上諭集團控股有限公司
SHEUNG YUE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1633

ANNUAL REPORT 2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Lap Wai Gary
Mr. Chan Lap Chuen Edmond
Ms. Chan Chin Ying Amanda

Non-executive Director

Mr. Chan Sau Man Simon

Independent Non-executive Directors

Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Siu Miu Man
Mr. Cheng Chi Hung

AUDIT COMMITTEE

Mr. Cheng Chi Hung
Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Siu Miu Man

REMUNERATION COMMITTEE

Mr. Siu Miu Man
Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Cheng Chi Hung

NOMINATION COMMITTEE

Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Siu Miu Man
Mr. Cheng Chi Hung

AUTHORISED REPRESENTATIVES

Mr. Chan Lap Wai Gary
Mr. Lui Shun Wa Alexander

COMPANY SECRETARY

Mr. Lui Shun Wa Alexander

AUDITOR

BDO Limited

COMPLIANCE ADVISER

Dakin Capital Limited

LEGAL ADVISOR

D. S. Cheung & Co.

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Dah Sing Bank Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 103-105, 1/F
New East Ocean Centre
9 Science Museum Road
Tsimshatsui East
Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.simonandsons.com.hk

STOCK CODE

1633

FINANCIAL HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of Sheung Yue Group Holdings Limited (the "**Company**") is pleased to present the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2017 (the "**Year**"), together with the comparative audited figures for the year ended 31 March 2016 (the "**Previous Year**").

- Revenue of the Group for the year ended 31 March 2017 amounted to approximately HK$403.3 million (for the year ended 31 March 2016: approximately HK$464.3 million).

- Profit attributable to owners of the Company for the year ended 31 March 2017 amounted to approximately HK$36.4 million (for the year ended 31 March 2016: approximately HK$40.0 million).

- Basic and diluted earnings per share for the year ended 31 March 2017 amounted to approximately HK cents 6.10 (for the year ended 31 March 2016: approximately HK cents 7.33).

- The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (for the year ended 31 March 2016: HK$nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our first annual report on behalf of the board (the "**Board**") of directors (the "**Directors**") since the public listing of Sheung Yue Group Holdings Limited (the "**Company**") together with its subsidiaries (the "**Group**") for the year ended 31 March 2017 (the "**Year**").

The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 November 2016 (the "**Listing**"). On behalf of the Group, I would like to extend our appreciation to all parties who have helped us build our business over the years as well as to those who helped bring the Company to the Listing of the Stock Exchange.

The Group has over 46 years of experience in the provision of foundation works and ancillary services in Hong Kong and Macau. We are a well-established contractor with job references both in large scale infrastructure projects and in housing and commercial buildings development in both private and public sectors. The commitment of our strong and dedicated management team to provide quality work and service has played a vital role in building up the Group's reputation for its excellence in expertise and experience.

The Group plans to continue its development in Hong Kong in the coming year. We will attempt to widen market opportunities so as to balance the risks and sustain the profitability. The Group will keep on improving its efficiency by expanding the capacity of its own machinery and equipment so as to prepare us for the rise in wages and tight construction schedule, and also increase the chance of securing large-scale projects.

To meet these challenges, the Group will reinforce its well established position in the market via its reputation, expertise and experienced management. In the future, the Board is prudently optimistic towards the prospects of the construction industry.

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our shareholders, customers and suppliers for their continuous support, as well as the management team and the staff of the Group for their hard work and contributions in the past year.

The Board declares no final dividend for the year under review.

Mr. Chan Lap Wai Gary
Chairman

Hong Kong, 30 June 2017

BUSINESS REVIEW AND PROSPECTS

During the Year, the Group was engaged in the provision of foundation works in Hong Kong and Macau. The scope of foundation works undertaken by us mainly includes piling construction (such as driven H-piling, socketed H-piling, precast prestressed concrete piling, mini piling, soldier piling, pipe piling and king posts), ELS works, pile cap construction, site formation and ancillary services (such as loading test and construction machinery leasing services).

There is a keen market competition in the foundation works industry in Hong Kong, with increasing number of market players, and reducing projects available in the market due to the filibustering in the Legislative Council causing delays in funding approval for public works projects. As such, the Group has to adjust its tendering strategy by lowering its profit margin in bidding and getting new contracts.

Nevertheless, looking forward, we are conservatively positive to the prospects and long term demand in the foundation works industry especially taking into account that the Hong Kong Government has proposed to invest approximately HK$107.2 billion in infrastructure projects in Hong Kong.

To cope with the abovementioned challenges, the Group will continue to implement stringent measures on project cost control, strengthen its project management system and enhance its production efficiency, in order to maintain its current profit margin. The Directors consider that the successful Listing has greatly promoted the Group's corporate image in Hong Kong. With the Group's good reputation and relationship with the customers and business partners in the foundation industry, we are confident that the Group will continue to grow and develop in spite of the challenges we are facing in the foundation works industry currently.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Year was approximately HK$403,266,000 (for the Previous Year: approximately HK$464,303,000), representing a decrease of approximately 13.1% over the Previous Year. The decrease was mainly due to the keen competition in the market and the delay in commencement date of several foundation works projects.

Gross Profit Margin

The Group's gross profit margin during the Year was approximately 17.9% (for the Previous Year: approximately 15.9%). The increase in gross profit margin was mainly due to the relatively higher profit margin of the projects during the Year, coupled with the continuing successful implementation of stringent project cost control policies by the Group.

General and Administrative Expenses

The Group's administrative expenses for the Year were approximately HK$33,628,000 (for the Previous Year: approximately HK$25,147,000), representing an increase of approximately 33.7% over the Previous Year. This was mainly attributable to (i) increase in the one-off non-recurring listing expenses of approximately HK$4,378,000; (ii) increase in legal and professional fee of approximately HK$2,418,000; and (iii) increase in charity donation of HK$1,021,000 during the Year as compared to the Previous Year.

Income Tax Expense

The Group's income tax expense for the Year was approximately HK$9,768,000 (for the Previous Year: approximately HK$9,595,000). The slightly increase was primarily due to the increase in non tax-deductible expenses in the Year. The Group's effective tax rate slightly increased from 19.4% for the Previous Year to 21.1% for the Year.

Net Profit

For the Year, the Group recorded a net profit of approximately HK$36,445,000 (for the Previous Year: approximately HK$39,951,000), representing a decrease of approximately 8.8% as compared with the Previous Year. The decrease was mainly attributable to the decrease in revenue and the one-off non-recurring listing expenses incurred during the Year.

Liquidity, Financial Resources and Capital Structure

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

As at 31 March 2017, the Group had bank balances of approximately HK$70.6 million (as at 31 March 2016: approximately HK$52.7 million). The interest-bearing debts of the Group as at 31 March 2017 was approximately HK$5.1 million (as at 31 March 2016: approximately HK$10.1 million). The gearing ratio is calculated based on the amount of total interest-bearing debts divided by total equity. The gearing ratio of the Group as at 31 March 2017 was approximately 2.0% (as at 31 March 2016: approximately 5.3%), as a result of the increased equity following the Listing.

Pledge of Assets

The Group's plant and machinery and motor vehicles with an aggregate net book value of approximately HK$14.7 million and HK$18.7 million as at 31 March 2017 and 31 March 2016, respectively, were held under finance leases.

As at 31 March 2017, banking facilities were secured by the Group's bank deposits amounting to approximately HK$14,049,000 (as at 31 March 2016: HK$14,007,000).

Foreign Exchange Risk

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

Employees and Remuneration Policy

As at 31 March 2017, the Group employed 134 employees. Total remuneration costs including directors' emoluments for the Year, amounted to approximately HK$67.9 million (for the Previous Year: approximately HK$72.1 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the Year, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff.

Capital Commitments

The Group had capital commitment amounted to HK$7.5 million as at 31 March 2017 (as at 31 March 2016: Nil).

Contingent Liabilities

As at 31 March 2017, the Group did not have any significant contingent liabilities.

Use of Proceeds from Initial Public Offering

The net proceeds of the share offer received by the Company in relation to the Listing were approximately HK$95.3 million, after deduction of underwriting fees and commissions and expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future plans and use of proceeds" in the prospectus of the Company dated 31 October 2016 (the "Prospectus"). The below table sets out the proposed applications of the net proceeds and usage up to date of the report:

	Planned use of proceeds HK$'000	**Actual usage up to the date of this report** HK$'000
Purchase of machinery and equipment	67,048	9,914
Taking out surety bond	19,466	–
Expansion of workforce	7,299	1,083
General working capital	1,512	1,512
	95,325	12,509

ENVIRONMENTAL POLICIES AND PERFORMANCE

For further information about the environmental policies and performance of the Company for the Year, please refer to the Environmental, Social and Governance Report to be issued on or before the end of September 2017.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. CHAN Lap Wai Gary (陳立緯先生), aged 59, is our Chairman, executive Director and a director of Favourable Year Limited ("**Favourable Year**"), Rainbow Republic Limited ("**Rainbow Republic**"), Simon & Sons Engineering Limited ("**Simon & Sons**") and Simon & Sons Engineering (Macau) Limited ("**Simon & Sons (Macau)**"). He is also one of our controlling shareholders. Mr. Gary Chan has over 37 years of experience in the building and construction industry in Hong Kong and is primarily responsible for the formulation of the overall business development strategy and the overall management and major business decisions of our Group. Between September 1980 and October 1986, Mr. Gary Chan worked as an assistant manager in Simon Construction & Engineering Company, a sole proprietorship principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder, Honorary Chairman and non-executive Director, and was responsible for the general management of projects, formulating company policies and advising our managers and supervisors. Since November 1986, Mr. Gary Chan has been the executive director, and later re-designated as the managing director, of Simon & Sons, our principal operating subsidiary, and has been responsible for the overall business operations. Furthermore, since April 2002, Mr. Gary Chan has been a director of Simon & Sons (Macau), one of our operating subsidiaries, and is responsible for overseeing the overall business development and operations in Macau.

