Disclosures”.

Amendments from annual improvements to HKFRSs – 2011-2013 Cycle, on HKFRS 3, “Business Combinations”, HKFRS 13, “Fair Value Measurement” and HKAS 40, “Investment Property”.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

The adoption of the above new amendments of HKFRS did not have any significant impact on the consolidated financial statements.

(b) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, “Financial Instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(c) *New standards and interpretations not yet adopted (Continued)*

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

HKFRS 15, "Revenue from Contracts with Customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

HKFRS 16, "Leases" introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

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

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) *Business combinations*

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Transaction with non-controlling interests

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

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

2.2.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Merger accounting for common control combinations

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

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

2.4 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "Other income and net gains".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;
- (ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

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

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

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

– Leasehold improvements	Over lease term
– Furniture, fixtures and office equipment	20%
– Machinery and equipment	20%
– Motor vehicles	20%

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

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

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

2.7 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Leases

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

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

When a sale and leaseback results in a finance lease, any gain on sale is deferred and recognised as an income over the lease term. Any loss on sale is immediately recognised as an impairment loss when the sale occurs.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.9 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the consolidated statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

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

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

2.11 Impairment of financial assets

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade and other payables

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

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Borrowing costs

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

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

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

2.18 Current and deferred income tax

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provisions

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

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

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

2.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition

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

(a) Foundation works and ancillary services income

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 2.9 above.

(b) Construction wastes handling services income

Revenue from provision of construction wastes handling services are recognised on completion of the related services rendered to the customer.

(c) Interest income

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

(d) Rental income

Rental income from lease of machinery is recognised based on the straight-line basis over the lease terms.

2.23 Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's consolidated financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(i) Interest rate risk

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

The Group's interest rate risk arises from borrowings. Borrowings obtained with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 March 2016, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after income tax for the year would have been decreased/increased by approximately HK\$179,000 (2015: HK\$91,000), mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

As at 31 March 2016, there were three (2015: three) customers which individually contributed over 10% of the Group's trade and other receivables. The aggregate amounts of trade and other receivables from these customers amounted to 56% (2015: 57%) of the Group's total trade and other receivables as at 31 March 2016.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

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

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
At 31 March 2016				
Trade and other payables	36,405	–	–	36,405
Finance lease liabilities	15,688	10,858	3,548	30,094
Borrowings (excluding finance lease liabilities)	912	–	–	912
	53,005	10,858	3,548	67,411

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
At 31 March 2015				
Trade and other payables	36,655	–	–	36,655
Finance lease liabilities	10,560	5,524	3,000	19,084
Borrowings (excluding finance lease liabilities)	7,675	–	–	7,675
	54,890	5,524	3,000	63,414

3.2 Capital management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

The gearing ratios of the Group are as follows:

	2016 HK\$'000	2015 HK\$'000
Total borrowings (Note 22)	29,869	25,690
Total equity	166,461	86,177
Gearing ratio	18%	30%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Useful lives and impairment of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Useful lives and impairment of property, plant and equipment (Continued)

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

(b) Impairment of receivables

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

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

(c) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Percentage of completion of construction works (Continued)

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations 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, management 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.

5 REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Revenue		
Foundation works and ancillary services	330,953	241,445
Rental income	1,131	2,308
Construction wastes handling	67,193	61,560
	399,277	305,313
Other income and net gains		
Interest income	148	89
(Loss)/Gain on disposal of property, plant and equipment	(406)	181
Government grants (Note)	449	5,717
Recovery of bad debts	253	–
Others	448	258
	892	6,245

Note: There are no unfulfilled conditions or contingencies relating to these grants.

5 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information

Management has determined the operating segments based on the reports reviewed by the directors of the Company, the chief operating decision-maker, that are used to make strategic decisions. The directors consider the business from a product/service perspective. Principal activities of the segments are as follows:

Foundation works and ancillary services: Provision of site formation works, excavation and lateral support works, piling construction, pile caps or footing construction and reinforced concrete structure works and ancillary services mainly included hoarding and demolition works and lease of machinery.

Construction wastes handling: Provision of management and operation of public fill reception facilities, including public fill banks and temporary construction waste sorting facilities, for construction and demolition materials.

