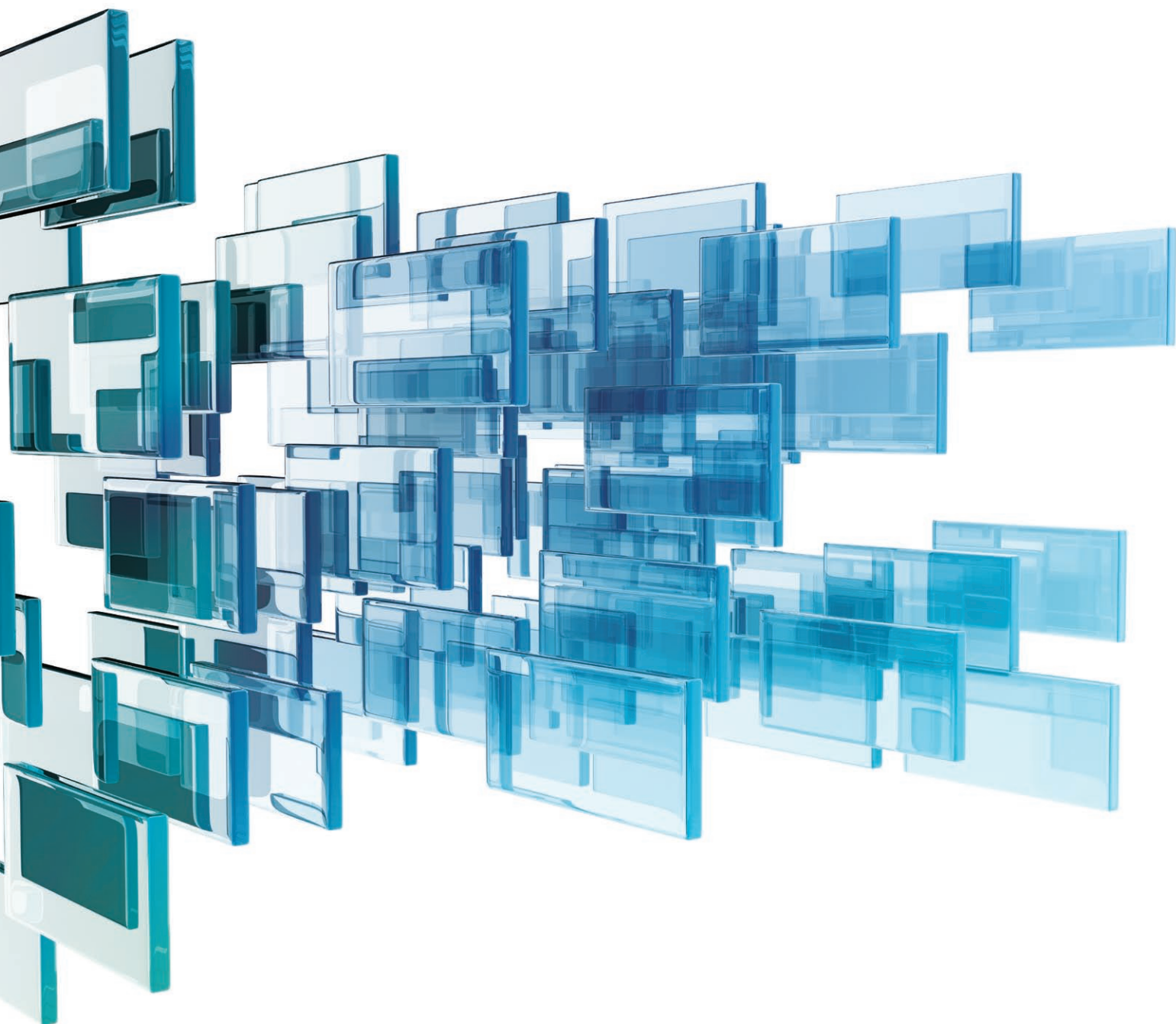


**CHONG KIN GROUP HOLDINGS LIMITED**

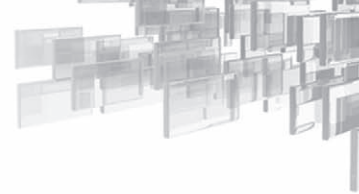
**創建集團（控股）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*Stock Code: 1609*



**Annual Report 2017**



# CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Details of Directors and Senior Management	8
Corporate Governance Report	12
Environmental, Social and Governance Report	23
Directors' Report	28
Independent Auditors' Report	38
Consolidated Statement of Profit or Loss and Other Comprehensive Income	42
Consolidated Statement of Financial Position	43
Consolidated Statement of Changes in Equity	45
Consolidated Statement of Cash Flows	46
Notes to the Consolidated Financial Statements	47
Financial Summary	85

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Cheung Yuk Kei (*Chairman*)  
Mr. Cheung Man Tim (*Chief Executive Officer*)  
Mr. Fung Chi Chung

### Independent Non-Executive Directors

Mr. Miu Hon Kit  
Mr. Leung Chi Wai  
Mr. Seid Ka Him

## AUDIT COMMITTEE

Mr. Miu Hon Kit (*Chairperson*)  
Mr. Leung Chi Wai  
Mr. Seid Ka Him

## REMUNERATION COMMITTEE

Mr. Leung Chi Wai (*Chairperson*)  
Mr. Cheung Man Tim  
Mr. Seid Ka Him

## NOMINATION COMMITTEE

Mr. Cheung Yuk Kei (*Chairperson*)  
Mr. Leung Chi Wai  
Mr. Seid Ka Him

## COMPANY SECRETARY

Ms. Yu Pik So (HKICPA)

## AUTHORISED REPRESENTATIVES

Mr. Cheung Man Tim  
Mr. Fung Chi Chung

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office B, 31st Floor  
Billion Plaza II  
10 Cheung Yue Street  
Cheung Sha Wan  
Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

### Estera Trust (Cayman) Limited

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

### Tricor Investor Services Limited

Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPLIANCE ADVISER

### TC Capital International Limited

Suite 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

### Adrian Yeung & Cheng

Suite 1201-2A, 12/F  
Golden Centre  
188 Des Voeux Road Central  
Hong Kong

## AUDITORS

### HLB Hodgson Impey Cheng Limited

*Certified Public Accountants*  
31/F, Gloucester Tower  
The Landmark, 11 Pedder Street  
Central, Hong Kong

## PRINCIPAL BANKERS

### DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking  
Corporation Limited

## STOCK CODE

1609

## WEBSITE

[www.chongkin.com.hk](http://www.chongkin.com.hk)



# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Chong Kin Group Holdings Limited (the "Company", together with its subsidiaries, the "Group", "we" or "us"), I am delighted to present our first annual report of the Group for the year ended 31 March 2017 following our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## LISTING ON THE STOCK EXCHANGE

The shares of our Company were successfully listed (the "Listing") on the Main Board of the Stock Exchange on 17 October 2016 (the "Listing Date") which marked a significant milestone for our Group. 191,200,000 Shares were issued under the share offer, raising net proceeds of approximately HK\$57.2 million (after deducting Listing expenses). The additional capital raised and a broader capital base as a result of the Listing allow us to expand our business. It also provided our Group an opportunity to strengthen our corporate governance and further promote our Group as a well-organised establishment to the public.

## REVIEW

For the year ended 31 March 2017 (the "Period"), the Group achieved an increase in turnover of approximately 28.3% from approximately HK\$378.5 million to approximately HK\$485.6 million over the year ended 31 March 2016 (the "Previous Period"). Profit attributable to the owners of the Company was approximately HK\$44.4 million as compared to a profit of approximately HK\$30.2 million in the Previous Period, representing an increase of approximately 47.0%. Earnings per share for the Period were approximately HK\$6.32 cents, as compared to the earnings per share of approximately HK\$4.64 cents for the Previous Period.

## FORWARD

The listing status of the Group has elevated the Group in all business aspects, especially in enhancing our corporate image and reputation and strengthening our customers' confidence and recognition. The Listing also provided the Group additional capital funding to enhance our service capacity by purchasing additional machinery. Looking ahead, the Group will utilize the resources as a public company to (i) take a more aggressive approach in response to the tender invitations; (ii) expand its operation and revenue stream and (iii) expand its market share in the concrete services industry in terms of revenue generated. Riding on our operating resources and experience, we believe that we can continue to maintain our competitiveness in the industry to capture the market share for the concrete placing services in Hong Kong.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders ("Shareholders") for their continuous confidence, our customers, subcontractors and business partners for their continuous support to our Group. I would also like to express my warmest thanks to our management and staff members for their persistent faith and significant contributions to our Group. In the coming years, we shall continue to explore new opportunities and strive for business growth to bring the highest returns to our Shareholders.

**CHEUNG Yuk Kei**

*Chairman*

Hong Kong, 22 June 2017



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Our Group is a concrete services provider in Hong Kong. We principally provide concrete placing services and other ancillary services as a subcontractor for both (i) public sector projects, including building and infrastructure related projects and (ii) private sector projects, which are mostly building related projects in Hong Kong. All revenue in the Period was derived from our concrete placing services and other ancillary services.

Our Shares were listed on the Main Board of the Stock Exchange on the Listing Date when 191,200,000 ordinary shares (comprising a public offer of 95,600,000 Shares and 95,600,000 Shares (comprising 17,800,000 new Shares and 77,800,000 Sale Shares) by way of placing) had been offered for subscription and for sale, at an offer price of HK\$0.7 per Share.

As at 31 March 2017, we had 52 concrete placing contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK\$497.1 million. As at 31 March 2016, we had 40 concrete placing contracts on hand with a notional or estimated contract value of approximately HK\$607.7 million.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group for the Period amounted to approximately HK\$485.6 million, i.e. approximately 28.3% more than that of approximately HK\$378.5 million for the Previous Period. All revenue was derived from the concrete placing services and other ancillary services. Such growth was mainly attributable to the commencements of works on the newly awarded projects in Tsing Yi, Tung Chung, West Kowloon and Tseung Kwan O, which contributed to approximately HK\$92.6 million of the increase in aggregate.

### Gross Profit and Gross Profit Margin

The gross profit of the Group for the Period amounted to approximately HK\$85.2 million, representing a growth of approximately 25.1% as compared with approximately HK\$68.1 million for the Previous Period, which was driven by an increase in revenue for the same period. The Group's gross profit margin for the Period was approximately 17.6%, as compared with approximately 18.0% for the Previous Period. The slight decrease in the gross profit margin over the Previous Period was mainly attributable to the completion of the project in Hung Hom (which recorded a relatively higher gross profit margin).

### Other Income

Other income mainly comprises rental income from leasing our machinery to third parties, interest income principally from life insurance policies, government grants and reimbursement of employees' compensation from insurers for our injured workers. During the Period, other income amounted to approximately HK\$5.3 million (2016: approximately HK\$2.9 million). The increase in other income was mainly due to the reimbursement of employees' compensation from insurers for settled claims with our injured workers during the Period.

### Administrative and Other Operating Expenses

The administrative and other operating expenses of the Group for the Period amounted to approximately HK\$37.2 million, representing an increase of approximately 15.9% compared with approximately HK\$32.1 million for the Previous Period, mainly due to the increase in the staff costs and the professional fees during the Period.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance Costs

Finance costs for the Period was approximately HK\$1.3 million, representing an increase of approximately 8.3% compared with approximately HK\$1.2 million in the Previous Period. The increase was mainly attributable to the increase in interest charges on bank borrowings.

## Income Tax Expense

Income tax expense increased by approximately 1.3% from approximately HK\$7.5 million for the Previous Period to approximately HK\$7.6 million for the Period. Such increase was driven by the increase in revenue in the same period.

## Net Profit

The net profit for the Period of the Group amounted to approximately HK\$44.4 million, representing an increase of approximately 47.0% compared with approximately HK\$30.2 million for the Previous Period, mainly due to the increase in revenue during the Period. The Group's net profit margin for the Period was approximately 9.1%, as compared with approximately 8.0% for the Previous Period. The increase in the net profit margin over the Previous Period was mainly due to the stable cost structure during the Period.

## Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity for the Period 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 2017, the Group had total cash and bank balances of approximately HK\$105.7 million (31 March 2016: approximately HK\$67.7 million). The increase was mainly due to the net proceeds received from the Listing. The borrowings of the Group as at 31 March 2017 was approximately HK\$22.8 million (31 March 2016: approximately HK\$55.7 million).