Mr. Gary Chan graduated from University of Waterloo Canada with a Bachelor of Arts in Economics in May 1980. He obtained a certificate in Quantity Surveying from The Hong Kong Institute of Estimators and Site Agent in March 1987. He also completed a Professional Diploma in Project Management from The Hong Kong Management Association in January 2003.

Mr. Gary Chan is the son of Mr. Simon Chan, our non-executive Director and Honorary Chairman, and the brother of Mr. Edmond Chan, our executive Director and Chief Executive Officer, and Ms. Amanda Chan, our executive Director.

Mr. CHAN Lap Chuen Edmond (陳立銓先生), aged 58, is our Chief Executive Officer, executive Director and a director of Favourable Year, Rainbow Republic, Simon & Sons and Vanbo Engineering Limited ("**Vanbo Engineering**"). He is also one of our controlling shareholders. Mr. Edmond Chan has over 36 years of experience in the building and construction industry in Hong Kong. He is responsible for the formulation of the overall business development strategy and the execution of daily management and administration of our business and operations. Between November 1980 and October 1986, Mr. Edmond Chan worked as an assistant manager in Simon Construction & Engineering Company, a sole proprietorship in Hong Kong principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder, Honorary Chairman and non-executive Director, and was responsible for management of all projects and directing and supervising the operational management staff of our Group. Since November 1986, Mr. Edmond Chan has been a director of Simon & Sons, our principal operating subsidiary, and has been responsible for its day-to-day business operations. He also assumed the roles of site manager between November 1986 and March 1995, general manager (site work) between April 1995 and March 2011 and executive director since 2011 in Simon & Sons. Furthermore, since February 1993, Mr. Edmond Chan has been a director of Vanbo Engineering, one of our operating subsidiaries, and is responsible for overseeing its business operations in piling projects and provision of loading test services in Hong Kong.

Mr. Edmond Chan graduated from University of Waterloo Canada with a Bachelor of Mathematics in October 1980. He was admitted as a member of the Society of Environmental Engineer in the United Kingdom in January 2011 and of the Society of Professional Engineers in London in February 2011. He was also admitted as a Chartered Building Engineer by the Chartered Association of Building Engineers in December 2015. Since July 2011, he has been a Charter Member and a director of Hong Kong Lions Club of Sham Shui Po and served as the president between 2013 and 2014. Since February 2015, he has also served as a director of Asia Pacific Creativity Industrial Association Limited.

Mr. Edmond Chan is the son of Mr. Simon Chan, our non-executive Director and Honorary Chairman, and the brother of Mr. Gary Chan, our executive Director and Chairman, and Ms. Amanda Chan, our executive Director.

Ms. CHAN Chin Ying Amanda (陳千瑩女士), aged 57, is our executive Director and a director of Favourable Year, Rainbow Republic and Simon & Sons. She is also one of our controlling shareholders. Ms. Amanda Chan has over 35 years of experience in the building and construction industry in Hong Kong. She is responsible for the overall administration, maintaining quality control and monitoring our safety and environmental compliance. Between March 1982 and October 1986, Ms. Amanda Chan worked as an assistant administration manager in Simon Construction & Engineering Company, a sole proprietorship principally engaged in piling works as a registered contractor in Hong Kong and established by Mr. Simon Chan, our founder, honorary chairman and non-executive Director. She was responsible for the overall management of its financial and operation matters. Since November 1986, Ms. Amanda Chan has been a director of Simon & Sons, our principal operating subsidiary, and has been responsible for the overall administration and matters relating to human resources of the Simon & Sons. She also assumed the roles of administration manager between November 1986 and March 1998, quality manager between April 1998 and January 2008 and the Certified Quality and Environmental Manager since 2008 in Simon & Sons.

Ms. Amanda Chan obtained a Diploma in Business Management from Society of Business Practitioners in the United Kingdom in June 2001. She has been a fellow member of The Hong Kong Institute of Certified Auditors since January 2008. She was admitted as a Certified Quality Manager in January 2008, a Certified Environmental Manager in January 2008 and a Certified Internal Auditor of Quality and Environmental in January 2008.

Ms. Amanda Chan is the daughter of Mr. Simon Chan, our non-executive Director and Honorary Chairman, and the sister of Mr. Gary Chan, our executive Director and Chairman, and Mr. Edmond Chan, our executive Director and Chief Executive Officer.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. CHAN Sau Man Simon (陳秀民先生), aged 84, is our founder, Honorary Chairman and non-executive Director. Mr. Simon Chan has over 46 years of experience in the building and construction industry in Hong Kong. In 1970, he established Simon Construction & Engineering Company, a sole proprietorship principally engaged in piling works as a registered contractor in Hong Kong. Since November 1986, he has been a director of Simon & Sons, our principal operating subsidiary, and was responsible for the formulation of overall business development strategy and the overall management of the company. Since the late 1990s, Mr. Simon Chan has been gradually retiring and stepping down from his managerial role in our Group. He remains as a director of Simon & Sons but has assumed a non-executive role responsible for advising the other directors of Simon & Sons on its overall business operations, development and administration.

Mr. Simon Chan is the father of Mr. Gary Chan, our executive Director and Chairman, Mr. Edmond Chan, our executive Director and Chief Executive Officer, and Ms. Amanda Chan, our executive Director.

Independent Non-executive Directors

Mr. LI Hon Hung, *BBS, MH, JP* (李漢雄先生, *BBS, MH, JP*), aged 60, is our independent non-executive Director. Mr. Li has over 24 years of experience in the architectural field. Since July 1993, he has been a director of A. Li & Associates Architects Limited, a company principally engaged in design and architecture services. Since October 2011, he has also served as a non-executive director of Luk Fook Holdings (International) Limited, a company listed on the Stock Exchange (stock code: 590) and principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of jewellery.

Mr. Li obtained a Diploma of Architectural Design from Humber College, Canada in June 1981. He further obtained a Bachelor of Architecture from New York Institute of Technology in June 1984. Mr. Li was admitted as a Registered Authorised Person (List of Architects) and a Registered Inspector (List of Architects) in 1989 and 2012, respectively. He was admitted as a member, a corporate member and a fellow of The Hong Kong Institute of Architects in February 1991, August 2007 and September 2009, respectively. He is a registered architect under the register list maintained by Architect Registration Board. In August 2004, he obtained the PRC Class 1 Registered Architect Qualification.

Mr. SIU Miu Man (蕭妙文先生), aged 60, is our independent non-executive Director. He holds a Master of Science Degree in Electronic Commerce from the Hong Kong Polytechnic University and he is a Registered Professional Engineer, a Registered Professional Surveyor and an Authorized Person by qualification under the Building Ordinance (Chapter 123 of the Laws of Hong Kong). In addition, Mr. Siu is a corporate member of the Chartered Institute of Arbitrators, the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors and the Hong Kong Institution of Engineers.

Mr. Siu is currently the Vice President of the Association of Hong Kong Professionals, the Honorary President of the Hong Kong Kowloon City Industry and Commerce Association, the Chairman of the Building Healthy Kowloon City Association and the Vice President of the Hong Kong Real Property Federation. He is actively participating in public affairs and charitable activities.

Mr. Siu is currently an independent non-executive director of Value Convergence Holdings Limited (Stock Code: 821) and Asia Energy Logistics Group Holdings Limited (Stock Code: 351). He has also served in many public listed companies as senior management and has over 25 years of managerial experience in general management, commerce, banking, finance, real estate development and construction business. He is currently a director of a consultancy firm, an engineering firm and an electronic manufacturing company.