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The directors assess the performance of the operating segments based on a measure of segment results. Unallocated income, unallocated corporate expenses, finance costs, income tax expense and other major items that are isolated and non-recurring in nature are not included in segment results.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except unallocated cash and bank balances, amounts due from directors and other unallocated assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the consolidated statement of financial position except current income tax liabilities, deferred tax liabilities, borrowings and other unallocated liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

5 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Foundation works and ancillary services HK\$'000	Construction wastes handling HK\$'000	Total HK\$'000
Year ended 31 March 2016			
Revenue			
External revenue	332,084	67,193	399,277
Segment results	61,424	9,023	70,447
Unallocated income			892
Unallocated corporate expenses			(32,562)
Finance costs			(1,079)
Profit before income tax			37,698
Income tax expense			(8,473)
Profit for the year			29,225
Included in segment results are:			
Depreciation	13,224	3,476	16,700
At 31 March 2016			
Segment assets	233,096	17,522	250,618
Unallocated assets			7,362
Total assets			257,980
Additions to non-current asset:			
Segment assets	30,411	1,685	32,096
Unallocated assets			256
			32,352
Segment liabilities	48,815	2,948	51,763
Unallocated liabilities			1,186
Borrowings			29,869
Current income tax liabilities			2,914
Deferred tax liabilities			5,787
Total liabilities			91,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

5 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Foundation works and ancillary services HK\$'000	Construction wastes handling HK\$'000	Total HK\$'000
Year ended 31 March 2015			
Revenue			
External revenue	243,753	61,560	305,313
Segment results	58,915	3,416	62,331
Unallocated income			6,245
Unallocated corporate expenses			(17,722)
Finance costs			(1,361)
Profit before income tax			49,493
Income tax expense			(7,872)
Profit for the year			41,621
Included in segment results are:			
Depreciation	9,748	3,606	13,354
At 31 March 2015			
Segment assets	122,746	17,217	139,963
Unallocated assets			35,971
Total assets			175,934
Additions to non-current asset:			
Segment assets	26,941	7,540	34,481
Unallocated assets			522
			35,003
Segment liabilities	40,018	1,579	41,597
Unallocated liabilities			5,429
Borrowings			25,690
Current income tax liabilities			11,778
Deferred tax liabilities			5,263
Total liabilities			89,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

5 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's major operations and markets are located in Hong Kong, no geographical segment information is provided.

Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A ²	41,134	N/A ³
Customer B ²	71,267	N/A ³
Customer C ²	72,296	121,133
Customer D ²	45,783	35,877
Customer E ^{1 and 2}	67,966	61,560

¹ Revenue from construction wastes handling.

² Revenue from foundation works and ancillary services.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6 EXPENSES BY NATURE

	2016 HK\$'000	2015 HK\$'000
Cost of sales		
Costs of construction materials and supplies	68,280	52,075
Staff costs (Note 7)	87,177	61,051
Consultancy fee	3,882	3,523
Parts and consumables	4,635	6,313
Subcontracting charges	97,283	68,164
Transportation	16,898	10,070
Depreciation of owned assets (Note 14)	10,710	7,798
Depreciation of leased assets (Note 14)	5,990	5,556
Repair and maintenance	8,666	5,851
Machine rental	4,539	7,751
Survey fee	3,894	2,164
Site management fee	11,775	8,187
Insurance	629	1,172
Waste handling charges	2,426	2,032
Other expenses	2,046	1,275
	328,830	242,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

6 EXPENSES BY NATURE (Continued)

	2016 HK\$'000	2015 HK\$'000
Administrative and other operating expenses		
Auditors' remuneration		
– Current year	880	300
– Over-provision in prior year	(70)	–
Depreciation of owned assets (Note 14)	432	1,229
Donations	1,160	17
Entertainment	1,833	850
Insurance	145	298
Legal and professional fees	1,761	746
Listing expenses	12,021	3,822
Operating lease rental on premises	1,302	1,139
Staff costs, including directors' emoluments (Note 7)	9,242	7,556
Other expenses	3,856	1,478
Impairment on trade receivables	–	287
	32,562	17,722