As at 31 March 2017, the share capital and equity attributable to owners of the Company amounted to approximately HK\$7,648,000 and HK\$198,559,000 respectively (31 March 2016: approximately HK\$10,000 and HK\$84,837,000 respectively).

## Debts and Charges on Assets

The total borrowings of the Group, consist of bank borrowings, bank overdrafts and finance leases, decreased from approximately HK\$55.7 million as at 31 March 2016 to approximately HK\$22.8 million as at 31 March 2017. All borrowings were denominated in Hong Kong dollars and United States dollars. Interests are charged at fixed and floating rates. The Group did not carry out any interest rate hedging policy.

The Group's machinery and equipment with an aggregate net book value of approximately HK\$23.2 million and HK\$27.1 million and motor vehicles with an aggregate net book value of \$nil and approximately HK\$2.6 million as at 31 March 2017 and 2016, respectively, were charged under finance leases.

## Foreign Exchange Risk

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue were settled in Hong Kong dollars and the Group's assets and liabilities are primarily denominated in Hong Kong dollars. With the insignificant portion of monetary transactions and assets denominated in foreign currencies, the Group did not engage in any derivatives agreement and did not commit to any financial instrument to hedge its foreign exchange exposure during the Period.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Gearing ratio

Gearing ratio is calculated by dividing all debts by total equity at the period-end date and expressed as a percentage. Debts are defined to include payables incurred not in the ordinary course of business. The gearing ratio of the Group as at 31 March 2017 was approximately 11.46% (as at 31 March 2016: approximately 65.7%). As a result of the increased equity following the Listing, the Group's gearing ratio decreased.

## Significant investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Apart from the reorganisation in relation to the Listing (as set out under the section headed "History and Development" and the paragraph headed "Corporate Reorganisation" in Appendix IV to the prospectus of the Company dated 30 September 2016 (the "Prospectus")), there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the Period. Save for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 March 2017.

## Employees and Remuneration Policy

As at 31 March 2017, 662 staff fell into the Group's payroll (31 March 2016: 553 staff). Total staff costs included directors' emoluments for the Period amounted to approximately HK\$258.0 million (Previous Period: approximately HK\$245.3 million), salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. In order to attract and retain high quality staff and to enable smooth operation within the Group, the remuneration policy and package of the Group's employees are periodically reviewed. The salary and benefit levels of the employees of the Group are competitive (with reference to market conditions and individual qualifications and experience). The Group provides adequate job training to the employees to equip them with practical knowledge and skills. Apart from mandatory provident fund and job training programs, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance and market situation. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

## Capital Commitments

Save as disclosed in Note 27 of the consolidated financial statements in this annual report, the Group had no other capital commitments as at 31 March 2017.

## Contingent Liabilities

Our subsidiaries are involved in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims in the ordinary course of business. The Directors considered that the possibility of any outflow in settling the legal claims was remote as these claims were well covered by insurance. Accordingly, no provision for the contingent liabilities in respect of litigations and claims is necessary after due consideration of each case.

Save as disclosed above, the Group had no material contingent liabilities as at 31 March 2017 (2016: nil).

## Dividend

The Board does not recommend the payment of a final dividend for the Period (2016: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Use of Net Proceeds from the Listing

The receipts of the proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium (“Net Proceeds”) from the Listing were approximately HK\$57.2 million. The Group intends to apply the Net Proceeds in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” to the Prospectus. As stated in the Prospectus, our Company intends to apply the Net Proceeds to acquire machinery and related parts, expand the workforce both as office level and worksite level, repay the outstanding finance leases and bank borrowings and fund general working capital. The use of proceeds has been consistent with the disclosure in the Prospectus. The total net proceeds received were applied by the Group during the period from the Listing Date up to 31 March 2017 (the “Review Period”) are as follows:

<b>Use of Net Proceeds:</b>	<b>Planned use of proceeds HK\$'000</b>	<b>Actual use of proceeds from the Listing Date to 31 March 2017 HK\$'000</b>	<b>Unused amount HK\$'000</b>
Acquisition of machinery and related parts	23,103	9,864	13,239
Expansion of our workforce both at office level and worksite level	6,429	839	5,590
Repayment of the outstanding finance leases	11,050	6,543	4,507
Repayment of the outstanding bank borrowings	11,050	10,512	538
General working capital	5,524	3,000	2,524
<b>Total</b>	<b>57,156</b>	<b>30,758</b>	<b>26,398</b>

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 31 March 2017.





# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Cheung Yuk Kei** (張玉其先生) (“**Mr. Cheung**”), aged 57, is an executive Director, our Chairman and the chairperson of our nomination committee. Mr. Cheung is one of our Controlling Shareholders and also a director of Kam Fung Engineering Limited, Global Sunny Engineering Limited, Sang Fu Engineering Limited and Richway Mechanical Engineering Co., Limited, which are the four operating subsidiaries of the Company. Mr. Cheung is primarily responsible for overall business development, making major business decision and overseeing and monitoring projects of our Group. Mr. Cheung is the Vice President (副會長) of the Seventh Committee (2015-2017) of the Hong Kong Construction Sub-contractors Association (香港建造業分包商聯會). Mr. Cheung is a director of The Hong Kong Concretor Contractors Association Limited (香港混凝土工分包商商會有限公司) since September 2013 and the President for a term of 2 years from August 2015 to August 2017. He is also a director of The Hong Kong Concrete Pump Merchant Association Limited (香港混凝土泵聯會有限公司) since August 2015. Mr. Cheung has accumulated over 35 years of experience in the concrete services industry in Hong Kong. Prior to acquiring the share of Kam Fung Engineering Limited in December 2002, Mr. Cheung was the founder of Kei Kee Construction Engineering Company Limited (其記建築工程有限公司) which was incorporated in May 2000 and the sole proprietor founder of Cheung Kei Engineering Co. (張其工程公司) which was established in October 1987. Cheung Kei Engineering Co. ceased business in March 2001 after the conversion of the sole proprietor businesses to Kei Kee Construction Engineering Company Limited. Kei Kee Construction Engineering Company Limited was subsequently dissolved by deregistration in October 2006 due to Mr. Cheung’s focus on the business of our Group and to avoid competition. Mr. Cheung obtained a Certificate of Training from Accredited Certification International Limited for Integrated Management System Internal Auditor on 31 March 2016. Mr. Cheung is the father of Mr. Cheung Man Tim who is an executive Director and our Chief Executive Officer.

**Mr. Cheung Man Tim** (張萬添先生), aged 33, is an executive Director and our Chief Executive Officer. He is primarily responsible for formulating overall business development strategy, execution of daily management and administration of our business and operations. He is also a member of the remuneration committee. Mr. Cheung Man Tim obtained a bachelor degree of engineering in electrical and electronic engineering from the University of Manchester in June 2008 and a master degree of science in commercial project management from the University of Manchester in November 2009. Mr. Cheung Man Tim is a professional member of The Royal Institution of Chartered Surveyors and a registered Chartered Building Engineer of the Chartered Association of Building Engineers. Prior to joining our Group, Mr. Cheung Man Tim worked in Sweett (China) Limited (a quantity surveying conducting firm) as a senior quantity surveyor from November 2010 to January 2015 who is responsible for the quantity surveying aspects of a variety of projects. Mr. Cheung Man Tim is the son of Mr. Cheung Yuk Kei, who is an executive Director, our Chairman and one of our Controlling Shareholders.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Fung Chi Chung** (馮志忠先生) (“**Mr. Fung**”), aged 53, is our executive Director. Mr. Fung has over 30 years of experience in the construction and engineering industry in Hong Kong. He is primarily responsible for overseeing daily execution of site operation and monitoring occupational health, safety and environmental compliance of our Group. Mr. Fung joined our Group as the Contract and Quantity Surveyor Manager of our subsidiary, Kam Fung Engineering Limited, in March 2010 and was the Assistant General Manager (Contracts) of our Group. Prior to joining our Group, Mr. Fung’s working experience includes:

Name of companies	Principal business activity	Position	Period of service
Hong Kong Telephone Company Limited	Construction	Draughtsman	November 1981 – September 1982
Nishimatsu Construction Company Limited	Construction	Apprentice	October 1982 – February 1985
Water Supplies Department	Construction	Works supervisor	March 1985 – April 1989
Shui On Building Contractors Limited	Construction	Assistant quantity surveyor	March 1989 – November 1989
Frank Kier Limited	Construction	Quantity surveyor	January 1990 – May 1991
Judea Construction Company Limited	Construction	Quantity surveyor	May 1991 – April 1996
Henderson Real Estate Agency Limited	Construction	Senior supervisor	April 1996 – February 2010

Mr. Fung obtained a Certificate (Civil Engineering Studies) from Haking Wong Technical Institute in July 1984, a Higher Certificate (Civil Engineering) from The Hong Kong Polytechnic University in November 1988.

### Independent Non-Executive Directors

**Mr. Miu Hon Kit** (繆漢傑先生) (“**Mr. Miu**”), aged 49, is an independent non-executive Director. He is the chairperson of the audit committee of our Group. Mr. Miu is a qualified practising accountant with over 20 years of professional experience in auditing, accounting, compliance, corporate finance and private equity investment. Mr. Miu is currently holding the position of Senior Vice President with Standard Perpetual Partners Limited, a licensed corporation with licenses granted by the Securities and Futures Commission under the Securities and Futures Ordinance to carry on the Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities and is a director of LMN Certified Public Accountants Limited since March 2015. He is also an independent non-executive director of Gold Tat Group International Limited (stock code: 8266) and Kong Sun Holdings Limited (stock code: 295) since March 2016 and July 2014 respectively. Mr. Miu has been appointed as an adjunct professor of the Department of Finance, Faculty of Business Administration, Chinese University of Hong Kong since January 2012. Mr. Miu has extensive corporate finance and private equity/venture capital investment experience and formerly held senior investment roles in the private equity/principal investment department of Daiwa Capital Markets Hong Kong Limited, an investment banking firm, and Asian Direct Capital Management which was a private equity investment firm. He was an executive director of FM China Fund Limited from January 2016 to June 2007. He has also worked at Rothschild Asset Management (which was an investment management firm) and KPMG Hong Kong. Mr. Miu is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants (UK) and the Institute of Chartered Accountants in England and Wales. Mr. Miu received a Bachelor of Arts in Accountancy with Honours from City University of Hong Kong and a Master of Business Administration in Management from Imperial College London.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Leung Chi Wai (梁智維先生) (“Mr. Leung”)**, aged 49, is an independent non-executive Director. Mr. Leung is the chairperson of the remuneration committee, a member of the audit committee and the nomination committee of our Group. Mr. Leung has over 20 years of extensive experiences in management consulting, practice development and startups across Asia Pacific with global consulting firms, established organisations and startups. Mr. Leung is currently a partner with YCP Hong Kong Limited, a firm on management consulting and investment, from December 2016. Mr. Leung is also a director of Digitaura Advisory Company Limited, a firm aspired to create business ventures in the digital space, incubate cross border technology start-ups, develop strategic partnership and alliance, and raise capital to fund the growth of the ventures, from 2015. He was a senior manager of KPMG Transaction Advisory Services Limited from 2014 to 2015 and a director of Master Alliance (China) Limited from 2002 to April 2015, a senior associate of McKinsey and Co. from 2000 to 2002, vice president of strategic development of Chase.com, The Chase Manhattan Bank in 2000. He worked in C. Melchers Consulting GmbH & Co. from 1997 to 2000 (at which his last position was senior manager), and was an associate of A.T. Kearney from 1995 to 1996. Mr. Leung received a Bachelor of Science (Engineering) in Computing Science from Imperial College London in 1990. He subsequently obtained a Master of Science in Engineering-Economic Systems from Stanford University in 1994 and a Postgraduate Certificate of Theological Studies from Bethel Bible Seminary in 2013.

**Mr. Seid Ka Him (薛家謙先生) (“Mr. Seid”)**, aged 33, is an independent non-executive Director. Mr. Seid is a member of the audit committee, nomination committee and the remuneration committee. Mr. Seid is currently a Ph.D. candidate majoring in mechanical engineering of The Hong Kong Polytechnic University since July 2009. He was a visiting researcher of the Technical University of Berlin from December 2011 to May 2012 and a research assistant of The Hong Kong Polytechnic University from October 2008 to July 2009. Mr. Seid possesses general knowledge in organisational behavior and economics. Specific expertise in engineering acoustics, computational fluid dynamics and MIC architecture high performance computing.