Mr. CHENG Chi Hung (鄭志洪先生), aged 57, is our independent non-executive Director. Mr. Cheng has over 19 years of experience in auditing and accounting. His previous working experience includes the following:

Name of companies	Principal business activities	Position	Period of services
Horwath & Horwath	Accounting	Junior Audit Clerk	February 1986 – October 1987
Tony Nedderman & Co.	Accounting	Taxation Semi-senior	November 1987 – September 1988
Pollard Construction Co., Ltd.	Engineers and civil contractors	Accountant	September 1990 – June 1992
		Accounting Manager	January 1993 – April 1994
The Official Receiver's Office	Insolvency	Temporary Insolvency Officer II	December 1999 – November 2000
Patrick P.K. Chiang & Co.	Accounting	Audit Supervisor	September 2002 – February 2005
C.H. Cheng & Co.	Accounting	Auditor	July 2005 – present

Mr. Cheng obtained a Master of Business Administration and a Postgraduate Certificate in Information Technology from The Open University of Hong Kong in December 1999 and December 2001, respectively. He also obtained a HKICPA Diploma in Insolvency from the Hong Kong Institute of Certified Public Accountants in June 2004. Mr. Cheng has been practising as a Certified Public Accountant and a Certified Tax Adviser in Hong Kong since February 2005 and June 2010, respectively. He was admitted as an associate member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) and the Association of Chartered Certified Accountants in January 1996, a fellow member of the Association of Chartered Certified Accountants in January 2001, and an associate member of the Taxation Institute of Hong Kong in May 2010.

SENIOR MANAGEMENT

Dr. CHAN Wan To (陳運圖博士), aged 53, is the technical director of our Group and a director of Simon & Sons. He has over 16 years of experience in contract management and technical direction for different construction projects in Hong Kong. Dr. Chan joined our Group as technical director in December 2004 and is responsible for the management and technical direction of projects of our Group. Since 2001, Dr. Chan has acted as the managing director of W.T. Chan & Associates Limited, a company principally engaged in civil, structural and geotechnical engineering. Dr. Chan is responsible for overall management and business development of W.T. Chan & Associates Limited.

Dr. Chan obtained a Bachelor of Science (Engineering) and a Doctor of Philosophy in Soil Mechanics degree from King's College, University of London in August 1985 and November 1990, respectively. He has been a member of Hong Kong Institute of Engineer since June 2001 and a Registered Professional Engineer (Geotechnical) since September 2002.

Mr. CHEUNG Ka Ngai (張家毅先生), aged 52, is the project director of our Group and a director of Simon & Sons. He has over 27 years of experience in construction project design and implementation in Hong Kong. Mr. Cheung joined our Group in December 1999 as an engineering manager of Simon & Sons and was later appointed as a director in February 2000. He is responsible for overseeing project design and implementation of our Group. Prior to joining our Group, from June 1989 to April 1992, Mr. Cheung worked as a design engineer at Intrusion- Prepakt (F.E.) Limited, where he was responsible for preparation of foundation drawings. From April 1992 to April 1993, he served as a project engineer at Chee Shing Foundations Limited, a company principally engaged in piling services. From May 1993 to January 1995, he worked at IP Foundations Limited, as a design engineer responsible for the preparation of foundation drawings. He also worked as a project manager at W. Ho Civil Engineering & Construction Company Limited, a company principally engaged in civil engineering works, from January 1995 to June 1999 and was responsible for project supervision and management.

Mr. Cheung obtained a Bachelor of Engineering (Honours) in Civil Engineering from The Hong Kong Polytechnic University in December 1999. He has been an associate member of The Hong Kong Institution of Engineers since August 1999. He has also been a Building Environmental Assessment Method (BEAM) Affiliate of Hong Kong Green Building Council Limited since July 2014.

Mr. LEE Pak Keung, Tommy (李柏強先生), aged 51, is the project director of our Group. He has over 25 years of experience in design and construction of civil, foundation and building works in Hong Kong and Macau. Mr. Lee joined our Group in November 2016 and is responsible for the planning, coordinating and controlling of the operations of our projects, and general management and administration of the Group.

Prior to joining our Group, Mr. Lee worked in Hsin Chong Construction Company Limited (stock code: 404), a company principally engaged in construction business as a main contractor, as engineer trainee between July 1989 to June 1991. He was later promoted to structural engineer in July 1992. From October 1995 to November 2016, he worked for Tysan Foundation Limited, a subsidiary company of Hong Kong International Construction Investment Management Group Co., Limited (formerly Tysan Holdings Limited) (Stock Code: 687), a company principally engaged in construction business as a main contractor. He joined Tysan as a senior project engineer and was later promoted to deputy project manager, project manager and eventually senior project manager.

Mr. Lee was appointed as a committee member of the Contractors Registration Committee by the Buildings Department of HKSAR in December 2004 for a term of two years, and was subsequently re-appointed twice and continuously served the committee for six years.

Mr. Lee obtained a Higher Diploma in Structural Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in 1989, a Bachelor in Business Administration from The Open University of Hong Kong in 1995, a Master of Science in Project Management from The Hong Kong Polytechnic University in 2013, and a Master of Science in Construction Law and Dispute Resolution from The Hong Kong Polytechnic University in 2017. He has been a corporate member of the Hong Kong Institute of Construction Manager since June 2010, and admitted a BEAM Professional by the Hong Kong Green Building Council in 2016.

Mr. CHEN Tai Ping（陳大平先生）, aged 58, is the contracts director of our Group and a director of Simon & Sons. He has over 31 years of experience in project management for different construction projects in Hong Kong. Mr. Chen first worked as the chief estimator at Simon & Sons between November 1986 and October 1995. He was further appointed as a director and contracts manager of Simon & Sons in February 2000 and November 1995, respectively and is responsible for overall contract management and project planning since then.

Between October 1985 and October 1986, Mr. Chen worked as an estimator in Simon Construction & Engineering Company, a sole proprietorship established by Mr. Simon Chan and principally engaged in piling works as a registered contractor in Hong Kong. Our founder, honorary chairman and non-executive Director, where he was responsible for contract administration and project management.

Mr. Chen obtained a higher certificate in Building Studies from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1987.

Mr. YUEN Kin Keung Larry (袁建強先生), aged 53, is the project manager of our Group. He has over 23 years of experience in project design and development of different construction projects in Hong Kong. Mr. Yuen joined our Group in September 2015 and is responsible for overseeing project design and development and the overall project performance of our Group. Prior to joining our Group, Mr. Yuen worked as an assistant design engineer between September 1988 to December 1992 and as a design engineer between January 1993 to June 1993, responsible for the foundation design in Gammon Construction Limited, a company principally engaged in construction business as a main contractor. From June 1993 to May 1997, he worked as a structural engineer at David S.K. Au & Associates Ltd, a company principally engaged in the provision of industrial building development consultancy service, where he was responsible for structural design and project administration. He also worked at Chun Wo Foundations Limited, a company principally engaged in foundation works, as a quality control engineer from November 2001 to April 2009 as a senior engineer from May 2009 to September 2015.

Mr. Yuen obtained a High Diploma in Structural Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. He has been a member of The Institution of Structural Engineers in the United Kingdom since November 1995, a member of The Hong Kong Institution of Engineers since April 1996, a Chartered Engineer in the United Kingdom since May 1996, a Registered Professional Engineer (Structural) in Hong Kong since February 1999 and a Registered Structural Engineer in Hong Kong since October 1999.

Mr. LUI Shun Wa Alexander (呂舜華先生), aged 54, is the financial controller and the company secretary of our Group. He has over 12 years of accounting, taxation and corporate finance experience. Mr. Lui joined our Group in August 2015 and is responsible for overseeing the financial operations and internal control of our Group.

Prior to joining our Group, Mr. Lui's working experience includes:

Name of organization	Principal business activities	Position	Roles and responsibilities	Period of services
KPMG Peat Marwick	Auditing	Accountant	Undertaking various auditing assignment	July 1986 – October 1987
Inland Revenue Department of Hong Kong Government	Government department providing tax administration	Assistant Assessor	Undertaking tax assessment and ancillary taxation matters	February 1989 – February 1990
Wang On Construction Engineering Limited (currently known as Wang On Group Limited, a company listed on the Stock Exchange (Stock code: 1222))	Property development, property investment, management and sublicensing of Chinese wet markets and provision of finance	Finance Director	Overseeing financial operations of the group	March 1992 – July 1997
IFIA Pacific Holdings Limited (currently known as Beijing Enterprise Water Group Limited, a company listed on the Stock Exchange (Stock code: 371))	Construction of sewage and reclaimed works treatment and seawater desalination plants	Executive Director (CEO)	Responsible for strategic planning, policy making and business development of the group	September 1999 – April 2002

Mr. Lui obtained a Professional Diploma in Accountancy from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1986. Since February 1992, Mr. Lui has been an associate member of Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants). Mr. Lui is currently a nonpractising member of Hong Kong Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

DIRECTORS' REPORT

The Board has pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2017 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau.

GROUP REORGANISATION

Pursuant to a group reorganisation (the "**Reorganisation**") carried out by the Group in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange, and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 7 October 2016. Details of the Reorganisation are set out in the section headed "History and Development" to the Prospectus issued by the Company dated 31 October 2016.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement, Management Discussion and Analysis and Report of the Directors sections of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 31 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 5 to 7 of this annual report. In addition, discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out below.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group is not aware of any key relationships between itself and its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 43 of this report. No dividend has been paid or proposed by the Company during the year, nor has any dividend been proposed by the Directors since the end of the year.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 September 2017 to 11 September 2017, both days inclusive, for the purpose of determining the identity of members who are entitled to attend and vote at the AGM which is scheduled to be held on 11 September 2017. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 5 September 2017.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the Reporting Period (2016: Nil).