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2016 HK\$'000	2015 HK\$'000
Salaries and allowances	92,599	65,870
Retirement scheme contributions		
– defined contribution plan	3,820	2,737
	96,419	68,607

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund (“MPF”) Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

8 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the year ended 31 March 2016 is set out below:

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to a retirement scheme HK\$'000	Total HK\$'000
Year ended 31 March 2016					
<i>Executive directors</i>					
Mr. Chan (Chief Executive Officer) (Note (i))	-	1,111	-	18	1,129
Mr. Ip (Note (i))	-	1,111	-	18	1,129
Ms. Tung Ah Pui Athena ("Ms. Tung") (Note (i))	-	885	240	18	1,143
Mr. Chan Chiang Kan ("Mr. Chan C.K.") (Note (i))	-	790	70	18	878
Mr. Mui Wai Sum ("Mr. Mui") (Note (ii))	-	-	-	-	-
<i>Independent non-executive directors</i>					
Mr. Cheung Kwok Yan, Wilfred (Note (iii))	70	-	-	-	70
Mr. Feng Zhidong (Note (iii))	70	-	-	-	70
Mr. Ho Ho Ming (Note (iii))	70	-	-	-	70
	210	3,897	310	72	4,489
Year ended 31 March 2015					
<i>Executive directors</i>					
Mr. Chan	-	780	-	18	798
Mr. Ip	-	780	-	18	798
Ms. Tung	-	343	50	9	402
Mr. Chan C.K.	-	678	53	18	749
	-	2,581	103	63	2,747

During the year ended 31 March 2016, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 March 2016 (2015: Nil).

8 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

- (i) Mr. Chan, Mr. Ip, Ms. Tung and Mr. Chan C.K. were appointed as executive directors of the Company on 15 May 2015. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the years ended 31 March 2015 and 2016 and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company on 15 May 2015.
- (ii) Mr. Mui was appointed as executive director of the Company on 29 April 2016.
- (iii) The independent non-executive directors, Mr. Cheung Kwok Yan, Wilfred, Mr. Feng Zhidong and Mr. Ho Ho Ming were appointed as directors of the Company on 12 August 2015. During the year ended 31 March 2015, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of independent non-executive directors.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, four (2015: three) of them are directors for the year ended 31 March 2016 whose emoluments are disclosed above. The emoluments in respect of the remaining one (2015: two) individual for the year ended 31 March 2016 are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and allowances	840	1,392
Discretionary bonuses	70	116
Retirement scheme contributions	18	34
	928	1,542

The emoluments fell within the following band:

	Number of individuals	
	2016	2015
Emolument band (in HK\$)		
Nil – HK\$1,000,000	1	2

During the year ended 31 March 2016, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

9 FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on finance leases	902	920
Interest on bank overdrafts and bank borrowings	177	441
	1,079	1,361

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2016 HK\$'000	2015 HK\$'000
Hong Kong profits tax:		
– Current income tax	7,967	6,068
– Over-provision in prior years	(18)	–
Deferred income tax (<i>Note 23</i>)	524	1,804
Income tax expense	8,473	7,872

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	37,698	49,493
Calculated at a tax rate of 16.5%	6,220	8,166
Income not subject to tax	(231)	(959)
Expenses not deductible for tax purposes	2,682	665
Over-provision in prior years	(18)	–
Tax concession	(80)	–
Others	(100)	–
Income tax expense	8,473	7,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

11 EARNINGS PER SHARE

	2016	2015
Profit attributable to owners of the Company (HK\$'000)	29,225	38,499
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	2,167,661	2,002,000
Basic earnings per share (HK cents)	1.35	1.92

For the year ended 31 March 2016, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the year.