Mr. Seid is an associate member of the Institution of Mechanical Engineers (IMechE). He was graduated with the highest programme total within the engineering discipline group and obtained a Master of Engineering majoring in aeronautical engineering with First Class Honours from the University of Salford in July 2008. He was awarded the outstanding Academic Performance within the Engineering Discipline Group in July 2008.

### SENIOR MANAGEMENT

**Ms. Yu Pik So (余碧素女士) (“Ms. Yu”)**, aged 42, was appointed as the company secretary of our Company on 27 September 2016. Ms. Yu joined our Group as a Financial Controller in January 2015 and is mainly responsible for overseeing the financial operation and overall corporate governance of our Group. Prior to joining our Group, Ms. Yu worked at Pro-Fit Construction Limited as a senior accountant from June 2014 to September 2014 and promoted to as an assistant financial controller from September 2014 to December 2014. She had also worked at Centron Telecom International Holding Limited as a finance manager from May 2009 to October 2013 and State Street Global Advisors Asia Limited from August 2000 to June 2008 and her last position was an intermediate finance associate. Ms. Yu obtained a Bachelor of Commerce from Deakin University on 25 September 1999. She was certified as a certified public accountant of The Hong Kong Institute of Certified Public Accountants on 15 May 2007. She was admitted full membership of CPA Australia on 10 December 2015.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yeung, Jack** (楊社稷先生) (“**Mr. Yeung**”), aged 42, is a General Manager of our Group. Mr. Yeung joined our Group since February 2015. He is mainly responsible for overall management of our Group. Mr. Yeung has over 10 years of experience in civil engineering and building construction in Hong Kong. Prior to joining us, Mr. Yeung worked as the general manager of Pro-Fit Construction Limited from April 2014 to December 2014. Since June 2010, Mr. Yeung has been serving Fugro Certification Services Ltd, as a part time carbon specialist. He was employed by Robt. Stone – A Business of Tenix Alliance New Zealand Services Limited as an HSE Officer for Kupe Gas Production Station Project from April 2008 to September 2008. He had previously worked for Sino Administration Services Limited from April 2004 to April 2008 and his last position was assistant manager (safety) of the development division from October 2006 to April 2008. He had also worked as a resident inspector of works (safety) of the KCRC East Rail Extension Project TCC 200 in Maunsell Consultants Asia Limited from June 2001 to April 2004, a safety officer in Gammon Construction Limited from March 2001 to May 2001. He worked in Hip Hing Construction Company Limited from March 1999 to February 2001 and his last position was safety officer. Mr. Yeung obtained a Bachelor of Engineering (Civil) from the University of Auckland in April 1999. He subsequently obtained a Continuing Education Certificate in Safety Auditing (Safety Auditors Training Scheme) from the City University of Hong Kong in March 2002. He was awarded the Postgraduate Diploma in Occupational Safety and Health from the University of Greenwich in October 2006. Since January 2007, he was a Chartered Member of the Institution of Occupational Safety and Health. He completed a course organised by the Association of Energy Engineers, USA on carbon auditor professional course in February 2009. He also completed a course organised by the Department of Continuing Education of the University of Oxford on The Wider Context of Nanotechnology in December 2010.

**Mr. Chau Wai Kwong** (周偉光先生) (“**Mr. Chau**”), aged 56, is a General Manager (Projects) of our Group. Mr. Chau joined our Group as a Project Manager in March 2010 and he is mainly responsible for management of site works and quality control of our projects. Mr. Chau has over 25 years of construction site experience. Prior to joining our Group, Mr. Chau worked in E Man Construction Company Limited from March 1986 to February 2010 and his last position was general foreman. Mr. Chau received a certificate for completion of the part-time course for Qualifying Site Supervisors as Technically Competent Persons from the Construction Industry Training Authority in 1999 and a certificate for completion of the part-time Construction Safety Supervisor Course in 2000.

### COMPANY SECRETARY

Ms. Yu Pik So is the company secretary of our Company. Details of her qualifications and experience are set out in the paragraph headed “Senior management” in this section.



# 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 improve the efficiency and performance of the Group and to safeguard 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 (the "Code Provisions") as set out under the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Review Period. The Directors will periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time.

## MODEL CODE FOR SECURITIES TRANSACTIONS

### Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed that they had fully complied with the requirements of the Model Code during the Review Period.

### Securities Transactions by Senior Management and Staff

The senior management and staff have been individually notified and advised about the Model Code by the Company.

## 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 Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code. As at the date of this annual report, the Board has reviewed and monitored (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the CG Code disclosure requirements.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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 directors' responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In compliance with Code Provision A.6.5 of the CG Code, the Company has provided funding to all the Directors to participate in continuous professional development organized in the form of in-house training and seminars to keep them refreshed of their knowledge and skill and understanding of the Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. The Company will also update the Directors of any material changes in the Listing Rules and corporate governance practices from time to time.

During the Review Period, the Company organized Directors' training session delivered by legal professional (which was attended by all Directors, namely Mr. Cheung Yuk Kei, Mr. Cheung Man Tim, Mr. Fung Chi Chung, Mr. Miu Hon Kit, Mr. Leung Chi Wai and Mr. Seid Ka Him), as well as provided materials (including but not limited to updates on Listing Rules and guidelines on Directors' Duties) for all Directors.

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

Name of Director	Reading materials regarding regulatory update and corporate governance matters	Attending seminars/in-house training relevant to the Company's business, Listing Rules compliance and risk management
<b>Executive Directors</b>		
Mr. Cheung Yuk Kei ( <i>Chairman</i> )	√	√
Mr. Cheung Man Tim ( <i>Chief Executive Officer</i> )	√	√
Mr. Fung Chi Chung	√	√
<b>Independent non-executive Directors</b>		
Mr. Miu Hon Kit	√	√
Mr. Leung Chi Wai	√	√
Mr. Seid Ka Him	√	√



# CORPORATE GOVERNANCE REPORT

## THE BOARD

### Role and function

The Board is responsible for the overall leadership of our Group, oversees our 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 our Group to the senior management of our 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 nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. Further details of these committees are set out in the sections headed "Audit Committee", "Nomination Committee" and "Remuneration Committee" below.

### Composition

As at the date of this annual report, the Board currently comprises six members, consisting of three executive Directors and three independent non-executive Directors. The List of Directors is set out in the section headed "Directors' Report" of this annual report.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. 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 8 to 11 of this annual report.

Save as (i) Mr. Cheung Yuk Kei is the father of Mr. Cheung Man Tim and (ii) Mr. Cheung Man Tim is the son of Mr. Cheung Yuk Kei, the Directors have no financial, business, family or other material or relevant relationship with each other.

# CORPORATE GOVERNANCE REPORT

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 meets regularly to discuss and formulate the overall strategy to monitor the operation and financial performance of the Group. 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. 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.

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held as at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. During the Review Period, a total of two 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
<b>Executive Directors</b>		
Mr. Cheung Yuk Kei ( <i>Chairman</i> )	–	2/2
Mr. Cheung Man Tim ( <i>Chief executive officer</i> )	–	2/2
Mr. Fung Chi Chung	–	2/2
<b>Independent non-executive Directors</b>		
Mr. Miu Hon Kit	–	2/2
Mr. Leung Chi Wai	–	2/2
Mr. Seid Ka Him	–	2/2

## 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.





# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. In compliance with the Code, the Group has appointed a separate chairman and chief executive of the Company since 27 September 2016. Mr. Cheung Yuk Kei serves as the Chairman of the Company and is responsible for overall business development, making major business decision and overseeing and monitoring projects of our Group. Mr. Cheung Man Tim serves as the chief executive officer of the Company, with the assistance of other members of the Board and senior management, and is responsible for formulating overall business development strategy, execution of daily management and administration of our business and operations. The Chairman of the Board ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete 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 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.

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has currently appointed three independent non-executive Directors for a term of two years commencing from the Listing Date which may be terminated earlier by no less than one month written notice served by either party on the other. All of the three independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise. No less than one third of the Directors are subject to retirement by rotation at each annual general meeting in accordance with the amended and restated memorandum and articles of association of the Company.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to Rule 3.13 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.

## APPOINTMENTS AND RE-ELECTION OF DIRECTORS

The Company has established the Nomination Committee on 27 September 2016. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group. Each of the Directors has entered into a service contract with the Company for a term of two years from the Listing Date.

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. All Directors will retire from office at the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer themselves for re-election.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board Committees of the Company are established with defined written terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange and are available to Shareholders upon request.

## AUDIT COMMITTEE

The Company established the Audit Committee on 27 September 2016 in accordance with Rule 3.21 of the 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 comprises three independent non-executive Directors, namely Mr. Miu Hon Kit, Mr. Leung Chi Wai and Mr. Seid Ka Him. Currently, Mr. Miu Hon Kit is the chairperson of the Audit Committee.

The primary responsibilities of the Audit Committee include:

- to be primarily responsible for making recommendations and advice 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 internal audit process in accordance with applicable standards;
- to develop and implement policy on engaging an external auditors to supply non-audit services, and to review and monitor the extent of non-audit works undertaken by external auditors;
- 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 risk management and internal control systems with management of our Group to ensure that the management of our Group has performed its duty to have an effective risk management and internal control systems; 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 Period and this annual report have been reviewed by the Audit Committee.

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 2016. Subsequent to the end of the Review Period and up to the date of this annual report, two meetings of the Audit Committee were held to review the Group's financial result for the 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 during the Review Period are set out below:

<b>Audit Committee</b>	<b>Meeting attended/Eligible to attend</b>
Mr. Miu Hon Kit ( <i>Chairperson</i> )	1/1
Mr. Leung Chi Wai	1/1
Mr. Seid Ka Him	1/1



# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Nomination Committee was established on 27 September 2016 with written terms of reference in compliance with the CG Code. Our Nomination Committee comprises three members, namely Mr. Cheung Yuk Kei, Mr. Leung Chi Wai and Mr. Seid Ka Him. Currently, Mr. Cheung Yuk Kei is the chairperson of the Nomination Committee.

The principal responsibilities of the Nomination Committee include:

- 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 officer; 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.

During the Review Period, no meeting of the Nomination Committee was held since the Shares have just been listed on the Listing Date. However, subsequent to the Review Period and up to the date of this annual report, one meeting of the Nomination Committee was 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 independent non-executive Directors and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming AGM.

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 27 September 2016 in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the CG Code. Our Remuneration Committee comprises three members, namely Mr. Leung Chi Wai, Mr. Cheung Man Tim and Mr. Seid Ka Him. Currently, Mr. Leung Chi Wai is the chairperson of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include:

- 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 below Board level;



# CORPORATE GOVERNANCE REPORT

- make recommendations to the Board on the remuneration of independent 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 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.

During the Review Period, one meeting of the Remuneration Committee was held for discussing the discretionary bonus of our executive Directors and senior management. Subsequent to the Review Period and up to the date of this annual report, one meeting of the Remuneration Committee was held for reviewing the performance and remuneration packages of individual Directors and senior management. Details of the Directors' remuneration are set out in Note 8 to the Financial Statements.

Attendance at meeting of the Remuneration Committee during the Review Period is as follows:

<b>Remuneration Committee</b>	<b>Meeting attended/Eligible to attend</b>
Mr. Leung Chi Wai ( <i>Chairperson</i> )	1/1
Mr. Cheung Man Tim	1/1
Mr. Seid Ka Him	1/1

## AUDITORS' REMUNERATION

The Audit Committee of our Company is responsible for considering the appointment and re-election of our Company's external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to our Company. 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 pages 38 to 41 of this annual report.

Annual audit fees of the financial statements of the Group for the Period payable to the external auditors, HLB Hodgson Impey Cheng Limited, were approximately HK\$880,000. In addition, approximately HK\$2,630,000 was incurred for non-audit services in respect to the Company's preparation for the Listing and the interim review of the condensed consolidated financial statements for the period ended 30 September 2016, totaling approximately HK\$3,510,000 in aggregate.



# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the Shareholders and the assets of the Company.

The Board oversees the Group's the overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) – Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified;
2. The senior management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented;
3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal controls systems.

The risk management framework, coupled with our internal controls, ensures that the risks associated with our different business units are effectively controlled in line with the Group's risk appetite.

The Group does not have an internal audit department. The Group has conducted an annual review on whether there is a need for such an internal audit department is required. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness. Nevertheless, our Group engaged an external consultant, CT Partners Consultants Limited, for internal control to conduct review on the internal control system of our Group during the Period. The review covers certain procedures in the provision of concrete placing services and other ancillary services, and make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of our Group has been identified.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequacies of resources, staff qualifications and experience training programs and budget of accounting and financial reporting function and the Board concluded that our Group's risk management and internal control systems were in place and effective.