KEY RISKS AND UNCERTAINTIES

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

The amount of revenue derive from a project may be higher or lower than the original contract sum due to factors such as variation orders

The aggregate amount of revenue derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including additions, reductions and/or other changes in the scope of the works) placed by customers from time to time during the course of project execution. As such, there is no assurance that revenue from projects on hand will not be substantially lower than the original contract sum as specified in the relevant contracts and hence, the Group's profitability will be adversely affected.

Keen competition

Due to slowdown of Hong Kong economy, the competition of construction industry has become more intense as there will be a foreseeable reduction of number of construction projects available for our tendering. To increase the chance of success in winning the tender bidding, the Group will lower its profit margin, which will affect its profit for the coming year.

Errors or inaccurate estimations of project duration and costs when determining the tender price may result in substantial loss incurred

Construction contracts and in particular public projects are normally awarded through a competitive tendering process. The Group determines a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by the Group contain no mistakes and errors. Such mistakes and errors may be in the form of inaccurate estimations, oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. In case of contracts awarded to the Group with mistakes or errors in the submitted tender, the Group may be bounded by the contract to undertake the project at a substantial loss.

Inaccurate estimations on project schedule, project costs and technical difficulties in the tendering process may result in cost overruns when executing the awarded project. Many factors affect the time taken and the costs involved in completing construction projects undertaken by the Group. Examples of such factors include shortage and cost escalation of labour and materials, difficult geological conditions, 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 the Group may be subject to cost overruns or our 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 Company and the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Reporting Period in the share capital of the Company are set out in note 28(a) to the consolidated financial statements.

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Reporting Period amounted to HK$1,055,000 (2016: HK$34,000).

RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 28(b) to the consolidated financial statement, respectively.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Chan Lap Wai Gary *(Chairman)*	(appointed on 23 March 2016)
Mr. Chan Lap Chuen Edmond	(appointed on 23 March 2016)
Ms. Chan Chin Ying Amanda	(appointed on 23 March 2016)

Non-executive Director

Mr. Chan Sau Man Simon	(appointed on 6 June 2016)

Independent Non-executive Directors

Mr. Li Hon Hung, *BBS, MH, JP*	(appointed on 24 October 2016)
Mr. Siu Miu Man	(appointed on 24 October 2016)
Mr. Cheng Chi Hung	(appointed on 24 October 2016)

In accordance with the article of association of the Company, Mr. Chan Lap Wai Gary, Mr. Chan Lap Chuen Edmond, Ms. Chan Chin Ying Amanda will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Directors' biographical details are set out in the section headed "Profiles of Directors and Senior Management" in this report.

Information regarding Directors' emoluments is set out in note 11 to the consolidated financial statements of this report.

An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the INEDs and the Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term commencing on 11 November 2016, the listing date of the shares of the Company (the "**Listing Date**") and ending on the date of the 2018 annual general meeting of the Company, unless terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term commencing from the Listing Date and ending on the date of the 2018 annual general meeting of the Company, unless terminated by not less than three months' notice in writing served by either party on the other.

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

PERMITTED INDEMNITY OF DIRECTORS

The Company's articles and association provides that the directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the contracts relating to the reorganisation of our Group in relation to the Listing and save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to our Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTEREST

Apart from the contracts relating to the reorganisation of our Group in relation to the Listing and save as disclosed in this report, no contracts of significance were entered into between the Company or any of its subsidiaries and any controlling shareholders or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any controlling shareholders or any of its subsidiaries.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

EMOLUMENT POLICY

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

COMPETING INTERESTS

The Directors confirm that none of the controlling shareholders or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the Reporting Period and up to the date of this report.

DEED OF NON-COMPETITION

The deed of non-competition dated 20 September 2016 has been entered into by the controlling shareholders in favour of the Company. Pursuant to which the controlling shareholders have undertaken, jointly and severally, to the Company that they would not, and that their close associates and/or companies controlled by the controlling shareholders would not, directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with the existing core business of our Group.

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 for Securities Transactions by Directors of Listed Companies (the "**Model Code**") in the Listing Rules, notified to the Company and the Stock Exchange were as follows:

Interests in Share of the Company

Name of Director	Capacity/Nature	Number of Shares held/interest	Percentage of interest
Chan Lap Wai Gary *(Notes 2, 3 and 4)*	Interest of controlled corporation	495,000,000 (L) *(Note 1)*	72.29%

Notes:

1. The letter "L" demonstrates long position in such securities.

2. Mr. Chan Lap Wai Gary beneficially owns 45% of the issued shares of Creative Elite Global Limited which in turn held 495,000,000 Shares. Therefore, Mr. Gary Chan is deemed to be interested in 495,000,000 Shares held by Creative Elite Global Limited for the purpose of the SFO.

3. On 1 December 2016, the Over-allotment Option was exercised by the bookrunner, C.P. Securities International Limited, whereby an aggregate of 24,750,000 Shares were issued on 2 December 2016. Thus, the percentage of shareholding of Creative Elite Global Limited in the Company was changed from 75% (before the exercise of the Over-allotment Option) to 72.29%.

Interests in associated corporations

Name of Director	Name of associated corporation	Number of Shares held/interest	Percentage of interest
Chan Lap Wai Gary	Creative Elite Global Limited	45	45%
Chan Lap Chuen Edmond	Creative Elite Global Limited	28	28%
Chan Chin Ying Amanda	Creative Elite Global Limited	18	18%

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' 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 fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Director	Capacity/Nature	Number of Shares held/interest	Percentage of interest
Creative Elite Global Limited *(Note 2)*	Beneficial owner	495,000,000 (L) *(Note 1)*	72.29%
Vane Siu Ling Linda *(Note 3)*	Family interest	495,000,000 (L) *(Note 1)*	72.29%

Notes:

1. The letter "L" demonstrates long position in such securities.

2. On 1 December 2016, the Over-allotment Option was exercised by the bookrunner, C.P. Securities International Limited, whereby an aggregate of 24,750,000 shares were issued on 2 December 2016. Thus, the percentage of shareholding of Creative Elite Global Limited in the Company was changed from 75% (before the exercise of the Over-allotment Option) to 72.29%.

3. Ms. Linda Vane is the spouse of Mr. Chan Lap Wai Gary who beneficially owns 45% of the issued shares of Creative Elite Global Limited. Therefore, Ms. Linda Vane is deemed to be interested in 495,000,000 Shares held by Creative Elite Global Limited for the purpose of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts 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 at the end of 31 March 2017 or at any time during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 65.0% and 96.5% respectively of the Group's total purchases for the year. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 32.3% and 74.7% respectively of the Group's total revenue for the year.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

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

Save as the issue of 24,750,000 shares on 2 December 2016 pursuant to the exercise of the Over-allotment Option by the bookrunner, C.P. Securities International Limited, no purchase, sale or redemption of the Company's listed securities was made from the Listing Date and up to the date of this report.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme (the "**Share Option Scheme**") as set out below, no equity-linked agreements were entered into by our Group, or existed during the Reporting Period.

SHARE OPTION SCHEME

The shareholders of the Company have adopted a share option scheme (the "Scheme") on 24 October 2016.

A summary of the Scheme is set out as below:

(i) The Scheme became effective for a period of 10 years commencing from the date on which Scheme becomes unconditional.

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

(iii) An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made.

(iv) The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of our Company (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our shares in issue as at the listing date.

No options have been granted since the adoption of the Scheme.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed “Corporate Governance Report” from pages 27 to 37 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company and the laws of Cayman Islands, being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new Shares on a pro- rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or in existence during the Reporting Period.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders’ approval requirements under the Listing Rules. Details of significant related party transactions undertaken in the usual course of business are set out in note 33 to the consolidated financial statement. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

AUDITOR

The consolidated financial statements for the Reporting Period have been audited by BDO Limited (“**BDO**”). BDO shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditors of the Company will be proposed at the forthcoming AGM. There is no change in auditors since the date of the Listing.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it engages. The Group strives to minimise its impact on the environment by reducing its use of electricity and water and encouraging recycle of office supplies and other materials. The Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the Reporting Period.

On behalf of the Board
Sheung Yue Group Holdings Limited

Chan Lap Wai Gary
Chairman

30 June 2017

CORPORATE GOVERNANCE REPORT

Compliance with the corporate governance code

The Group is committed to uphold high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial to the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of the shareholders of the Company.

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules from the Listing Date and up to the date of this report.

Compliance with the Model Code

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

BOARD OF DIRECTORS

Composition of the Board

Up to the date of this annual report, the Board consists of seven Directors, which comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board during the period and up to the date of this annual report was as follows:

Executive Directors:
Mr. Chan Lap Wai Gary *(Chairman)*
Mr. Chan Lap Chuen Edmond *(Chief Executive Officer)*
Ms. Chan Chin Ying Amanda

Non-executive Director:
Mr. Chan Sau Man Simon

Independent Non-executive Directors:
Mr. Li Hon Hung, *BBS, MH, JP*
Mr. Siu Miu Man
Mr. Cheng Chi Hung

The biographies of the Directors are set out in "Profiles of Directors and Senior Management" on pages 8 to 15 of this annual report.