For the year ended 31 March 2015, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of 2,002,000,000 shares (comprising 10,000 shares in issue and 2,001,990,000 shares to be issued under the capitalisation issue) as if these 2,002,000,000 shares were outstanding throughout the year.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2015 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

12 SUBSIDIARIES

The following is a list of the subsidiaries at 31 March 2016:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of interest held
Glory Port International Limited ("Glory Port")	BVI, limited liability company	Investment holding in Hong Kong	Ordinary share United States dollars ("US\$") 1	100% (direct)
Full State Developments Limited	BVI, limited liability company	Investment holding in Hong Kong	Ordinary share US\$1	100% (indirect)
Jia Jian Global Limited	BVI, limited liability company	Investment holding in Hong Kong	Ordinary share US\$1	100% (indirect)
Joint Wealth Global Limited	BVI, limited liability company	Investment holding in Hong Kong	Ordinary share US\$1	100% (indirect)
Progressive Foundation Company Limited ("Progressive Foundation")	Hong Kong, limited liability company	Provision of foundation engineering works and project management business in Hong Kong	Ordinary share HK\$100	100% (indirect)
Bright Access (HK) Limited	Hong Kong, limited liability company	Provision of foundation business in Hong Kong	Ordinary share HK\$100	100% (indirect)
Chung Shun Construction Limited ("Chung Shun")	Hong Kong, limited liability company	Provision of construction works, which included foundation works and ancillary services, and heavy duty machines business in Hong Kong	Ordinary share HK\$100	100% (indirect)
Win Target Engineering Limited ("Win Target")	Hong Kong, limited liability company	Provision of foundation engineering works business in Hong Kong	Ordinary share HK\$10,000	100% (indirect)

13 DIVIDENDS

During the year ended 31 March 2016, the Company declared interim dividends of HK\$25,000,000 to the then shareholder of the Company. Interim dividends of approximately HK\$10,148,000 was settled by cash and the remaining balance of approximately HK\$14,852,000 was settled by offset against the amounts due from directors.

During the year ended 31 March 2015, Win Target, a subsidiary of the Company, declared and paid interim dividends to its then equity holders amounting to HK\$1,300,000.

No final dividend was proposed by the Board for the year ended 31 March 2016 (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

14 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment HK\$'000 <i>(Note a)</i>	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000 <i>(Note b)</i>	Total HK\$'000
Cost					
At 1 April 2014	49,367	–	1,172	37,172	87,711
Additions	28,688	767	482	5,066	35,003
Disposals	(8,938)	–	–	(13,547)	(22,485)
At 31 March 2015	69,117	767	1,654	28,691	100,229
Accumulated depreciation					
At 1 April 2014	30,474	–	932	22,190	53,596
Charge for the year <i>(Note 6)</i>	9,503	119	158	4,803	14,583
Disposals	(7,632)	–	–	(10,300)	(17,932)
At 31 March 2015	32,345	119	1,090	16,693	50,247
Net book value					
At 31 March 2015	36,772	648	564	11,998	49,982
Cost					
At 1 April 2015	69,117	767	1,654	28,691	100,229
Additions	29,606	–	113	2,633	32,352
Disposals	(4,389)	–	–	(2,091)	(6,480)
At 31 March 2016	94,334	767	1,767	29,233	126,101
Accumulated depreciation					
At 1 April 2015	32,345	119	1,090	16,693	50,247
Charge for the year <i>(Note 6)</i>	12,336	256	176	4,364	17,132
Disposals	(1,993)	–	–	(1,546)	(3,539)
At 31 March 2016	42,688	375	1,266	19,511	63,840
Net book value					
At 31 March 2016	51,646	392	501	9,722	62,261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Machinery and equipment includes the following amounts where the Group is a lessee under finance leases:

	2016 HK\$'000	2015 HK\$'000
Cost – capitalised finance leases	21,800	19,514
Accumulated depreciation	(9,149)	(6,165)
Net book value	12,651	13,349

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

	2016 HK\$'000	2015 HK\$'000
Cost – capitalised finance leases	12,778	17,125
Accumulated depreciation	(5,954)	(7,177)
Net book value	6,824	9,948

15 FINANCIAL INSTRUMENTS BY CATEGORY

	2016 HK\$'000	2015 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables excluding prepayments	118,446	84,689
Amounts due from directors	–	9,988
Cash and bank balances	50,251	22,543
Total	168,697	117,220
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	36,405	36,655
Borrowings (excluding finance lease liabilities)	873	7,496
Finance lease liabilities	28,996	18,194
Total	66,274	62,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