With respect to the monitoring and disclosure of inside information, our Group has adopted a policy on disclosure of insider information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

## COMPANY SECRETARY

The Company has engaged Ms. Yu Pik So as the company secretary. In compliance with rule 3.29 of the Listing Rules, Ms. Yu Pik So has confirmed that she has undertaken no less than 15 hours of relevant professional training during the Period in compliance with Rule 3.29 of the Listing Rules. Her biographical details are set out in the section headed "Biographies of Directors and Senior Management".



# CORPORATE GOVERNANCE REPORT

## **DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements of our Group and to ensure that the consolidated financial statements of our Group are prepared in a manner which give a true and fair view of the state of affairs of our Group on a going concern basis and are in compliance with the relevant accounting standards and principals, applicable laws and disclosure provisions required of the Listing Rules. In presenting the consolidated financial statements, announcements and other financial disclosures required under the Listing Rules, our Directors aim to present a balanced, clear and understandable assessment of the position and prospects of our Group. Our Directors are of the view that the financial statements of our Group for the Period has been prepared on this basis. Our Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon our Group's ability to continue as a going concern.

The statement by the auditors of the Group regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 38 to 41 of this annual report.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS**

The Company considers that effective communication with Shareholders and potential investors is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company has adopted the shareholders' communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material development, governance and risk profile). The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and potential investors to make the informed investment decisions.

To promote effective communication, the Company maintains the website at [www.chongkin.com.hk](http://www.chongkin.com.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 other corporate communications which will be sent to Shareholders and/or published are updated on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website in a timely fashion.

The forthcoming AGM of the Company will be held on Monday, 28 August 2017. The notice of the AGM, setting out details of each proposed resolutions, voting procedures and other relevant information, will be sent to shareholders at least 20 clear business days before the AGM.

## **SHAREHOLDERS' RIGHTS**

### **General meeting**

The general meeting of our Company provides an opportunity for communication between the Shareholders and the Board. The Chairman of the Board as well as chairpersons of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates are available to answer questions at the Shareholders' meetings. The auditor of the Company is also invited to attend the Company's AGM and is available to assist the Directors in addressing queries from the Shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditors' Report. Separate resolutions are proposed at the AGM on each substantial issue, including the election of the individual Directors.

At any general meeting, a resolution put to the vote of the meeting shall be decided by poll save that the Chairman of the meeting may, pursuant to the Listing Rules, allow a resolution be voted by a show of hands, in accordance with Article 72 of the articles of association of our Company. The Chairman will explain such rights and procedures during the AGM before voting on the resolutions.



# CORPORATE GOVERNANCE REPORT

Pursuant to Article 64 of the articles of association of the Company, Shareholders can make a requisition to convene an extraordinary general meeting (“EGM”). The procedures for the Shareholders to convene an EGM are as follows:

- (1) any one or more Shareholders (the “Requisitionist”) 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 have the right, by written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.
- (2) such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) shall be reimbursed by the Company.

## **Procedures for putting forward proposals at shareholders’ meeting**

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of our Group at shareholders’ meeting. Proposals shall be sent to the Board or the company secretary by written requisition of his/her proposal (the “Proposal”) together with his/her detailed contact information to the Company Secretary at the Company’s principal place of business in Hong Kong at Office B, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong in the manner as set out above.

The request will be verified with our Company’s branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- at least 21 days’ notice in writing if the Proposal requires approval by way of a special resolution of the Company in an EGM or resolution of the Company in an AGM.
- at least 14 days’ notice in writing if the Proposal requires approval in any other EGM.

## **Shareholders’ enquiries**

For matters in relation to the Board, 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 Office B, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. (Tel: (852) 2361 4880 Fax: (852) 2361 4891)

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividends warrants, the registered Shareholder can contact:

Branch Share Registrar and Transfer Office in Hong Kong  
Tricor Investor Services Limited  
Address: Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong  
Tel: (852) 2980 1333  
Fax: (852) 2810 8185

## **CONSTITUTIONAL DOCUMENTS**

On 27 September 2016, the Company adopted an amended and restated Memorandum and Articles of Association of the Company for the purpose of the Listing, a copy of which has been posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chongkin.com.hk](http://www.chongkin.com.hk)). Save as disclosed above, there had been no significant changes in the Company’s constitutional documents during the Review Period.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This is the first year for the Group to prepare the Environmental, Social and Governance (the “ESG”) Report. This report is pursuant to the ESG Reporting Guide provided in Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange.

During the Period, our Group has tried to improve our standards for corporate social responsibility (“CSR”) and strictly complied with relevant laws and regulations reporting. The two main subject areas for reporting are: (I) Environmental and (II) Social, from 1 April 2016 to 31 March 2017.

## INTRODUCTION

Our Group is a leading concrete services provider in Hong Kong. Our long-established service is to provide concrete placing works as a subcontractor for both public sector and private sector projects. In this report, we focus on our major business, concrete placing works and rental of concrete placing machinery.

We have adopted both high quality and environmental management systems models for our services, which have been assessed and certified as meeting the requirement of International Organisation for Standardisation (“ISO”) 9001:2008 and ISO 14001:2015 by Accredited Certification International Limited. The requirements for occupational health safety management system developed for managing health and safety risk associated with a business are met by us and certified with Occupational Health and Safety Assessment Specification (“OHSAS”) 18001:2007. Our corporate objective is to pursue excellence in its services, accompanied with the goal of improving environmental and social aspects of public life.

In May 2016, our subsidiary, Kam Fung Engineering Limited was nominated the Caring Company Logo by the Hong Kong Council of Social Service. The reward is endorsed the Group’s works for building up partnership between business and social welfare sectors and inspiring corporate social responsibility from caring the community, employees and environment.

## I. ENVIRONMENTAL

### I.1 Emissions

#### Carbon Emission

There are multiple sources of emissions generated from our business operations. One of our major sources is carbon emission from the consumption of energy by machinery such as boom pumps, stationary pumps, truck-mounted concrete pumps and placing booms.

Hence, we have implemented various energy-saving measures and have opted for more energy efficient fuel – Shell Fuelsave Diesel, for most of our machineries. Based on the Shell Hong Kong Ltd.’s report, this type of diesel is helping to lower fuel consumption and prevent increased emissions and smoke over the lifetime of the vehicle, as it is designed to maintain the engine in peak condition. Shell’s internal tests in heavy-duty engines used in road transport vehicles have demonstrated that this fuel can help save up to 3% fuel as compared to regular non-economy formula diesel.

#### Air Pollution Emission

In our effort for reducing the emission of air pollutants and noxious odour from our construction activities, we comply with the Air Pollution Control Ordinance (Cap.311, Laws of Hong Kong) and other relevant environmental legislations. Our machines obtain the approved or exempted with a proper label of Non-road Mobile Machinery (“NRMM”) from Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

In order to mitigate environmental impacts, the Group are releasing the old registered road vehicles. During the Period, we purchased the newly registered road vehicles which could decrease around 27% CO2 emission averagely, compared to the old models used.





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## I.2 Use of Resources

We have introduced a series of green policy to enhance the awareness of environmental protection among staff with the objective of lower energy consumption, fully utilizing resources and recycling wastes in daily office operations. Our Group regularly holds internal meeting for reviewing the use of paper, water and electricity from different departments among the Group.

### Electricity Control

- We educate our employees to save energy in the head office and construction sites.
- Lights and air-conditioning in workplace must be turned off when they are not in use. All office staff must turn off the power of the electronic devices (i.e. computer and printers) in each department when leaving the workplace.
- To set the air-conditioning temperatures in our offices and other indoor areas at an environmentally-friendly level during the summer months – maintain between 24 and 26 degrees Celsius suggested by the Energy Saving Plan of Hong Kong's Built Environment 2015-2025+ under the Environment Bureau in Hong Kong.
- The Group selected the high energy-efficient appliances in the head office and site offices.
- To consider the use of natural lights or daylight in head office and site offices in order to save energy.

### Office Consumables Consumption Management

- We encourage our employees to use digital devices for all internal office communications and reduce the use of paper by using recycling used papers for all informal documents.
- The Group posted the "Save Water" notice at the bottle water coolers to encourage water conservation.

## I.3 The Environmental and Natural Resources

Since June 2016, the Group has obtained the ISO14001:2015 environment management system standard. We are still trying our best in strictly complying with the environmental laws and regulations by both our employees and workers from the subcontractors on different areas, including noise control, wastewater control and waste disposal control.

### Noise Control

The nature of our services provided is prone to generate high volume of construction noise from various kinds of machinery, such as boom pumps, stationary pumps, truck-mounted concrete pumps and placing booms. In order to reduce the impacts to the residents/neighbours, our construction teams are required to follow the Noise Control Ordinance (Cap.400, Laws of Hong Kong):

- Noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. on normal weekdays and on holidays. Any extension of operations due to special circumstances must be reported and gained prior approval by the Environmental Protection Department ("EPD") with issuing the Construction Noise Permit ("CNP").



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Wastewater Control

Wastewater discharges during operation is mainly produced from surface runoff of heavy rain, domestic sewage from construction workers, and wastewater from rinsing of the ground surface. To alleviate the impact of wastewater discharged during operation, we have complied with the Water Pollution Control Ordinance (Cap.38, Laws of Hong Kong) and carried out the following measures:

- For our wastewater control, we followed the main contractor's guidelines to treat the wastewater discharge. Wastewater generated during concrete placing work would be treated with caring effectively.
- For better handling of wastewater collection, designated location are set in each construction site.

## Waste Disposal Control

Waste disposal is one of the major environmental concerns in Hong Kong, hence we have put more effort on devising our waste disposal handling system. Our group adheres to comply with the guidelines from our main contractors regarding the processing of waste disposal.

## II. SOCIAL

### II.1 Employment and Labour Practices

#### Employment and Labour Standards

To attract, retain and motivate employees, we are committed to offering professional development opportunities and a healthy work environment for all employees and on-site staff. One of our main tasks is to ensure the wage rates of our employees are reasonable and competitive among our peers in the market. The employees' total rewards including basic salary and bonus system are unbiased and correlated with their individual performance.

Employees' remuneration is based on their job nature, qualifications and experiences. We provided an annual appraisal and reviewed their salaries and wage rates through our internal meeting. We strongly encourage internal promotion and offer a variety of job opportunities to the existing staff if they are best suited. Employees are our valuable assets, we strive to maintain work-life balances and encourage our employees to work in reasonable working hours. Our remuneration package included basic salary, performances bonus and overtime allowances.

All construction works were prohibited to engage illegal worker and child labour and advocate a community spirit that thrives on mutual respect and equal opportunities such as race, social class, age, nationality, religion, disability, gender or sexual orientation. We are fully committed to complying with any laws and regulations that is relevant to the Ordinances.

#### Employee Health and Safety

Since May 2015, the Group has obtained the OHSAS 18001:2007 and complied with Occupational Safety and Health Ordinance (Cap.509, Laws of Hong Kong) and other relevant requirements. We are committed to maintaining an effective work environment and providing sufficient protection to our staff; our Register Safety Officer and Assistant Safety Officer regularly perform checking on the work environment and staff facilities in different construction sites. They carry out site inspection on a regular basis and rectify any breaches and unsafe conditions if found.

We have established a Safety and Environmental Department and composed the Safety Manual which provides high degrees of occupational health and safety for all staff. The main function of the Safety and Environmental Department is to monitor whether all the safety precautions and implementations are in place and followed through among our staff, as well as to provide some safety and health advices, information and training to new joined staff and existing staff. The Group emphasises any unsafe acts are not acceptable and zero tolerance in our construction works.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Therefore, the Group is highly committed to maintaining a safe workplace in construction site and providing all necessary safety equipment to our workers such as safety helmets, dust masks and safety shoes, etc.

## **Training and Development**

Through on-job training and out-sourced training, it enhances the Group's operational efficiency and productivity and builds a solid foundation for the Group's sustainable development. We offer examination allowance to our staff who are willing to obtain the qualifications in related to the construction industry. Newly joined staffs must attend the vocational training and toolbox meeting for relevant occupational safety, health registrations and emergency plan. For our existing staff, we regularly provide job-related trainings in order to strengthen their professional knowledge and skills in daily operations and safety sections.