The directors have given sufficient time and attention to the Group's affairs. The directors have disclosed to the Company annually the number and the nature of offices held in public companies or organisations and other significant commitments. The board believes that the balance between executive directors and independent non-executive directors is reasonable and adequate to provide sufficient balances that protect the interests of the shareholders and the Group.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the overall management of the Group, which includes controlling resources allocation of the Company and leading the Company to strive for success. It oversees the Group's businesses, strategic decisions, internal control, risk management and performances. The management team is delegated with the authority and responsibility by the Board for the daily management of the Group. The delegated functions and work tasks are periodically reviewed. Major corporate matters that are specifically delegated by the Board to the management include (1) the preparation of interim and annual reports and announcements for the Board's approval before publishing; (2) implementation of adequate systems of internal controls and risk management procedures; and (3) compliance with relevant statutory and regulatory requirements and rules and regulations. 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 Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Directors with various professional qualifications experience and related financial management expertise have contributed to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders. Hence, the Board believes that the current Board composition satisfy with the corporate governance requirements of the Group with regard to the balance of expertise, skills and experience as well as the ongoing development and management of its business activities.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's interim and annual results. During the period from the Listing Date to 31 March 2017, two Board meetings were held and the attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. All Directors are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Pursuant to articles of association of the Company, all Directors appointed to fill a causal vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Save for the family relationships disclosed in the Profiles of Directors and Senior Management set out on pages 8 to 15 of this annual report, the Directors do not have any material financial, business or other relationships with one another.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on 11 November 2016, the listing date of the shares of the Company (the "**Listing Date**"). Either party has the right to give not less than three months' written notice to terminate the respective service contract.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing on the Listing Date.

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by the shareholders at the first general meeting after their appointment. By virtue of article 83 of the articles of association of the Company, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision in A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 84(1) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then 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 by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

By virtue of article 84 of the articles of association of the Company, Mr. Chan Lap Wai Gary, Mr. Chan Lap Chuen Edmond and Ms. Chan Chin Ying Amanda, will retire at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is Mr. Chan Lap Wai Gary and the chief executive officer (the "**CEO**") is Mr. Chan Lap Chuen Edmond. The roles of the Chairman and the CEO of the Group are clearly defined and segregated to ensure independence and proper checks and balances. The Chairman focuses on formulating business strategies and direction of the Company and has executive responsibilities, provides leadership for the Board and ensures proper and effective functioning of the Board in discharging of its responsibilities. The CEO is accountable to the Board for the overall implementation of the Company's strategies and the co-ordination of overall business operations.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board consists of three executive Directors, one non-executive Director and three independent non-executive Directors, including one independent non-executive Director who has professional qualification, experience and expertise in accounting, finance or legal field. The names and biographical details of each Director are set out in "Profiles of Directors and Senior Management" on pages 8 to 15 of this annual report. The Company has received confirmation of independence from all three independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules in November 2016.

The Board has reviewed the independence of all independent non-executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the independent non-executive Directors has been impaired up to the date of this report.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment of a new Director, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire their relevant knowledge and skills. In November 2016, the Company organised training on duties and responsibilities of directors and seminar on updated laws and regulations for Directors. The Company has also provided reading materials to all Directors to develop and refresh their professional knowledge.

AUDIT COMMITTEE

An Audit Committee has been established by the Board with specific written terms of reference. Pursuant to the Audit Committee's terms of reference, the Audit Committee is authorised to commit Company funds in order to obtain advice from outside legal counsel, accountants, investigatory services or other expert advice. Details of the authority and responsibilities of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Cheng Chi Hung, Mr. Li Hon Hung, *BBS, MH, JP* and Mr. Siu Miu Man. Mr. Cheng Chi Hung is the chairman of the Audit Committee.

During the period from the Listing Date to 31 March 2017, one Audit Committee Meeting was held. On 11 November 2016, the Audit Committee held a meeting to review the interim results for the six months ended 30 September 2016 and risk management and internal control systems. On 30 June 2017, the Audit Committee held a meeting to review the final results for the year ended 31 March 2017 before their submission to the Board and monitored the integrity of such financial statements. The attendance of each member of the Audit Committee is set out in the section headed "Board and Committees Meetings" of this report.

REMUNERATION COMMITTEE

A Remuneration Committee has been established by the Board with specific written terms of reference and the majority of the members of the Remuneration Committee are Independent Non-executive Directors. Details of the authority and responsibilities of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Siu Miu Man, Mr. Li Hon Hung, *BBS, MH, JP* and Mr. Cheng Chi Hung. Mr. Siu Miu Man is the chairman of the Remuneration Committee.

During the period from the Listing Date to 31 March 2017, no Remuneration Committee meeting was held. On 30 June 2017, the Remuneration Committee held a meeting to approve the remuneration packages and performance bonuses for the Directors and senior management of the Company. The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Committees Meetings" of this report.

Details of the amount of Directors' emoluments for the year ended 31 March 2017 are set out in note 11 to the financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Each of the Directors will receive a fee which is subject to an annual adjustment at a rate to be reviewed by the remuneration committee and be determined at the discretion of the Board. The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to the Group. The Group has adopted incentive bonus schemes and continues to maintain these schemes, seeking to align the financial well-being of the Group with that of the employees, and to retain the Directors and staff of high caliber.

NOMINATION COMMITTEE

A Nomination Committee has been established by the Board with specific terms of reference. The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the re- appointment of the Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and responsibilities of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises three independent non-executive Directors, namely Mr. Li Hon Hung, *BBS, MH, JP*, Mr. Siu Miu Man and Mr. Cheng Chi Hung. Mr. Li Hon Hung, *BBS, MH, JP* is the chairman of the Nomination Committee.

During the period from the Listing Date to 31 March 2017, no Nomination Committee meeting was held. On 30 June 2017, the Nomination Committee has reviewed the structure, size, composition and diversity of the Board and concluded that members of the Board have possessed the expertise and independence to carry out the Board's functions and responsibilities.

BOARD AND COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Nomination Committee and Remuneration Committee during the period from the Listing Date to 31 March 2017 are set out below:

	Attendance/Number of Meetings Held			
Name of Director	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Chan Lap Wai Gary	2/2	–	–	–
Mr. Chan Lap Chuen Edmond	2/2	–	–	–
Ms. Chan Chin Ying Amanda	2/2	–	–	–
Non-executive Director				
Mr. Chan Sau Man Simon	2/2	–	–	–
Independent Non-executive Directors				
Mr. Li Hon Hung, *BBS, MH, JP*	2/2	1/1	–	–
Mr. Siu Miu Man	2/2	1/1	–	–
Mr. Cheng Chi Hung	2/2	1/1	–	–

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board, which include (a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) review and monitor the training and continuous professional development of directors and senior management of the Company and its subsidiaries; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company and its subsidiaries; (e) review the Company's compliance with the CG Code and disclosures in the corporate governance report of the Company required to be prepared pursuant to the Listing Rules; and (f) consider, review and decide any other topics, as authorised by the Board.

On 30 June 2017, the Board reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of its corporate governance policy.

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 March 2017 which gives a true and fair view of the state of affairs of the Group as at 31 March 2017, and of the results and cash flows for year then ended.

In preparing the financial statements for the year ended 31 March 2017, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

The Group endeavours to present a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. The interim and annual results of the Company are announced in a timely manner within the limit of two months and three months, respectively, after the end of the relevant periods in accordance with the Listing Rules.

The Directors have acknowledged their responsibility for preparing all information and representation contained in the financial statements of the Company for the year ended 31 March 2017.

AUDITOR'S REMUNERATION

The remuneration paid/payable to BDO Limited for the year ended 31 March 2017 is set out as follows:

Services rendered	**Fee paid/ payable** *HKD'000*
Audit services	720
Non-audit services	1,716
Total	2,436

Non-audit services include services relating to the listing of the Company's shares and the Group's interim financial statements for the six months ended 30 September 2016.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the design and implementation of internal controls which covers financial reporting, operations, compliance and risk management of the Company, as well as continuous monitoring the effectiveness of such internal controls. The Board has delegated such responsibility to the management of the Company. The management, under the supervision of the Board, has established an on-going process for identifying, evaluating and managing significant risks faced by the Group. The Board will review and assess the risk management and internal control systems at least once a year.

The Company has established a risk management policy set out the process of identification, evaluation and management of the principal risks affecting the business. The Company has also established a whistle-blowing policy and system for employees of the Group to raise concerns about possible improprieties in financial reporting, internal control and other matters.

The Audit Committee reviews the internal control and risk management that are significant to the Group on an on-going basis. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, as well as their training programmes and budgets.