16 TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	74,282	52,376
Other receivables, deposits and prepayments	6,999	6,481
Retention receivables	37,824	28,133
	119,105	86,990

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 7 to 75 days generally. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on payment certificate is as follows:

	2016 HK\$'000	2015 HK\$'000
0-30 days	51,609	25,783
31-60 days	10,774	18,415
61-90 days	668	4,705
Over 90 days	11,231	3,473
	74,282	52,376

Trade receivables of approximately HK\$60,428,000 (2015: HK\$34,582,000) as at 31 March 2016 were not yet past due and approximately HK\$13,854,000 (2015: HK\$17,794,000) as at 31 March 2016 were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Movements in the Group's provision for impairment of trade receivables are as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 April	–	–
Allowance for trade receivables	–	287
Trade receivables written off as uncollectible	–	(287)
At 31 March	–	–

Retention receivables of approximately HK\$37,824,000 (2015: HK\$28,133,000) as at 31 March 2016 were not yet past due and will be settled in accordance with the terms of respective contract.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

17 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2016 HK\$'000	2015 HK\$'000
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	425,992	80,522
Less: Progress billings received and receivable	(399,629)	(74,091)
	26,363	6,431

	2016 HK\$'000	2015 HK\$'000
Gross amounts due to customers for contract work		
Progress billings received and receivable	113,240	223,749
Less: Contract costs incurred plus recognised profits less recognised losses	(96,696)	(213,378)
	16,544	10,371

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

18 AMOUNTS DUE FROM DIRECTORS

Name of directors	Maximum outstanding balance during the year			
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Mr. Chan	14,170	9,844	–	5,776
Mr. Ip	5,612	7,257	–	4,212
			–	9,988

The amounts due were unsecured, non-interest bearing and had no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

19 CASH AND BANK BALANCES

	2016 HK\$'000	2015 HK\$'000
Cash at banks	50,228	22,543
Cash on hand	23	–
Cash and bank balances	50,251	22,543

Notes:

- (a) All cash and bank balances are denominated in HK\$.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

20 SHARE CAPITAL

	<i>Note</i>	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
On 15 May 2015 (date of incorporation)	<i>b</i>	38,000,000	380
Increase in authorised share capital	<i>c</i>	9,962,000,000	99,620
As at 31 March 2016		10,000,000,000	100,000
Issued and fully paid:			
On 15 May 2015 (date of incorporation)	<i>b</i>	1	–
Shares issued upon Reorganisation	<i>d</i>	9,999	–
Shares issued pursuant to the capitalisation issue	<i>e</i>	2,001,990,000	20,020
Shares issued under share offer	<i>f</i>	286,000,000	2,860
At 31 March 2016		2,288,000,000	22,880

Notes:

- (a) The balance of share capital at 31 March 2015 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.
- (b) Upon incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. One share was allotted and issued nil-paid to the subscriber on 15 May 2015, which was then transferred to Grand Jade on the same date.
- (c) On 12 August 2015, the then sole shareholder resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 shares, each ranking *pari passu* with the shares then in issue in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

20 SHARE CAPITAL (Continued)

Notes: (Continued)

- (d) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Glory Port from Grand Jade, on 23 July 2015, (i) the 1 nil-paid share held by Grand Jade was credited as fully paid, and (ii) 9,999 shares, all credited as fully paid, were allotted and issued to Grand Jade.
- (e) Pursuant to the written resolutions of the sole shareholder of the Company passed on 12 August 2015, the Company issued and allotted a total of 2,001,990,000 ordinary shares of the Company credited as fully paid to the then sole shareholder of the Company's shares on the register of members at the close of business on 11 August 2015 by way of capitalisation of the sum of HK\$20,019,900 standing to the credit of the share premium account of the Company.
- (f) On 1 September 2015, 286,000,000 ordinary shares of HK\$0.01 each were issued to the public at a price of HK\$0.25 per share for cash totalling HK\$71,500,000 by way of share offer. The excess of issue price over the par value of the shares, net of issuance costs of approximately HK\$3,363,000, were credited to the share premium account of the Company.