According to the survey on the labour shortage in construction industry which conducted by the Hong Kong Construction Association in November 2016, the rate of labour shortage was 7.54%. To attract new workforce into the construction industry, the Group has participated in the Subcontractor Cooperative Training Scheme ("SCTS") which held by the Construction Industry Council ("CIC").

## **II.2 Operating Practices**

### **Supply Chain Management**

We strive to keep a close relationship with our suppliers and sub-contractors. We have established stringent internal control systems to procure materials and services through a fair and unbiased tender process. When selecting the suppliers and sub-contractors, we ensure that materials or services are sourced from our approved list. We consider the background and previous experience of the suppliers and sub-contractors, quality of product or services delivered, prevailing marketing price, delivery time, financial stability and reputation of the suppliers when selecting new suppliers or sub-contractors. Besides, we consider whether our suppliers follow the environmental requirements from the Environmental Protection Department.

We preform annual evaluation and update the suppliers and sub-contractors approved list regularly. We assess their performances in respect of prices, quality, safety and health and the length of time such as delivery time and completion time.

### **Product Responsibility**

The Group strives to provide higher quality of the provision of concrete placing engineering service with our customers. Through the quality management system under the standard required of ISO 9001:2008, we promised:

- to ensure the concrete placing works meet our customers' requirements;
- to complete within the time stipulated in the contract and the budget allocated for the project;
- to comply with all relevant codes and regulations applicable to the works

We stringently monitor the quality of the purchasing materials and machineries. Normally, we check on its quality, any observable defects and functions. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Anti-Corruption

The Group has zero tolerance on any form of corruption and bribery. We have established the Code of conduct and stipulated in our staff handbook. We prohibited all our employees to request, receive or accept any forms of benefit from any persons, company or organisation which have business transactions with the Group. Besides, we also required our employee to declare any conflict of interest to avoid any possible conflict of interest with sub-contractor, supplier and arrange the seminar to our employees which presented by the Independent Commission Against Corruption.

## II.3 Community Involvement

We are making our best effort in contributing to the community. We actively seek opportunities to repay society and to create a better living environment for local community by participating in community services and charitable sponsorships. During the Period, the Group donated HK\$500,000 to the Hong Kong Construction Industry Employees General Union for supporting the follow up action and counselling service to family which their family member was deceased from construction work. Besides, we actively participate the activities organised by the main-contractors. The employees can enjoy their family day after office hours.

To help conserve the shark species and help restore its number to a healthy level, the Group planned to enrol in the No Shark Fin Corporate Pledge which organised by the World Wildlife Fund, promising no shark fin will be consumed at any business dinners.

In May 2016, one of our subsidiaries, Kam Fung Engineering Limited has been awarded the Caring Company Logo for the year by the Hong Kong Council of Social Services, to recognise its commitment in caring for the community, employees and environment. With our continuous investments, we are hoping to increase our future involvements for the CSR and environmental aspects.

## FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

In the future, we will:

- Search for energy-saving and environmentally-friendly machineries and materials for our construction projects;
- Formulate policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation; and
- Be more active in involving various community programs and contributing to society.



## DIRECTORS' REPORT

The Board is pleased to present their first report together with the audited consolidated financial statements of the Group for the Period (the "Financial Statements").

### PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands with limited liability on 31 May 2016. The Company completed the corporate reorganisation (the "Reorganisation") on 27 September 2016 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 and Development – Reorganisation" in the Prospectus. The Shares were listed on the Stock Exchange on 17 October 2016 by way of share offer.

The Company is domiciled in Hong Kong and has a principal place of business at Office B, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 12 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the 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 7 of this annual report.

### RESULTS AND APPROPRIATIONS

The results of the Group for the Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 42 of this annual report.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on 28 August 2017 (Monday), the register of members of the Company will be closed from Wednesday, 23 August 2017 to Monday, 28 August 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 22 August 2017.



# DIRECTORS' REPORT

## 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 relating to our business:

### **The Group has concentrated customer base and any decrease in the number of projects with the Group's five largest 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 2017. The Group's five largest customers' revenue contribution for the Period was approximately 83.1% (2016: approximately 89.3%) of our revenue while the Group's largest customer accounted for approximately 34.3% (2016: approximately 44.6%) of our revenue. The Group did not enter into any long-term service agreement or master service agreement with our customers. Furthermore, the Group's service contracts for all concrete placing works are awarded through tendering and entered into on a project-by-project basis. Due to its non-recurring nature, 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 five largest 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 will be materially and adversely affected. Besides, if any of the Group's five largest 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 our cash-flows and financial conditions. The Group cannot guarantee that it will be able to diversify our customer base by obtaining significant number of new projects from its existing and potential customers.

### **Error or inaccurate estimation of project duration and the costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss incurred by the Group**

The Group's concrete placing and ancillary service projects are awarded through a competitive tendering process. The Group determines a tender price by estimating its operating costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by the Group contain no mistake and error. Such mistakes and errors may be in the form of inaccurate estimation, oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. Further, the Group's operating costs may increase due to inflation of raw materials and labour costs. In case of contracts awarded to the Group with mistakes or errors in the submitted tender or if there is a substantial increase in raw material and labour costs, the Group's profitability in a project might be adversely affected or the Group may be bound by the contract to undertake the project at a substantial loss.

Inaccurate estimation on project schedule, project costs and technical difficulties in the tendering process may result in cost overruns when the Group actually executes the awarded project. Many factors affect the time taken and the costs actually involved in completing concrete placing projects undertaken by the Group. Examples of such factors include shortage and cost escalation of labour and materials, adverse weather conditions, variations to the construction plans instructed by customers, stringent technical construction requirements, threatened claims and material disputes with main contractors, subcontractors and suppliers, accidents, and changes in the Government's policies. Other unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises and remains unresolved, completion of construction works may be delayed or we may be subject to cost overruns or the Group's customers may even be entitled to unilaterally terminate the contract.

## PROPERTY, PLANT AND EQUIPMENT

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

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Period are set out in Note 12 to the consolidated financial statements.



# DIRECTORS' REPORT

## SHARE CAPITAL

The Company's total issued share capital as at 31 March 2017 was 764,800,000 ordinary Shares of HK\$0.01 per Share.

Details of movements during the Period in the share capital of the Company are set out in Note 21 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group during the Period are set out in the consolidated statement of changes in equity on page 45 of this annual report.

As at 31 March 2017, the Company has reserves amounted to approximately HK\$190.9 million available for distribution (2016: approximately HK\$84.8 million).

## DIRECTORS

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

### Executive Directors

Mr. Cheung Yuk Kei (*Chairman*)  
Mr. Cheung Man Tim (*Chief executive officer*)  
Mr. Fung Chi Chung

### Independent non-executive Directors

Mr. Miu Hon Kit  
Mr. Leung Chi Wai  
Mr. Seid Ka Him

## DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company for a term of two years commencing from the Listing Date of the Company, unless terminated by not less than one month's notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into an appointment contract with the Company for a term of two years commencing from the Listing Date of the Company, unless terminated by not less than one month's notice in writing served by either party on the other.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company 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 Period.

# DIRECTORS' REPORT

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

As at 31 March 2017, the interests and short positions of the Directors and chief 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 in	Percentage of shareholding
Mr. Cheung Yuk Kei	Interests held jointly with other persons; interests in controlled corporation (Note)	573,600,000	75%

Note:

These 573,600,000 Shares are held by Pioneer Investment Limited ("Pioneer Investment"). Mr. Cheung Yuk Kei beneficially owns 70% of the entire issued share capital of Pioneer Investment, which in turn beneficially owns 52.5% shareholding in the Company. Therefore, Mr. Cheung is deemed, or taken to be, interested in all our Shares held by Pioneer Investment for the purposes of the SFO. Mr. Cheung is the chairman, an executive Director and the chairperson of the Nomination Committee. Mr. Cheung is also a director of Pioneer Investment.

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

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Cheung Yuk Kei	Pioneer Investment	Beneficial owner	35	70%
Mr. Chan Yiu Hung	Pioneer Investment	Beneficial owner	15	30%



# DIRECTORS' REPORT

## Substantial shareholders' interests and short positions in Shares and underlying Shares

As at 31 March 2017, 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 would fall 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:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested in	Percentage of shareholding
Pioneer Investment	Beneficial owner	573,600,000	75%
Mr. Chan Yiu Hung (Note 1)	Beneficial owner	573,600,000	75%
Ms. Au Yeung Kam Fa (Note 2)	Interest of spouse	573,600,000	75%

Notes:

1. These 573,600,000 Shares are held by Pioneer Investment. Mr. Chan Yiu Hung beneficially owns 30% of the entire issued share capital of Pioneer Investment, which in turn beneficially owns 22.5% shareholding in the Company.
2. Ms. Au Yeung is the spouse of Mr. Cheung. Accordingly, Ms. Au Yeung is deemed, or taken to be, interested in all 573,600,000 Shares in which Mr. Cheung is interested for the purpose of the SFO.

## ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed under the sections headed "Share Option Scheme" and "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" 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, its holding company, or and any of its subsidiaries or fellow 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 by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

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

During the Review Period, there were no connected transactions or continuing connected transactions of the Company as defined 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.

Save as disclosed under the "Related Party Transactions" in Note 28 to the consolidated financial statements, there were 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 2017 or any time during the 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 of the Company, 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 Period, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 5.5% and 14.8% (2016: approximately 5.4% and 15.1%) respectively of the Group's total purchases for the Period. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 34.3% and 83.1% (2016: approximately 44.6% and 89.3%) respectively of the Group's total revenue for the Period.

To the best of the Directors' knowledge, none of the Directors or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) and their respective close associates 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 a period ranging from approximately 2 to 14 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.

## 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 annual report, the Company has maintained the prescribed minimum public float under the Listing Rules since the Listing Date up to the date of this annual 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 annual report.



# DIRECTORS' REPORT

## NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and Mr. Cheung Yuk Kei, Mr. Chan Yiu Hung and Pioneer Investment being our controlling shareholders and their respective close associates, each of the controlling shareholders entered into a deed of non-competition with our Company (for itself and for the benefit of each other member of our Group) on 27 September 2016. Pursuant to the deed of non-competition, each of our controlling shareholders has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, as long as the deed of non-competition remains effective, he/it shall not, and shall procure his or its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether on its own account or with each other or in conjunction with or on behalf of any person or company or otherwise, the development, participation, management and operation of any business which in competition with or likely to be in competition whether directly or indirectly, with the existing business activity of any member of our Group or such other business activity our Group may engage from time to time in future.

The controlling shareholders have confirmed to the Company of their compliance with the deed of non-competition dated 27 September 2016 for disclosure in this annual report during the Review Period up to the date of this annual report.

All the independent non-executive Directors are delegated with the authority to review the deed of non-competition given by the controlling shareholders. The independent non-executive Directors were not aware of any non-compliance of the deed of non-competition during the Review Period and up to the date of this annual report.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, within the Group's business at any time during the Period and up to the date of this annual report.

## 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

Pursuant to the written resolutions of the sole shareholder of the Company on 27 September 2016, the Company adopted a share option scheme (the "Share Option Scheme") with effect from 27 September 2016. 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, to attract and retain high quality staff, to provide additional incentive to employees (full time or part time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote success of the business of the Group.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.



## DIRECTORS' REPORT

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

The Share Option Scheme will remain in force for a period of ten years commencing on the date of the adoption date (i.e. 27 September 2016) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless otherwise terminated earlier by the Shareholders in general meeting.

No share options had been granted under the Share Option Scheme since the adoption of the Scheme. During the period between the Listing Date and the date of this annual report, no share option has been granted, exercised, cancelled or lapsed. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 76,480,000, representing 10% of the entire issued share capital of the Company. Details of the Share Option Scheme are set out in Note 22 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 Period.

### BORROWINGS

Details of bank borrowings of the Group as at 31 March 2017 are set out in Note 23 to the consolidated financial statements.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new Share on a pro-rata basis to the existing Shareholders.

### RETIREMENT BENEFITS SCHEMES

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

### EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the Period.

Senior management's remuneration of the Group during the Period falls within the following bands:

	<b>No. of individuals</b>
Nil to HK\$ 2,000,000	3

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



# DIRECTORS' REPORT

## 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 Scheme".

## CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 12 to 22 of this annual report.

## FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the Period (2016: Nil).

## AUDIT COMMITTEE

The Audit Committee had reviewed, together with the management and external auditor, the accounting principles and policies adopted by the Group and the audited consolidated financial statement for the Period.