The Board is satisfied that the internal control and risk management systems in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and up to the date of issuance of the annual report is reasonably effective and adequate.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

COMPANY SECRETARY

Mr. Lui Shun Wa Alexander was appointed as the company secretary of the Company with effect from 6 June 2016. All Directors have access to the advice and services of the company secretary. During the year ended 31 March 2017, Mr. Lui Shun Wa Alexander has taken no less than 15 hours of relevant professional trainings respectively to update his skills and knowledge.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

The general meetings of the Company provide a forum for communication between the Board and the Company's shareholders.

The Chairman of the Board and other members of the respective committees are available to answer questions of the shareholders at the general meeting. The Company recognises the importance of maintaining on-going communications with the shareholders and encourages them to attend general meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

The Company maintain a website at www.simonandsons.com.hk where extensive information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by the public investors.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and to put forward proposal at general meetings

Pursuant to Article 58 of the articles of association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. 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) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Article 85 of the articles of association of the Company provides that no person other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51B(1) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Shareholders' enquires and Proposals

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, or call its customer service hotline at (852) 2980 1888.

Shareholders may also make enquiries to the Board at the annual general meetings of the Company.

INVESTOR RELATIONS

The public are welcomed to give their comments and make enquiries through the Company's website and by means of emails to the investor relations department (email address: mail@simonandsons.com.hk). The management always provides prompt responses to any such enquiries.

CONSTITUTIONAL DOCUMENTS

The Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. Since the date of Listing and up to 31 March 2017, no amendments were made to the constitutional documents of the Company.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF SHEUNG YUE GROUP HOLDINGS LIMITED

（上諭集團控股有限公司）

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sheung Yue Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 113, 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Accounting for construction contracts

As described in the Significant Accounting Policies in Note 4(h) to the consolidated financial statements, the Group recognises revenue and costs associated with its construction contracts based on the stage of completion of contract activity at the end of the reporting period, when the outcome of construction contracts can be estimated reliably. The stage of completion of contracts is established by reference to surveys of contract work performed. When it is probable that total contract costs will exceed total contract revenue for a contract, the expected loss is recognised as an expense immediately.

As presented in the consolidated statement of profit or loss and other comprehensive income, the Group's construction contract revenue and costs for the year ended 31 March 2017 amounted to approximately HK$403,266,000 and HK$331,273,000, respectively. The Group's amounts due from customers for contract work as at 31 March 2017, as detailed in Note 19 to the consolidated financial statements, amounted to approximately HK$133,825,000.

We identified the accounting for construction contracts as a key audit matter as it requires management to exercise significant judgement on the outcome and stage of completion of each construction contract and to estimate the profitability of each on-going construction contract during the reporting period, and the associated financial statement items are quantitatively significant to the consolidated financial statements as a whole.

Our response:

Our principal audit procedures in relation to accounting for construction contracts are as follows:

– Obtaining an understanding of and evaluating internal controls on recognition of contract revenue and costs;

– Discussing with project managers, internal quantity surveying team and the Group's management about the progress of the construction projects;

– Checking the basis used for estimating the budgeted revenue to underlying construction contracts entered into with the customers and other relevant correspondences and supporting documents in respect of variations in construction works or price adjustments;

– Evaluating the reasonableness of budgeted costs, including (i) for subcontracting costs contracted for, agreeing the budgeted costs to the underlying contracts; (ii) for estimation of costs not supported by contracts, checking that the costs are included in accordance with the construction contracts; and (iii) comparing the budgeted data with the actual data recorded, taking into account the stage of completion achieved;

KEY AUDIT MATTERS (Continued)

Accounting for construction contracts (Continued)

– Assessing the reasonableness of contract revenue recognised and stage of completion by reference to progress certificates issued by independent architects or quantity surveyors appointed by customers and other underlying documents;

– Checking on a sample basis the progress billings and the actual costs incurred on construction works to the underlying supporting documents during the reporting period; and

– Reviewing financial budget prepared by the Group's management for each on-going construction contract to assess whether expected loss on contract was properly recognised as an expense immediately.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of 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 directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate number P06262

Hong Kong, 30 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	403,266	464,303
Cost of services		(331,273)	(390,666)
Gross profit		71,993	73,637
Other income	7	5,958	3,062
Other gains and losses	7	2,632	(208)
Share of loss of a joint venture		(5)	(975)
Administrative expenses		(33,628)	(25,147)
Operating profit	9	46,950	50,369
Finance costs	8	(737)	(823)
Profit before income tax expense		46,213	49,546
Income tax expense	12	(9,768)	(9,595)
Profit for the year		36,445	39,951
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of investment in a life insurance policy		10	12
Exchange differences on translating a foreign operation		(39)	(15)
Other comprehensive income for the year, net of tax		(29)	(3)
Total comprehensive income for the year		36,416	39,948
Earnings per share			
– Basic and diluted (HK cents)	14	6.10	7.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	48,117	53,958
Deposits paid for acquisition of plant and machinery	20	3,199	–
Interest in a joint venture	16	36	41
Investment in a life insurance policy	17	2,387	2,303
		53,739	56,302
Current assets			
Inventories	18	8,363	–
Amounts due from customers for contract work	19	133,825	49,890
Trade and other receivables	20	73,973	64,663
Amounts due from directors	21	–	19,773
Pledged bank deposits	22	14,049	14,007
Cash and cash equivalents	22	70,592	52,722
Tax recoverable		126	–
		300,928	201,055
Current liabilities			
Trade and other payables	23	75,494	43,818
Amount due to ultimate holding company	24	216	–
Borrowings	25	–	4,794
Finance lease payables	26	2,801	3,269
Current tax liabilities		13,364	7,371
		91,875	59,252
Net current assets		209,053	141,803
Total assets less current liabilities		262,792	198,105

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Finance lease payables	26	2,315	2,003
Deferred tax liabilities	27	6,515	6,961
		8,830	8,964
NET ASSETS		253,962	189,141
Equity			
Share capital	28	6,848	10,010
Reserves	28	247,114	179,131
TOTAL EQUITY		253,962	189,141

On behalf of the board of directors

Chan Lap Wai Gary	**Chan Lap Chuen Edmond**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium (Note 28(b)(i)) HK$'000	Merger reserve (Note 28(b)(ii)) HK$'000	Capital reserve (Note 28(b)(iv)) HK$'000	Available-for-sale financial asset reserve (Note 28(b)(v)) HK$'000	Foreign exchange reserve (Note 28(b)(vi)) HK$'000	Retained earnings (Note 28(b)(vii)) HK$'000	Total HK$'000
As at 31 March 2016 and 1 April 2016	10,010	–	–	–	(419)	226	179,324	189,141
Profit for the year	–	–	–	–	–	–	36,445	36,445
Other comprehensive income for the year:								
Changes in fair value of investment in a life insurance policy	–	–	–	–	10	–	–	10
Exchange differences on translating a foreign operation	–	–	–	–	–	(39)	–	(39)
Total comprehensive income for the year	–	–	–	–	10	(39)	36,445	36,416
Arising from group reorganisation (Note 28(a)(vi))	(10,010)	–	10,010	–	–	–	–	–
Capitalisation issue of shares (Note 28(a)(iii))	5,450	(5,450)	–	–	–	–	–	–
Issue of shares by way of public offer and placing (Note 28(a)(iv))	1,150	90,850	–	–	–	–	–	92,000
Issue of shares upon exercise of the over-allotment option (Note 28(a)(v))	248	19,552	–	–	–	–	–	19,800
Share issuance expenses	–	(6,841)	–	–	–	–	–	(6,841)
Reimbursement of listing expenses by the ultimate holding company (Note 28(b)(iv))	–	–	–	3,446	–	–	–	3,446
Dividends paid (Note 13)	–	–	–	–	–	–	(80,000)	(80,000)
As at 31 March 2017	6,848	98,111	10,010	3,446	(409)	187	135,769	253,962

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium (Note 28(b)(i)) HK$'000	Merger reserve (Note 28(b)(ii)) HK$'000	Capital reserve (Note 28(b)(iv)) HK$'000	Available-for-sale financial asset reserve (Note 28(b)(v)) HK$'000	Foreign exchange reserve (Note 28(b)(vi)) HK$'000	Retained earnings (Note 28(b)(vii)) HK$'000	Total HK$'000
As at 1 April 2015	10,010	–	–	–	(431)	241	139,373	149,193
Profit for the year	–	–	–	–	–	–	39,951	39,951
Other comprehensive income for the year:								
Changes in fair value of investment in a life insurance policy	–	–	–	–	12	–	–	12
Exchange differences on translating a foreign operation	–	–	–	–	–	(15)	–	(15)
Total comprehensive income for the year	–	–	–		12	(15)	39,951	39,948
As at 31 March 2016 and 1 April 2016	10,010	–	–	–	(419)	226	179,324	189,141