21 SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 12 August 2015 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, substantial shareholders, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution to the development and growth of the Group.

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

21 SHARE OPTION SCHEME (Continued)

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

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

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

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

The Scheme shall be valid and effective for a period of ten years commencing on 12 August 2015, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 March 2015 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

22 BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Non-current		
Finance lease liabilities (Note c)	14,046	8,235
Current		
Bank overdrafts (Note b)	–	4,387
Bank borrowings (Notes a and b)	873	3,109
Finance lease liabilities (Note c)	14,950	9,959
	15,823	17,455
Total borrowings	29,869	25,690

Notes:

- (a) Bank borrowings

The bank borrowings are classified as current liabilities according to the HK Interpretation 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the HKICPA. According to the repayment schedule, the bank borrowings are repayable as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 year	275	626
Between 1 and 2 years	573	641
Between 2 and 5 years	25	1,743
Over 5 years	–	99
	873	3,109

- (b) The carrying amounts of the bank overdrafts and bank borrowings are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
HK\$	–	6,358
US\$	873	1,138
	873	7,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

22 BORROWINGS (Continued)

Notes: (Continued)

(c) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

At the end of lease term of certain finance leases the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option.

Certain machinery and equipment was under finance leases in the form of sale and leaseback arrangements. There was no disposal gain or loss recognised for the transactions as the fair value was not significantly different to the carrying value of the relevant machinery and equipment.

	2016 HK\$'000	2015 HK\$'000
Gross finance lease liabilities – minimum lease payments		
Within 1 year	15,688	10,560
Between 1 and 2 years	10,858	5,524
Between 2 and 5 years	3,548	3,000
Future finance charges on finance leases	30,094 (1,098)	19,084 (890)
Present value of finance lease liabilities	28,996	18,194

The present value of finance lease liabilities is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 year	14,950	9,959
Between 1 and 2 years	10,551	5,314
Between 2 and 5 years	3,495	2,921
	28,996	18,194

The finance leases are secured by the Group's machinery and equipment with an aggregate net book value of approximately HK\$12,651,000 (2015: HK\$13,349,000) and motor vehicles with an aggregate net book value of approximately HK\$6,824,000 (2015: HK\$9,948,000) as at 31 March 2016. Finance leases with carrying amounts of approximately HK\$6,984,000 (2015: HK\$11,771,000) as at 31 March 2016 are guaranteed by personal guarantees given by certain directors of the Company.

The carrying amounts of all finance lease liabilities are denominated in HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

22 BORROWINGS (Continued)

Notes: (Continued)

(d) The interest rates per annum of borrowings are as follows:

	2016	2015
Bank overdrafts	N/A	6.00% to 6.50%
Bank borrowings	2.50%	2.20% to 2.50%
Finance lease liabilities	2.88% to 7.96%	2.88% to 7.96%

(e) These banking facilities are secured/guaranteed by:

- (i) Personal guarantees given by certain directors of the Company and a director of a subsidiary as at 31 March 2015;
- (ii) Certain properties held by a director of the Company as at 31 March 2015; and
- (iii) Pledge of life insurance amounting to approximately HK\$2,513,000 (2015: HK\$2,481,000) as at 31 March 2016.

23 DEFERRED TAX LIABILITIES

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

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation HK\$'000
At 1 April 2014	3,459
Charged to profit or loss (Note 10)	1,804
At 31 March 2015 and 1 April 2015	5,263
Charged to profit or loss (Note 10)	524
At 31 March 2016	5,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

24 TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	29,031	32,979
Accruals and other payables	7,374	3,676
	36,405	36,655

Notes:

- (a) Payment terms granted by suppliers are generally 15 to 80 days from the invoice date of the relevant purchases.