## AUDITORS

HLB Hodgson Impey Cheng Limited has acted as the auditors of the Group for the Period. The consolidated financial statements have been audited by HLB Hodgson Impey Cheng Limited, who shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for their re-appointment as auditors for the coming year will be proposed at the forthcoming AGM. 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 Public Health and Municipal Services Ordinance (Chapter 132 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 14001:2015 since 4 June 2016. 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 Period, we did not incur any material cost of environmental compliance.

On behalf of the Board

**CHEUNG Yuk Kei**  
*Chairman and Executive Director*

Hong Kong, 22 June 2017

# 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 MEMBERS OF CHONG KIN GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Chong Kin Group Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 42 to 84, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### BASIS FOR OPINION

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

### KEY AUDIT MATTER

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



# INDEPENDENT AUDITORS' REPORT

## KEY AUDIT MATTER (CONTINUED)

### Key audit matter

### How our audit addressed the key audit matter

#### *Accounting for construction contract revenue, gross profit and related receivables and liabilities*

We identified the revenue and profit recognition of contracting service and amounts due from customers for contract work as a key audit matter due to significant management judgements and estimation are required in the determination of the total outcome of the contracting service contracts as well as the percentage of completion of contracting service.

Our procedures in relation to construction contract revenue, gross profit and related receivables and liabilities mainly included:

- Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management;
- Understanding from management about how the budgets were prepared and the respective stage of completion were determined;
- Testing the actual costs incurred on construction works;
- Obtaining the certificates issued by customers to evaluate the reasonableness of percentage of completion;
- Assessing the reliability of the budgets by comparing the actual outcome against management's estimation of completed contracts; and
- Checking the amounts due from customers for contract work by agreeing the amount of progress billings, to billings issued to customers.

## OTHER INFORMATION

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

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

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





# INDEPENDENT AUDITORS' REPORT

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



# INDEPENDENT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Lo Kin Kei.

### **HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

### **Lo Kin Kei**

Practising Certificate Number: P06413

Hong Kong, 22 June 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	5	485,646	378,479
Cost of sales		(400,398)	(310,389)
<b>Gross profit</b>		<b>85,248</b>	<b>68,090</b>
Other income	5	5,260	2,851
Administrative and other operating expenses		(37,211)	(32,075)
<b>Operating profit</b>		<b>53,297</b>	<b>38,866</b>
Finance costs	9	(1,275)	(1,158)
<b>Profit before income tax</b>	<b>6</b>	<b>52,022</b>	<b>37,708</b>
Income tax expense	10	(7,597)	(7,501)
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>		<b>44,425</b>	<b>30,207</b>
<b>Basic and diluted earnings per share</b>	<b>11</b>	<b>HK cents 6.32</b>	<b>HK cents 4.64</b>

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	42,326	34,090
Deposits and prepayments for life insurance policies	15	3,572	3,491
		<b>45,898</b>	37,581
<b>Current assets</b>			
Trade and other receivables	17	61,844	53,377
Gross amounts due from customers for contract work	18	104,931	52,500
Amounts due from shareholders	19	–	6,148
Current income tax recoverable		–	4,252
Cash and bank balances	20	105,740	67,744
		<b>272,515</b>	184,021
<b>Total assets</b>		<b>318,413</b>	221,602
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	21	7,648	10
Reserves		190,911	84,827
<b>Total equity</b>		<b>198,559</b>	84,837
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23	797	5,449
Deferred tax liabilities	24	4,672	3,922
		<b>5,469</b>	9,371

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	25	41,669	40,717
Gross amounts due to customers for contract work	18	50,640	36,386
Borrowings	23	21,957	50,291
Current income tax liabilities		119	–
		<b>114,385</b>	127,394
<b>Total liabilities</b>		<b>119,854</b>	136,765
<b>Total equity and liabilities</b>		<b>318,413</b>	221,602
<b>Net current assets</b>		<b>158,130</b>	56,627
<b>Total assets less current liabilities</b>		<b>204,028</b>	94,208

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 June 2017 and signed on its behalf by:

**Mr. Cheung Man Tim**  
*Director*

**Mr. Fung Chi Chung**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	<b>Share capital</b> HK\$'000 <i>(Note 21)</i>	<b>Share premium</b> HK\$'000	<b>Merger reserve</b> HK\$'000 <i>Note</i>	<b>Retained earnings</b> HK\$'000	<b>Total equity</b> HK\$'000
Balance at 1 April 2015	–	–	–	54,620	54,620
Issue of ordinary shares	10	–	–	–	10
Profit and total comprehensive income for the year	–	–	–	30,207	30,207
Balance at 31 March 2016 and 1 April 2016	10	–	–	84,827	84,837
Profit and total comprehensive income for the year	–	–	–	44,425	44,425
The reorganisation	(10)	–	10	–	–
Shares issued pursuant to the capitalisation issue	6,514	(6,514)	–	–	–
Shares issued under share offer	1,134	78,246	–	–	79,380
Shares issuance costs	–	(10,083)	–	–	(10,083)
Balance at 31 March 2017	7,648	61,649	10	129,252	198,559

*Note:*

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).

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	26	24,856	66,751
Tax paid		(2,476)	(16,133)
Interest paid on bank overdrafts		(18)	(7)
<b>Net cash generated from operating activities</b>		<b>22,362</b>	<b>50,611</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		54	3
Purchases of property, plant and equipment		(8,801)	(3,996)
Decrease/(increase) in amounts due from shareholders		6,148	(6,148)
Interest received		6	–
<b>Net cash used in investing activities</b>		<b>(2,593)</b>	<b>(10,141)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares of Kam Fung Engineering Limited (“Kam Fung”)		–	10
Proceeds from share offer		69,297	–
Repayment of finance leases		(19,548)	(22,294)
Drawdown of bank borrowings		(–)	38,000
Repayment of bank borrowings		(26,589)	(2,336)
Interest paid on finance leases		(486)	(1,076)
Interest paid on bank borrowings		(771)	(75)
Decrease in amounts due to shareholders		–	(10,298)
<b>Net cash generated from financing activities</b>		<b>21,903</b>	<b>1,931</b>
<b>Net increase in cash and cash equivalents</b>		<b>41,672</b>	<b>42,401</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>64,068</b>	<b>21,667</b>
<b>Cash and cash equivalents at end of year</b>		<b>105,740</b>	<b>64,068</b>
<b>Analysis of cash and cash equivalents</b>			
Cash and bank balances	20	105,740	67,744
Bank overdrafts	23	–	(3,676)
		<b>105,740</b>	<b>64,068</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 1 GENERAL INFORMATION AND CORPORATE REORGANISATION

### (a) General information

The Company was incorporated in the Cayman Islands on 31 May 2016 as an exempted company with limited liability. The address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of the Company is Office B, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of concrete placing services and other ancillary services. Its parent and ultimate holding company is Pioneer Investment Limited (“**Pioneer Investment**”), a company incorporated in the British Virgin Islands and owned as to 70% by Mr. Cheung Yuk Kei (“**Mr. Cheung**”) and 30% by Mr. Chan Yiu Hung (“**Mr. Chan**”), the controlling parties of the Company.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 October 2016.

### (b) Corporate reorganisation

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. Cheung and Mr. Chan. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 27 September 2016. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Cheung and Mr. Chan prior to and after the Reorganisation.

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

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 (the “**Board**”) on 22 June 2017.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 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 Application of new and amendments to HKFRSs

For the purpose of preparing and presenting the consolidated financial statements for the years, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations issued by the HKICPA that are effective for the Group’s financial year beginning 1 April 2016 throughout the year.

##### (a) *New and amendments to HKFRSs in issue but not yet effective*

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018 as appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (continued)

#### 2.1.1 Application of new and amendments to HKFRSs (continued)

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

HKFRS 9 *Financial Instruments*, address the classification, measurement and recognition of financial assets and financial liabilities. 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 (“OCI”) and fair value through profit and 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 OCI 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. The Group is assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Group’s consolidated financial statements.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (continued)

#### 2.1.1 Application of new and amendments to HKFRSs (continued)

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

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

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

It establishes that 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. Under HKFRS 15, revenue is either recognised over time or at a point in time while under HKAS 11 contract revenue is recognised by reference to the stage of completion. The directors of the Company expect that revenue will continue to be recognised as the contract progresses, broadly similar to the method under HKAS 11. However, revenue recognition will be significantly delayed if it cannot be established that performance obligations are satisfied over time. In addition, contract modifications will be required to be approved before revenue is recognised; this new requirement may result in revenue from contract modifications to be recognised later than it would have been under HKAS 11. The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's Financial Information. However, there will be additional qualitative and quantitative disclosures upon the adoption 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 consolidated financial statements. As set out in Note 27, total operating lease commitments of the Group in respect of rental premises as at 31 March 2017 amounted to approximately HK\$1,286,000. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated financial statement of financial position as right-to-use assets and lease liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of presentation (continued)

#### 2.1.1 Application of new and amendments to HKFRSs (continued)

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

The Group will adopt these new standards, amendments and interpretations in the period of initial application. Other than explained above regarding the impact of HKFRS 9, HKFRS 15 and HKFRS 16, the Group expects that the adoption of the other new or revised standards will have no significant impact on the Group's result of operations and its financial position.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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

##### ***Business combinations***

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

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

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (continued)

#### 2.2.2 Separate financial statements

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

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

### 2.3 Merger accounting for common control combinations

The consolidated financial statements 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 Board that makes strategic decisions.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Foreign currency translation (continued)

#### (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.

### 2.6 Property, plant and equipment

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Property, plant and equipment (continued)

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:

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

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

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

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

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

### 2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

### 2.8 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 2.10 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 “deposits and prepayment for life insurance policies”, “trade and other receivables” 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 asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Impairment of financial assets (continued)

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.

### 2.12 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Borrowings

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.

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.

### 2.17 Borrowings 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

#### (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.

### 2.20 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 2.22 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) *Concrete placing and other 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) *Rental income*

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

#### (c) *Interest income*

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

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 approved by the Company's shareholders or directors, where appropriate.

### 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 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 deposits and prepayments for life insurance policies and 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 deposits and prepayments for life insurance policies and 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 2017, 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\$90,000 (2016: approximately HK\$343,000), mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

#### (ii) *Credit risk*

Credit risk arises mainly from deposits and prepayments for life insurance policies, trade and other receivables 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 and deposits and prepayments for life insurance policies are limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies and financial institution with good reputation respectively.

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.

As at 31 March 2017, there were three (2016: 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 52% (2016: 47%) of the Group's total trade and other receivables as at 31 March 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (continued)

#### (iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements 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 at the end of each reporting period) and the earliest date the Group may be required to pay:

	Weighted average interest rate %	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
<b>At 31 March 2017</b>						
Trade and other payables	–	41,669	–	–	41,669	41,669
Finance lease liabilities	1.92	11,270	809	–	12,079	11,932
Borrowings (excluding finance lease liabilities)	6.49	11,043	–	–	11,043	10,822
		63,982	809	–	64,791	64,423
	Weighted average interest rate %	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
<b>At 31 March 2016</b>						
Trade and other payables	–	40,717	–	–	40,717	40,717
Finance lease liabilities	4.64	9,664	4,062	1,609	15,335	14,653
Borrowings (excluding finance lease liabilities)	5.66	42,077	–	–	42,077	41,087
		92,458	4,062	1,609	98,129	96,457

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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 net debt divided by the total equity.