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before income tax expense		46,213	49,546
Adjustments for:			
Depreciation of property, plant and equipment	15	14,649	15,686
Finance costs	8	737	823
Imputed interest on retention receivables	7	(1,468)	(202)
Interest income from bank deposits	7	(73)	(126)
Distributions from financial assets at fair value through profit or loss	7	–	(39)
Interest income from investment in a life insurance policy	7	(102)	(95)
Gain on disposal of property, plant and equipment	7	(2,770)	(105)
Share of loss of a joint venture		5	975
Loss on disposal of financial assets at fair value through profit or loss	7	–	28
Charges on investment in a life insurance policy		28	30
Provision for impairment of other receivables	20	284	–
		57,503	66,521
Increase in inventories		(8,363)	–
Increase in trade and other receivables		(8,126)	(30,061)
(Increase)/decrease in amounts due from customers for contract work		(83,935)	9,851
Increase in trade and other payables		31,332	12,397
Cash (used in)/generated from operations		(11,589)	58,708
Income tax paid		(4,347)	(6,305)
Net cash (used in)/generated from operating activities		(15,936)	52,403

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(10,928)	(29,587)
Deposits paid for property, plant and equipment		(3,199)	–
Proceeds from disposal of property, plant and equipment		4,890	10
Proceeds from sale of financial assets at fair value through profit or loss		–	2,661
Increase in pledged bank deposits		(42)	(2,544)
Interest income from bank deposits		73	126
Decrease in amounts due from related parties		–	12,058
(Increase)/decrease in amounts due from directors		(58)	6,593
Distributions from financial assets at fair value through profit or loss		–	39
Net cash used in investing activities		(9,264)	(10,644)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	28	111,800	–
Share issuance expenses		(6,841)	–
Advance from ultimate holding company		3,662	–
Proceeds from borrowings		12,315	65,162
Repayment of bank borrowings		(17,109)	(60,963)
Decrease in amount due to a director		–	(30,569)
Proceeds from finance lease payables		3,816	3,808
Repayment of finance lease payables		(3,972)	(10,131)
Dividend paid	13	(60,169)	–
Interest paid		(393)	(757)
Net cash generated from/(used in) financing activities		43,109	(33,450)
Net increase in cash and cash equivalents		17,909	8,309
Cash and cash equivalents at beginning of year	22	52,722	44,426
Effect of exchange rate changes on cash and cash equivalents		(39)	(13)
Cash and cash equivalents at end of year	22	70,592	52,722

1. GENERAL

The Company was incorporated in the Cayman Islands on 23 March 2016, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Units 103-105, 1st Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

The Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 November 2016.

The Company, an investment holding company, and its subsidiaries (together referred to as the "Group") are principally engaged in the provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau.

In the opinion of the directors, the Company's immediate and ultimate parent is Creative Elite Global Limited, a company incorporated in the British Virgin Islands (the "BVI").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of these amendments has no material impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments will only affect financial statement disclosures and will not have any impact on the financial position or performance of the Group.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments (Continued)

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that the application of HKFRS 9 may have a material impact on the Group's financial performance and financial position, including the classification categories and the measurement of financial assets, and disclosures. In particular, the new impairment requirements may result in earlier recognition of credit losses of the Group's trade and other receivables. The expected credit loss model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking. The directors of the Company are in the process of assessing the quantitative effect of these requirements, and accordingly it is not practicable to provide a reasonable estimate of the quantitative effect of HKFRS 9 until the assessment has been completed.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with customers and Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5 steps 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company preliminarily assess that the application of HKFRS 15 may have a significant impact on the Group's financial performance and financial position, as compared with the current accounting policy as follows:

1. The criteria in HKFRS 15 for identifying performance obligations differ from the little guidance in HKAS 11, which could result in different conclusions about the separately identifiable components. For example, the Group may currently consider an entire construction contract to be a single component, but under HKFRS 15, it may determine that the contract contains two or more performance obligations that would be accounted for separately. This may have a significant effect on the pattern of revenue and profit recognition.

2. It is common for the scope and/or price of the Group's construction contracts to be modified, due to changes in the scope of work or because additional services are added to the contracts. Under HKFRS 15, an entity must determine whether such modification creates a new contract or whether it will be accounted for as part of the existing contract. The determination of a new and separate contract is driven by whether the modification results in the addition of distinct services, priced at their stand-alone selling prices. These new requirements may result in significant changes to the pattern of revenue and profit recognition.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with customers and Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15) (Continued)

The directors of the Company are in the process of assessing the quantitative effect of these requirements, and accordingly it is not practicable to provide a reasonable estimate of the quantitative effect of HKFRS 15 until the assessment has been completed.

HKFRS 16 – Leases

HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 26.

As set out in Note 26, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises as at 31 March 2017 amounted to approximately HK$4,345,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated cash flow statement.

On the other hand, the adoption of HKFRS 16 does not substantially change how the Group accounts for its leases as a lessor in respect of machinery leasing.

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION

(a) Group reorganisation

Pursuant to a group reorganisation (the "Reorganisation") carried out by the Group in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange, and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 7 October 2016. Details of the Reorganisation are set out in the section headed "History and Development" to the Prospectus issued by the Company dated 31 October 2016.

(b) Basis of presentation

The Reorganisation involved the combination of a number of entities engaged in the Group's business that were under common control before and after the Reorganisation. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation.

Accordingly, 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 of the Group for the years ended 31 March 2017 and 2016 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the common control, whichever was shorter. The consolidated statement of financial position of the Group as at 31 March 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. The assets and liabilities of the Group were combined using their carrying values. All significant intra-group transactions and balances have been eliminated on consolidation.

(c) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION (Continued)

(d) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

(e) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Other than business combination under common control for which merger accounting method is used, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangement

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interest in joint arrangement as joint venture where the Group has rights to only the net assets of the joint arrangement.

In assessing the classification of interest in a joint arrangement, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Joint venture is accounted for using the equity method whereby it is initially recognised at cost and thereafter, its carrying amount is adjusted for the Group's share of the post-acquisition change in the joint venture's net assets except that losses in excess of the Group's interest in the joint venture is not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint venture is recognised only to the extent of unrelated investor's interest in the joint venture. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs 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 are recognised in profit or loss during the financial year in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Land and building	over the lease term
Plant and machinery	12.5% – 20%
Furniture and equipment	20%
Motor vehicles	20%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the year in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(i) Financial assets (Continued)

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

Financial liabilities include trade and other payables, amount due to ultimate holding company, borrowings and finance lease payables. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amoritsation process.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instrument

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Employee benefits

(i) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(h) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments to the extent that it probable that they will result in revenue, and they are capable of being reliably measured. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise site labour costs (including site supervision); costs of subcontracting; costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Construction contracts (Continued)

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

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

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(i) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional Currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Foreign currencies (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Revenue from construction contracts is recognised based on the percentage of completion of the contracts. The percentage of completion is determined by reference to surveys of work performed (Note 4(h)).

Income from the sale of scrap materials is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Rental income from operating lease of machinery is recognised in profit or loss on a straight-line basis over the periods covered by the lease term.

Interest income from bank deposits is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenue recognition (Continued)

Interest income from investment in a life insurance policy is recognised when it is probable that it will be received by the Group and the amount of revenue can be measured reliably.

Distributions from financial assets are recognised when the Group's right to receive payment has been established.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each of the period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to item directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Impairment of non-financial assets

At the end of each of the reporting period, the Group reviews the carrying amounts of property, plant and equipment, interest in a joint venture and investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

(o) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's Parent.

(b) An entity is related to the Group if any of the following conditions apply:

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

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

(iii) Both entities 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 the employees of 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).

(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 Group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Related parties (Continued)

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Judgements other than estimates

Investment in a joint venture

The Group formed a limited liability joint venture company, Giga-Tech Rock Drilling Limited ("Giga-Tech"), with an independent third party, for the purpose of leasing machine for rental income. The Group and the other shareholder each holds an equal equity interest of 50% in Giga-Tech and represent in the board of Giga-Tech on a 50:50 basis. The directors considered that the Group and the other shareholder jointly control the relevant activities of Giga-Tech by their equal board representation and each of them shares 50% of net profit or loss of Giga-Tech based on their equal shareholding. Therefore, the investment in Giga-Tech has been accounted for as a joint venture using the equity method of accounting in the consolidated financial statements for the reporting period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Construction contract revenue recognition

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

(ii) Impairment of trade and other receivables

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 4(f)(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Estimates and assumptions (Continued)

(iii) Fair value measurement

Available-for-sale investment included in the consolidated financial statements requires measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures available-for-sale investment (Note 17) at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in provision of foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services in Hong Kong and Macau. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

6. OPERATING SEGMENTS (Continued)

Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers, based on location of the customers.

The Group comprises the following main geographical segments:

	Revenue from external customers	
	2017 HK$'000	2016 HK$'000
Hong Kong (place of domicile)	403,266	463,347
Macau	–	956
	403,266	464,303

All of the Group's non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information for non-current assets other than financial instruments ("Specified non-current assets") is presented.

Information about major customers

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

	2017 HK$'000	2016 HK$'000
Customer A	66,454	102,849
Customer B	40,665	187,480
Customer C	*	93,959
Customer D	130,273	–

* Less than 10% of the Group's revenue

7. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

The Group's revenue represents amount received and receivable from contract work performed and recognised in accordance with accounting policy set out in Note 4(j) above during the year.