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

	2016 HK\$'000	2015 HK\$'000
0-30 days	15,849	24,214
31-60 days	9,773	5,894
61-90 days	59	1,017
Over 90 days	3,350	1,854
	29,031	32,979

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

25 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	37,698	49,493
Adjustments for:		
Depreciation	17,132	14,583
Loss/(Gain) on disposal of property, plant and equipment	406	(181)
Impairment on trade receivables	–	287
Interest income	(148)	(89)
Interest expense	1,079	1,361
Operating profit before working capital changes	56,167	65,454
Increase in trade and other receivables	(32,025)	(22,103)
Increase in gross amounts due from customers for contract work	(19,932)	(3,015)
Increase in amounts due from directors	(4,864)	(6,140)
(Decrease)/Increase in trade and other payables	(250)	14,587
Increase in gross amounts due to customers for contract work	6,173	2,664
Net cash generated from operations	5,269	51,447

(b) Material non-cash transactions

During the year ended 31 March 2016, additions to property, plant and equipment of approximately HK\$13,818,000 (2015: HK\$14,416,000) were financed by finance lease arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

26 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of reporting period not provided for in the consolidated financial statements were as follows:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for:		
Property, plant and equipment	6,400	240

(b) Operating lease commitments – Group as lessee

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

	2016 HK\$'000	2015 HK\$'000
Within one year	1,215	1,873
In the second to fifth years inclusive	485	1,930
	1,700	3,803

The Group is the lessee in respect of office premises and equipment under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated.

27 RELATED PARTY TRANSACTIONS

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

- (a) Save as disclosed in Notes 18 and 22 to the consolidated financial statements, the Group did not have any significant related party transaction with related parties during the year.
- (b) The emoluments of the directors and senior executives (representing the key management personnel) during the year are disclosed in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

28 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

Pending litigations

As at 31 March 2016, there were three ongoing employees' compensation claims and two personal injury claims against the Group. As the claims are being handled by the relevant insurer's lawyer and the directors take the view that the amount to be borne by the Group in the proceeding shall be covered by the relevant insurance policy, no provision for contingent liabilities in respect of pending litigations is necessary.

29 DETAILS OF NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interest:

Name of subsidiary	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests	Profit allocated to non-controlling interests	Accumulated non-controlling interests
		As at 31 March 2015	Year ended 31 March 2015 HK\$'000	As at 31 March 2015 HK\$'000
Chung Shun	Hong Kong	–	2,153	–

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

29 DETAILS OF NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS (Continued)

	As at 31 March 2015 HK\$'000
Current assets	–
Non-current assets	–
Current liabilities	–
Non-current liabilities	–
Equity attributable to owners of the Company	–
Non-controlling interest	–

	Year ended 31 March 2015 HK\$'000
Revenue	101,061
Profit for the year	10,767
Profit for the year attributable to the non-controlling interest	2,153

Net cash inflow from operating activities	22,480
Net cash outflow from investing activities	(5,620)
Net cash outflow from financing activities	(11,171)
Net cash inflow	5,689

30 ACQUISITIONS OF NON-CONTROLLING INTERESTS

- (a) On 26 March 2015, Mr. Kwan Chung Shing (“Mr. Kwan”), as vendor, and Mr. Ip, as purchaser, entered into a sale and purchase agreement, pursuant to which Mr. Ip acquired 20 shares of Chung Shun, representing 20% of its issued shares, from Mr. Kwan at a consideration of approximately HK\$4,456,000.
- (b) On 31 March 2015, Goldfield Building Contractors Limited (“Goldfield”), as vendor, and Progressive Foundation, as purchaser entered into a sale and purchase agreement, pursuant to which Progressive Foundation acquired 3,000 shares of Win Target, representing 30% of its issued shares, from Goldfield at a consideration of approximately HK\$1,960,000. Win Target then became a wholly-owned subsidiary of Progressive Foundation.

31 EVENT AFTER THE REPORTING PERIOD

The Company has conditionally agreed to place 168,000,000 new shares to not less than six placees at a price of HK\$0.5 pursuant to the terms and conditions of the placing agreement entered into between the Company and Koala Securities Limited on 10 May 2016 (the “Placing”). All the conditions of the Placing were fulfilled and completion of the Placing took place on 26 May 2016. The net proceeds from the Placing, after deducting the Placing commission and other expenses in connection with such Placing from the gross proceeds, is approximately HK\$81 million which is intended to be used for general working capital and/or potential investments of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