The gearing ratios of the Group are as follows:

	2017 HK\$'000	2016 HK\$'000
Total borrowings (Note 23)	22,754	55,740
Total equity	198,559	84,837
Gearing ratio	11%	66%

## 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.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 5 REVENUE AND SEGMENT INFORMATION

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

	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>		
Concrete placing and other ancillary services	485,646	378,479
<b>Other income</b>		
Bank interest income	6	–
Rental income	1,307	587
Interest income from life insurance policies	81	88
Government grants ( <i>Note</i> )	577	–
Insurance claims	2,983	1,382
Gain on disposal of property, plant and equipment	8	–
Others	298	794
	<b>5,260</b>	<b>2,851</b>

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

### Segment information

The chief operating decision-maker has been identified as the Board of the Company. The Board regards the Group's business as a single operating segment and reviews the financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

### Information about major customers

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

	2017 HK\$'000	2016 HK\$'000
Customer A	164,194	147,916
Customer B	61,479	N/A <sup>1</sup>
Customer C	74,442	72,072
Customer D	N/A <sup>1</sup>	41,647
Customer E	65,172	56,207

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 6 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Auditors' remuneration	880	200
Staff costs (including directors' emoluments)	258,020	245,292
Depreciation of property, plant and equipment	18,517	11,722
Loss on disposal of property, plant and equipment	–	14
Listing expenses	3,354	7,736
Operating lease rental on premises	858	1,174

## 7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and other benefits	291,736	208,888
Retirement scheme contributions – defined contribution plan	7,272	5,571
	<b>299,008</b>	214,459
(Less)/add: Amount included in gross amounts due from/(to) customers for contract work	(40,988)	30,833
	<b>258,020</b>	245,292

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

For the year ended 31 March 2017

## 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 are set out below:

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2017</b>					
<b>Executive directors</b>					
Mr. Cheung (Chairman) (Note (i))	–	2,311	617	18	2,946
Mr. Cheung Man Tim ("Mr. Tim Cheung") (Chief Executive Officer) (Note (i))	–	1,073	293	18	1,384
Mr. Fung Chi Chung ("Mr. Fung") (Note (i))	–	1,113	293	18	1,424
<b>Independent non-executive directors</b>					
Mr. Miu Hon Kit (Note (ii))	99	–	–	5	104
Mr. Leung Chi Wai (Note (ii))	99	–	–	5	104
Mr. Seid Ka Him (Note (ii))	55	–	–	3	58
	253	4,497	1,203	67	6,020
<b>Year ended 31 March 2016</b>					
<b>Executive directors</b>					
Mr. Cheung	–	2,058	1,171	18	3,247
Mr. Tim Cheung	–	946	479	18	1,443
Mr. Fung	–	946	279	18	1,243
	–	3,950	1,929	54	5,933

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 8 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' and chief executive's emoluments (continued)

Notes:

- (i) Mr. Cheung was appointed on 31 May 2016 as a director of the Company and re-designated as an executive director of the Company on 28 June 2016, Mr. Fung and Mr. Tim Cheung were appointed as executive directors of the Company on 28 June 2016. Mr. Cheung was also a director of certain subsidiaries of the Company and Mr. Fung and Mr. Tim Cheung were also employees of the Group during the years ended 31 March 2016 and 2017 and the Group paid emoluments to them in their capacity as the director of these subsidiaries and employees of the Group before their appointment as executive directors of the Company.
- (ii) Mr. Miu Hon Kit, Mr. Leung Chi Wai and Mr. Seid Ka Him were appointed as independent non-executive directors of the Company on 27 September 2016. During the year ended 31 March 2016, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

### (b) Five highest paid individuals

For the year ended 31 March 2017, the five individuals whose emoluments were the highest in the Group include, two (2016: three) directors, whose emoluments are disclosed above. The emoluments paid to the remaining three (2016: two) individuals for the year ended 31 March 2017 are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and allowances	2,955	3,066
Discretionary bonuses	1,597	530
Retirement scheme contributions	50	33
	<b>4,602</b>	<b>3,629</b>

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK\$)		
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	1

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

## 9 FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on finance leases	486	1,076
Interest on bank overdrafts and bank borrowings	789	82
	<b>1,275</b>	<b>1,158</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 10 INCOME TAX EXPENSE

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

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Hong Kong Profits Tax:		
– Current income tax	8,168	6,853
– Overprovision in prior year	(1,321)	–
Deferred income tax ( <i>Note 24</i> )	750	648
Income tax expense	<b>7,597</b>	7,501

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:

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Profit before income tax	52,022	37,708
Calculated at a tax rate of 16.5%	8,584	6,222
Expenses not deductible for tax purposes	365	1,282
Tax concession	(60)	(40)
Utilisation of previously unrecognised tax losses	(50)	–
Tax losses for which no deferred income tax asset was recognised	79	39
Overprovision in prior years	(1,321)	–
Others	–	(2)
Income tax expense	<b>7,597</b>	7,501

## 11 EARNINGS PER SHARE

	<b>2017</b>	2016
Profit attributable to owners of the Company (HK\$'000)	44,425	30,207
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	702,974	651,400
Basic earnings per share (HK cents)	<b>6.32</b>	4.64

For the year ended 31 March 2017, 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 of 764,800,000 shares in issue during the year.

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 651,400,000 shares (comprising 10,000 shares in issue and 651,390,000 shares to be issued under the capitalisation issue) as if these 651,400,000 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 2016 and 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 12 LIST OF SUBSIDIARIES

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of interest held
Chong Kin Group Limited ("Chong Kin BVI")	Limited liability company incorporated on 25 May 2016, the British Virgin Islands (the "BVI")	Investment holding	Ordinary share US\$1	100% (direct)
Fung Sang Investment Limited ("Fung Sang")	Limited liability company incorporated on 26 May 2016, the BVI	Investment holding	Ordinary share US\$1	100% (indirect)
Trade Achiever Investments Limited ("Trade Achiever")	Limited liability company incorporated on 6 April 2016, the BVI	Investment holding	Ordinary share US\$1	100% (indirect)
Chong Fung Investment Limited ("Chong Fung")	Limited liability company incorporated on 26 May 2016, the BVI	Investment holding	Ordinary share US\$1	100% (indirect)
Richway Investment Limited ("Richway Investment")	Limited liability company incorporated on 27 May 2016, the BVI	Investment holding	Ordinary share US\$1	100% (indirect)
Kam Fung	Limited liability company incorporated on 15 March 2000, Hong Kong	Provision of concrete placing services and other ancillary services	Ordinary share HK\$10,000	100% (indirect)
Sang Fu Engineering Limited ("Sang Fu")	Limited liability company incorporated on 4 August 2008, Hong Kong	Provision of concrete placing services and other ancillary services	Ordinary share HK\$100	100% (indirect)
Global Sunny Engineering Limited ("Global Sunny")	Limited liability company incorporated on 6 March 2007, Hong Kong	Provision of concrete placing services and other ancillary services	Ordinary share HK\$100	100% (indirect)
Richway Mechanical Engineering Co., Limited ("Richway Mechanical")	Limited liability company incorporated on 3 December 2008, Hong Kong	Provision of concrete placing services and other ancillary services	Ordinary share HK\$100	100% (indirect)

Note:

None of the subsidiaries had issued any listed securities at the end of the reporting period. The Group had no subsidiaries which have material non-controlling interests for the years ended 31 March 2017 and 2016.

## 13 DIVIDENDS

No dividend was proposed or paid during the year ended 31 March 2017 (2016: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 14 PROPERTY, PLANT AND EQUIPMENT

	<b>Machinery and equipment</b> HK\$'000 <i>(Note a)</i>	<b>Leasehold improvements</b> HK\$'000	<b>Furniture, fixtures and office equipment</b> HK\$'000	<b>Motor vehicles</b> HK\$'000 <i>(Note b)</i>	<b>Total</b> HK\$'000
<b>Cost</b>					
At 1 April 2015	82,106	220	962	4,415	87,703
Additions	3,810	–	–	1,154	4,964
Disposals	(2,166)	–	–	(20)	(2,186)
At 31 March 2016	83,750	220	962	5,549	90,481
<b>Accumulated depreciation</b>					
At 1 April 2015	40,204	37	945	2,178	43,364
Charge for the year	14,321	110	6	759	15,196
Disposals	(2,166)	–	–	(3)	(2,169)
At 31 March 2016	52,359	147	951	2,934	56,391
<b>Net book value</b>					
At 31 March 2016	31,391	73	11	2,615	34,090
<b>Cost</b>					
At 1 April 2016	83,750	220	962	5,549	90,481
Additions	22,818	–	–	2,810	25,628
Disposals	–	–	–	(357)	(357)
At 31 March 2017	106,568	220	962	8,002	115,752
<b>Accumulated depreciation</b>					
At 1 April 2016	52,359	147	951	2,934	56,391
Charge for the year	16,282	73	5	986	17,346
Disposals	–	–	–	(311)	(311)
At 31 March 2017	68,641	220	956	3,609	73,426
<b>Net book value</b>					
At 31 March 2017	37,927	–	6	4,393	42,326



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

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

	2017 HK\$'000	2016 HK\$'000
Cost – capitalised finance leases	35,150	65,601
Accumulated depreciation	(11,913)	(38,502)
<b>Net book value</b>	<b>23,237</b>	<b>27,099</b>

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

	2017 HK\$'000	2016 HK\$'000
Cost – capitalised finance leases	–	4,742
Accumulated depreciation	–	(2,141)
<b>Net book value</b>	<b>–</b>	<b>2,601</b>

(c) Depreciation expense of approximately HK\$17,453,000 (2016: approximately HK\$10,847,000) has been included in cost of sales.

## 15 DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICIES

	2017 HK\$'000	2016 HK\$'000
Deposits and prepayments for life insurance policies	3,572	3,491

The Group entered into two life insurance policies (the “Policies”) with an insurance company to insure shareholders of the Company. Under the Policies, the beneficiaries and policy holders are subsidiaries of the Company and the total insured sums are United States dollars (“US\$”) 1,500,000 (equivalent to approximately HK\$11,700,000).

At inception of the Policies, the Group is required to make a total single upfront payments of US\$435,120 (equivalent to approximately HK\$3,394,000) which include fixed policy premium charge and deposits. Monthly policy expense and insurance charge will be incurred over the insurance period with reference to the terms set out in the Policies.

The insurance company will pay the Group guaranteed interest rates of 3.3% for the first three years and 4.0% for the first year, respectively, and a variable return per annum afterwards (with guaranteed minimum interest rate of 3.0% and 2.0%, respectively, during the effective period of the Policies). The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the Policies and the deposits placed are carried at amortised cost using the effective interest method. The Group may request full surrender of the Policies at any time and receive cash back based on the value of the Policies at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus the policy expense and insurance premium charge. If such withdrawal are made between the first to fifteenth policy year and first to eighteenth policy year, respectively, a pre-determined specified surrender charge would be imposed on the Group.

The directors of the Company consider that the possibility of terminating the Policies during the first to fifteenth policy year and first to eighteenth policy year, respectively, was low and the expected life of the life insurance policy remains unchanged since its initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 HK\$'000	2016 HK\$'000
<b>Financial assets</b>		
<i>Loans and receivables</i>		
Deposits and prepayments for life insurance policies	3,572	3,491
Trade and other receivables	61,214	52,952
Amounts due from shareholders	–	6,148
Cash and bank balances	105,740	67,744
<b>Total</b>	<b>170,526</b>	<b>130,335</b>
<b>Financial liabilities</b>		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	41,669	40,717
Borrowings (excluding finance lease liabilities)	10,822	41,087
Finance lease liabilities	11,932	14,653
<b>Total</b>	<b>64,423</b>	<b>96,457</b>

## 17 TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables ( <i>Notes (a) and (b)</i> )	3,442	15,018
Other receivables, deposits and prepayments	1,026	1,583
Retention receivables	57,376	36,776
	<b>61,844</b>	<b>53,377</b>

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. Credit terms granted to customers vary from contract to contract. The credit period granted to customers is 14 to 60 days from payment application date generally. Customers generally make payments within 7 to 14 days from the date of issue of payment certificates to the Group. Trade receivables are denominated in HK\$.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 17 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b) The ageing analysis of the trade receivables based on the date of payment certificates issued by customers is as follows:

	2017 HK\$'000	2016 HK\$'000
0-30 days	2,450	10,977
31-60 days	416	3,041
61-90 days	–	753
Over 90 days	576	247
	<b>3,442</b>	<b>15,018</b>

Trade receivables of approximately HK\$496,000 (2016: approximately HK\$7,227,000) as at 31 March 2017 were not yet past due and approximately HK\$2,946,000 (2016: approximately HK\$7,791,000) as at 31 March 2017 were past due but not impaired. Trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made. The ageing analysis of these trade receivables is as follows:

	2017 HK\$'000	2016 HK\$'000
0-30 days	1,450	3,750
31-60 days	631	3,794
Over 90 days	865	247
	<b>2,946</b>	<b>7,791</b>

Retention receivables as at 31 March 2017 and 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.

## 18 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 HK\$'000	2016 HK\$'000
<b>Gross amounts due from customers for contract work</b>		
Contract costs incurred plus recognised profits less recognised losses	780,463	499,352
Less: Progress billings received and receivable	(675,532)	(446,852)
	<b>104,931</b>	<b>52,500</b>
<b>Gross amounts due to customers for contract work</b>		
Progress billings received and receivable	450,160	382,927
Less: Contract costs incurred plus recognised profits less recognised losses	(399,520)	(346,541)
	<b>50,640</b>	<b>36,386</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 19 AMOUNTS DUE FROM SHAREHOLDERS

	Maximum outstanding balance during the year		2017 HK\$'000	2016 HK\$'000
	2017	2016		
	HK\$'000	HK\$'000		
<b>Name of shareholders</b>				
Mr. Cheung	4,440	744	–	562
Mr. Chan	5,686	5,586	–	5,586
			–	6,148

Mr. Cheung is an executive director of the Company.

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

## 20 CASH AND BANK BALANCES

	2017 HK\$'000	2016 HK\$'000
Cash at banks	105,608	67,516
Cash on hand	132	228
	105,740	67,744

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

The carrying amount of cash and bank balances were denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK\$	105,625	67,717
US\$	115	27
	105,740	67,744

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 21 SHARE CAPITAL

	<i>Notes</i>	<b>Number of ordinary shares</b>	<b>Nominal amount HK\$'000</b>
Ordinary shares of HK\$0.01 each			
Authorised:			
On 31 May 2016 (date of incorporation)	<i>(b)</i>	38,000,000	380
Increase in authorised share capital	<i>(c)</i>	1,962,000,000	19,620
As at 31 March 2017		2,000,000,000	20,000
Issued and fully paid:			
On 31 May 2016 (date of incorporation)	<i>(b)</i>	1	–
Shares issued upon the Reorganisation	<i>(d)</i>	9,999	–
Shares issued pursuant to the capitalisation issue	<i>(e)</i>	651,390,000	6,514
Shares issued under share offer	<i>(f)</i>	113,400,000	1,134
As at 31 March 2017		764,800,000	7,648

*Notes:*

- (a) The balance of share capital at 31 March 2016 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 31 May 2016, which was then transferred to Pioneer Investment on the same date.
- (c) On 27 September 2016, the then sole shareholder resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.
- (d) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Chong Kin Group Limited from Pioneer Investment, on 27 September 2016, (i) the 1 nil-paid share held by Pioneer Investment was credited as fully paid, and (ii) 9,999 shares, all credited as fully paid, were allotted and issued to Pioneer Investment.
- (e) Pursuant to the written resolutions of the sole shareholder of the Company passed on 27 September 2016, the Company issued and allotted a total of 651,390,000 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 27 September 2016 by way of capitalisation of the sum of HK\$6,513,900 standing to the credit of the share premium account of the Company.
- (f) On 17 October 2016, 113,400,000 ordinary shares of HK\$0.01 each were issued to the public at a price of HK\$0.7 per share for cash totalling HK\$79,380,000 by way of share offer. The excess of issue price over the par value of the shares, net of issuance costs of approximately HK\$10,083,000, were credited to the share premium account of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 22 SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 September 2016 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.

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 approved 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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 22 SHARE OPTION SCHEME (CONTINUED)

The subscription price shall be a price solely determined by the Board 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 27 September 2016, 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 2016 and 2017.

## 23 BORROWINGS

	2017 HK\$'000	2016 HK\$'000
<b>Non-current</b>		
Finance lease liabilities (Note c)	797	5,449
<b>Current</b>		
Bank overdrafts (Notes b and f)	–	3,676
Bank borrowings (Notes a, b and f)	10,822	37,411
Finance lease liabilities (Note c)	11,135	9,204
	<b>21,957</b>	50,291
<b>Total borrowings</b>	<b>22,754</b>	55,740

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 follow:

	2017 HK\$'000	2016 HK\$'000
Within 1 year	10,426	26,589
Between 1 and 2 years	262	10,427
Between 2 and 5 years	134	395
	<b>10,822</b>	37,411

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

	2017 HK\$'000	2016 HK\$'000
HK\$	10,172	40,190
US\$	650	897
	<b>10,822</b>	41,087

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 23 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.

	2017 HK\$'000	2016 HK\$'000
Gross finance lease liabilities – minimum lease payments		
Within 1 year	11,270	9,664
Between 1 and 2 years	809	4,062
Between 2 and 5 years	–	1,609
	12,079	15,335
Future finance charges on finance leases	(147)	(682)
Present value of finance lease liabilities	11,932	14,653

The present value of finance lease liabilities is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 year	11,135	9,204
Between 1 and 2 years	797	3,883
Between 2 and 5 years	–	1,566
	11,932	14,653

The finance leases are secured by the Group's machinery and equipment with an aggregate net book value of approximately HK\$23,237,000 (2016: approximately HK\$27,099,000) and motor vehicles with an aggregate net book value of nil (2016: approximately HK\$2,601,000) as at 31 March 2017. Finance leases with carrying amounts of nil (2016: approximately HK\$12,368,000) as at 31 March 2017 are guaranteed by personal guarantees given by Mr. Cheung.

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

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

	2017	2016
Bank overdrafts	–	5.50% to 6.00%
Bank borrowings	5.13% to 6.58%	4.58% to 6.58%
Finance lease liabilities	5.67%	3.82% to 8.37%



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 23 BORROWINGS (CONTINUED)

Notes: (continued)

- (e) As at 31 March 2017, the undrawn banking facilities amounted to approximately HK\$2,000,000 (2016: approximately HK\$1,024,000).
- (f) These banking facilities are secured/guaranteed by:
  - (i) Personal guarantees given by Mr. Cheung and Mr. Chan as at 31 March 2016;
  - (ii) Subordination agreements executed by Mr. Cheung and/or Mr. Chan or subsidiaries of the Company to subordinate their loan as at 31 March 2016;
  - (iii) Pledge of deposits and prepayments life insurance policies amounting to approximately HK\$3,572,000 (2016: approximately HK\$3,491,000) as at 31 March 2017;
  - (iv) Corporate guarantee provided by certain subsidiaries of the Company as at 31 March 2016 and 2017;
  - (v) Corporate guarantee provided by the Company as at 31 March 2017; and
  - (vi) Guarantee by The Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme as at 31 March 2016.

## 24 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:

<b>Deferred tax liabilities arising from:</b>	<b>Depreciation allowances in excess of the related depreciation</b>
	HK\$'000
At 1 April 2015	3,274
Charged to profit or loss (Note 10)	648
At 31 March 2016 and 1 April 2016	3,922
Charged to profit or loss (Note 10)	750
<b>At 31 March 2017</b>	<b>4,672</b>

As at 31 March 2017, the Group has unused tax losses of approximately HK\$952,000 (2016: approximately HK\$508,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 25 TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	10,773	11,731
Accruals and other payables	30,896	28,986
	41,669	40,717

Notes:

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

	2017 HK\$'000	2016 HK\$'000
0-30 days	10,370	10,049
31-60 days	339	1,591
61-90 days	-	27
Over 90 days	64	64
	10,773	11,731

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

## 26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017 HK\$'000	2016 HK\$'000
Profit before income tax	52,022	37,708
Adjustments for:		
Depreciation	17,346	15,196
Interest income	(87)	(88)
Interest expense	1,275	1,158
(Gain)/loss on disposal of property, plant and equipment	(8)	14
Operating profit before working capital changes	70,548	53,988
Increase in trade and other receivables	(8,467)	(12,202)
Increase in gross amounts due from customers for contract work	(52,431)	(11,895)
Increase in trade and other payables	952	17,249
Increase in gross amounts due to customers for contract work	14,254	19,611
Net cash generated from operations	24,856	66,751

### (b) Material non-cash transactions

During the year ended 31 March 2017, additions to property, plant and equipment of approximately HK\$16,827,000 (2016: approximately HK\$968,000) were financed by finance lease arrangements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 27 COMMITMENTS

### (a) Capital commitments

Capital commitments contracted for at the end of each of the reporting period but not yet incurred are as follows:

	2017 HK\$'000	2016 HK\$'000
Property, plant and equipment	–	4,104

### (b) Operating lease commitments – Group as lessee

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

	2017 HK\$'000	2016 HK\$'000
Within one year	750	536
In the second to fifth years inclusive	536	–
	1,286	536

The Group is the lessee in respect of office premises under operating leases. The leases typically run for an initial period of 2 years, with an option to renew the leases when all terms are renegotiated.

## 28 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 19 and 23 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.

## 29 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position of the Company

	2017 HK\$'000
<b>ASSETS</b>	
<b>Non-current assets</b>	
Investment in subsidiaries	93,580
<b>Current assets</b>	
Prepayments	259
Amount due from a subsidiary	20,031
Cash and bank balances	43,901
	64,191
<b>Total assets</b>	<b>157,771</b>
<b>EQUITY</b>	
<b>Capital and reserves</b>	
Share capital	7,648
Reserves	149,668
<b>Total equity</b>	<b>157,316</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Trade and other payables	440
Amount due to a subsidiary	15
<b>Total liabilities</b>	<b>455</b>
<b>Total equity and liabilities</b>	<b>157,771</b>
<b>Net current assets</b>	<b>63,736</b>
<b>Total assets less current liabilities</b>	<b>157,316</b>

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

**Mr. Cheung Man Tim**  
*Director*

**Mr. Fung Chi Chung**  
*Director*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### (b) Reserve movement of the Company

	Share premium HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 31 May 2016 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(5,561)	(5,561)
The Reorganisation	–	93,580	–	93,580
Share issued pursuant to the capitalisation issue	(6,514)	–	–	(6,514)
Share issued under share offer	78,246	–	–	78,246
Share issuance costs	(10,083)	–	–	(10,083)
At 31 March 2017	61,649	93,580	(5,561)	149,668

# FINANCIAL SUMMARY

## Year ended 31 March

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	485,646	378,479	273,560	187,122
Cost of sales	(400,398)	(310,389)	(227,301)	(155,052)
<b>Gross profit</b>	<b>85,248</b>	68,090	46,259	32,070
Other income	5,260	2,851	3,004	3,180
Administrative and other operating expenses	(37,211)	(32,075)	(21,567)	(13,382)
Operating profit	53,297	38,866	27,696	21,868
Finance costs	(1,275)	(1,158)	(1,695)	(1,984)
<b>Profit before income tax</b>	<b>52,022</b>	37,708	26,001	19,884
Income tax expense	(7,597)	(7,501)	(4,354)	(3,175)
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>	<b>44,425</b>	30,207	21,647	16,709
<b>Basic and diluted earnings per share (HK cents)</b>	<b>6.32</b>	4.64	3.32	2.57

# FINANCIAL SUMMARY

As at 31 March

	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	42,326	34,090	44,339	29,812
Deposits and prepayments for life insurance policies	3,572	3,491	3,403	3,322
	45,898	37,581	47,742	33,134
<b>Current assets</b>				
Trade and other receivables	61,844	53,377	41,175	29,183
Gross amounts due from customers for contract work	104,931	52,500	40,605	46,987
Amounts due from shareholders	–	6,148	–	–
Current income tax recoverable	–	4,252	35	–
Cash and bank balances	105,740	67,744	21,667	7,204
	272,515	184,021	103,482	83,374
<b>Total assets</b>	<b>318,413</b>	<b>221,602</b>	<b>151,224</b>	<b>116,508</b>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Share capital	7,648	10	–	–
Reserves	190,911	84,827	54,620	32,973
<b>Total equity</b>	<b>198,559</b>	<b>84,837</b>	<b>54,620</b>	<b>32,973</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	797	5,449	13,743	17,097
Deferred tax liabilities	4,672	3,922	3,274	1,889
	5,469	9,371	17,017	18,986
<b>Current liabilities</b>				
Trade and other payables	41,669	40,717	23,468	13,334
Gross amounts due to customers for contract work	50,640	36,386	16,775	4,797
Amounts due to shareholders	–	–	10,298	27,791
Borrowings	21,957	50,291	23,983	12,884
Amount due to a related company	–	–	–	3,452
Current income tax liabilities	119	–	5,063	2,291
	114,385	127,394	79,587	64,549
<b>Total liabilities</b>	<b>119,854</b>	<b>136,765</b>	<b>96,604</b>	<b>83,535</b>
<b>Total equity and liabilities</b>	<b>318,413</b>	<b>221,602</b>	<b>151,224</b>	<b>116,508</b>
<b>Net current assets</b>	<b>158,130</b>	<b>56,627</b>	<b>23,895</b>	<b>18,825</b>
<b>Total assets less current liabilities</b>	<b>204,028</b>	<b>94,208</b>	<b>71,637</b>	<b>51,959</b>