<i>Note</i>	2016 HK\$'000
ASSETS	
Non-current assets	
Investment in a subsidiary	94,795
Current assets	
Trade and other receivables	272
Amount due from a subsidiary	33,743
Cash and bank balances	24,181
	58,196
Total assets	152,991
EQUITY	
Capital and reserves	
Share capital	22,880
Reserves <i>32(b)</i>	129,939
Total equity	152,819
LIABILITIES	
Current liabilities	
Trade and other payables	172
Total equity and liabilities	152,991
Net current assets	58,024
Total assets less current liabilities	152,819

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 27 June 2016 and signed on its behalf by:

Mr. Ip Ying Chau
Director

Mr. Chan Wing Chung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement

	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
On 15 May 2015 (date of incorporation)	-	-	-	-	-
Profit and total comprehensive income for the period	-	-	-	6,965	6,965
Dividends paid	-	-	-	(25,000)	(25,000)
Reorganisation	-	-	94,795	-	94,795
Shares issued pursuant to the capitalisation issue	(20,020)	-	-	-	(20,020)
Shares issued under share offer	68,640	-	-	-	68,640
Shares issuance costs	(3,363)	-	-	-	(3,363)
Deemed capital contribution	-	7,922	-	-	7,922
Balance at 31 March 2016	45,257	7,922	94,795	(18,035)	129,939

Special reserve

Special reserve represents the difference between the fair value of the shares of Glory Port acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

FINANCIAL HIGHLIGHTS

	2016 HK\$'000	Year ended 31 March		
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	399,277	305,313	238,541	234,752
Cost of sales	(328,830)	(242,982)	(203,346)	(199,873)
Gross profit	70,447	62,331	35,195	34,879
Other income and net gains	892	6,245	731	907
Administrative and other operating expenses	(32,562)	(17,722)	(9,552)	(10,465)
Operating profit	38,777	50,854	26,374	25,321
Finance costs	(1,079)	(1,361)	(1,201)	(1,064)
Profit before income tax	37,698	49,493	25,173	24,257
Income tax expense	(8,473)	(7,872)	(4,114)	(4,004)
Profit and total comprehensive income for the year	29,225	41,621	21,059	20,253
Profit and total comprehensive income attributable to:				
Owners of the Company	29,225	38,499	19,348	19,421
Non-controlling interests	–	3,122	1,711	832
Profit and total comprehensive income for the year	29,225	41,621	21,059	20,253
Basic and diluted earnings per share (HK cents)	1.35	1.92	0.97	0.97

FINANCIAL HIGHLIGHTS (continued)

	As at 31 March			
	2016	2015	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	62,261	49,982	34,115	37,319
Current assets				
Trade and other receivables	119,105	86,990	65,086	46,855
Gross amounts due from customers for contract work	26,363	6,431	3,416	3,108
Amounts due from directors	–	9,988	3,848	1,098
Cash and bank balances	50,251	22,543	5,492	8,733
	195,719	125,952	77,842	59,794
Total assets	257,980	175,934	111,957	97,113
EQUITY				
Capital and reserves				
Share capital	22,880	1	1	1
Reserves	143,581	86,176	44,178	24,830
	166,461	86,177	44,179	24,831
Non-controlling interests	–	–	2,727	1,016
Total equity	166,461	86,177	46,906	25,847

FINANCIAL HIGHLIGHTS (continued)

	As at 31 March			
	2016	2015	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LIABILITIES				
Non-current liabilities				
Borrowings	14,046	8,235	7,452	6,752
Deferred tax liabilities	5,787	5,263	3,459	2,282
	19,833	13,498	10,911	9,034
Current liabilities				
Trade and other payables	36,405	36,655	22,068	24,866
Gross amounts due to customers for contract work	16,544	10,371	7,707	6,987
Amount due to a director	–	–	1,881	9,003
Borrowings	15,823	17,455	16,101	17,930
Current income tax liabilities	2,914	11,778	6,383	3,446
	71,686	76,259	54,140	62,232
Total liabilities	91,519	89,757	65,051	71,266
Total equity and liabilities	257,980	175,934	111,957	97,113
Net current assets/(liabilities)	124,033	49,693	23,702	(2,438)
Total assets less current liabilities	186,294	99,675	57,817	34,881