An analysis of the Group's other income and other gains and losses recognised during the year are as follows:

	2017 HK$'000	2016 HK$'000
Other income		
Interest income on		
– Bank deposits	73	126
– Investment in a life insurance policy	102	95
Total interest income from financial assets that are not at fair value through profit or loss	175	221
Distributions from financial assets at fair value through profit or loss	–	39
Machinery rental income	208	2,505
Income from sale of scrap materials	3,898	–
Imputed interest on retention receivables	1,468	202
Sundry income	209	95
	5,958	3,062
Other gains and losses		
Foreign exchange loss, net	(138)	(285)
Gain on disposal of property, plant, and equipment	2,770	105
Loss on disposal of financial assets at fair value through profit or loss	–	(28)
	2,632	(208)

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on finance lease payables	238	432
Interest on bank overdrafts	7	4
Interest on bank loans	148	321
Imputed interest expense on retention payables	344	66
	737	823

9. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	2017 HK$'000	2016 HK$'000
Auditors' remuneration	720	119
Depreciation	14,649	15,686
Operating lease rentals in respect of:		
– Land and buildings	2,355	2,273
– Plant and equipment	6,977	10,545
Employee benefit expenses (Note 10)	67,936	72,068
Provision for impairment of other receivable	284	–
Listing expenses	8,729	4,351

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2017 HK$'000	2016 HK$'000
Directors' fees	279	–
Salaries and wages	65,352	69,855
Other staff benefits	344	245
Post-employment benefits – contribution to defined contribution retirement plan	1,961	1,968
	67,936	72,068

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(i) Details of the directors' remuneration paid or payable for the years ended 31 March 2017 and 2016 are as follows:

	Fees HK$'000	Salaries and benefits HK$'000	Contribution to defined contribution retirement plan HK$'000	Total HK$'000
Year ended 31 March 2017				
Executive directors:				
– Mr. Chan Lap Wai Gary	–	2,088	18	2,106
– Mr. Chan Lap Chuen Edmond	–	1,860	18	1,878
– Ms. Chan Chin Ying Amanda	–	889	18	907
Non-executive director:				
– Mr. Chan Sau Man Simon*	–	858	–	858
Independent non-executive directors				
– Mr. Li Hon Hung, *BBS, MH, JP***	93	–	–	93
– Mr. Siu Miu Man**	93	–	–	93
– Mr. Cheng Chi Hung**	93	–	–	93
	279	5,695	54	6,028
Year ended 31 March 2016				
Executive directors:				
– Mr. Chan Lap Wai Gary	–	4,118	18	4,136
– Mr. Chan Lap Chuen Edmond	–	2,910	18	2,928
– Ms. Chan Chin Ying Amanda	–	2,053	18	2,071
Non-executive director:				
– Mr. Chan Sau Man Simon*	–	858	–	858
	–	9,939	54	9,993

* Mr. Chan Sau Man Simon was appointed as the non-executive director of the Company on 6 June 2016.

** Mr. Li Hon Hung, *BBS, MH, JP*, Mr. Siu Miu Man and Mr. Cheng Chi Hung were appointed as the independent non-executive directors of the Company on 24 October 2016.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(i) Details of the directors' remuneration paid or payable for the years ended 31 March 2017 and 2016 are as follows: (Continued)

During the year, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2016: Nil).

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 2 (2016: 3) directors for the year ended 31 March 2017, whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, bonuses and other allowances	3,410	2,738
Post-employment benefits – contribution to defined contribution retirement plan	54	29
	3,464	2,767

Their remuneration fell within the following bands:

	2017 Number of employees	2016 Number of employees
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	3	1
HK$1,500,001 to HK$2,000,000	–	1
	3	2

During the year, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2016: Nil).

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(iii) Senior management's emoluments excluding the directors

The emoluments paid or payable to members of senior management (excluding the directors) were within the following bands:

	2017 Number of employees	2016 Number of employees
Nil to HK$1,000,000	2	3
HK$1,000,001 to HK$1,500,000	4	1
HK$1,500,001 to HK$2,000,000	–	1
	6	5

The emoluments of 3 (2016: 2) members of senior management are included in five highest paid individuals for the year ended 31 March 2017 as set out in Note 11(ii) above.

12. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2017 HK$'000	2016 HK$'000
Current tax – Hong Kong profits tax		
– charge for the year	10,214	7,836
Deferred tax (credit)/expense (Note 27)	(446)	1,759
Income tax expense	9,768	9,595

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits during the year.

12. INCOME TAX EXPENSE (Continued)

The income tax expense for the year applicable to profit before income tax expense at the statutory rate for Hong Kong, the jurisdiction in which majority of the Group's operations are domiciled, can be reconciled to the income tax expense at the effective tax rate per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit before income tax expense	46,213	49,546
Tax calculated at the applicable statutory tax rate for Hong Kong of 16.5%	7,625	8,175
Tax effect of share of loss of a joint venture	1	161
Tax effect of income not subject to tax	(18)	(146)
Tax effect of expense not deductible for tax purpose	2,200	1,407
Tax effect of tax losses not recognised	–	18
Tax reduction enacted by the local authority	(40)	(20)
Income tax expense at the effective tax rate	9,768	9,595

13. DIVIDENDS

During the year ended 31 March 2017, interim dividends of HK$800 per ordinary share or in aggregate of HK$80,000,000 were declared by a subsidiary of the Company, Simon & Sons Engineering Limited ("S&S Engineering") to its then shareholders prior to the completion of the Reorganisation. Part of the interim dividends amounting to approximately HK$19,831,000 was settled by way of offsetting against the net outstanding amounts due from directors, and the remaining interim dividend amounting to approximately HK$60,169,000 was paid in cash.

No dividend has been paid or declared by the Company since its date of incorporation.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2017 HK$'000	2016 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	36,445	39,951

	2017 Number of shares '000	2016 Number of shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	597,629	545,000

Note:

Weighted average of 545,000,000 ordinary shares for the year ended 31 March 2016, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 28(a)(iii), are deemed to have been issued throughout the year ended 31 March 2016 and up to 10 November 2016, immediately before the completion of the public offer and placing of shares during the year ended 31 March 2017.

Weighted average of approximately 597,629,000 ordinary shares for the year ended 31 March 2017 is calculated based on the weighted average of approximately 52,629,000 ordinary shares issued upon the share offer and exercise of the over-allotment option during the year ended 31 March 2017, in addition to the aforementioned 545,000,000 ordinary shares for the year ended 31 March 2016.

Diluted earnings per share is same as basic earnings per share as there was no potential dilutive ordinary shares for the years ended 31 March 2017 and 2016.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2015	4,220	139,046	1,060	9,322	153,648
Additions	–	24,240	293	5,062	29,595
Disposals	–	(15,127)	–	(568)	(15,695)
At 31 March 2016	4,220	148,159	1,353	13,816	167,548
Additions	–	9,320	97	1,511	10,928
Disposals	–	(6,240)	(6)	(2,371)	(8,617)
At 31 March 2017	4,220	151,239	1,444	12,956	169,859
Accumulated depreciation					
At 1 April 2015	1,623	99,490	893	7,779	109,785
Provided for the year	81	13,957	112	1,536	15,686
Eliminated on disposals	–	(11,313)	–	(568)	(11,881)
At 31 March 2016	1,704	102,134	1,005	8,747	113,590
Provided for the year	81	13,172	126	1,270	14,649
Eliminated on disposals	–	(4,589)	(6)	(1,902)	(6,497)
At 31 March 2017	1,785	110,717	1,125	8,115	121,742
Net book value					
At 31 March 2017	2,435	40,522	319	4,841	48,117
At 31 March 2016	2,516	46,025	348	5,069	53,958

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 26).

	2017 HK$'000	2016 HK$'000
Plant and machinery	14,725	18,535
Motor vehicles	–	115
	14,725	18,650

16. INTEREST IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Share of net assets	36	41

Details of the joint venture are as follows:

Name	Form of business structure	Place of incorporation	Place of operation and principal activity	Percentage of ownership interests/voting rights/profit share
Giga-Tech Rock Drilling Limited ("Giga-Tech")	Limited liability company	Hong Kong	Hong Kong, machinery leasing (Business ceased on 15 May 2015)	50%

The Group formed a limited liability joint venture, Giga-Tech with an independent third party for the purpose of leasing machines for rental income.

All profit made or loss incurred by Giga-tech shall be shared between the Group and the independent third party on a 50:50 basis and shall be distributed or contributed respectively. The directors consider the Group has a joint control over the relevant activities of the Giga-tech and have classified the investment in Giga-tech as a joint venture.

16. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information in relation to the joint venture is presented below:

	2017 HK$'000	2016 HK$'000
Current assets	72	543
Current liabilities	–	(461)
Net assets	72	82
Reconciliation to the Group's interest in a joint venture:		
Proportion of the Group's ownership	50%	50%
Carrying amount of the interest in a joint venture	36	41
Included in the above amounts are:		
Cash and cash equivalents	–	20

	2017 HK$'000	2016 HK$'000
Revenue	–	–
Net loss and total comprehensive income for the year	(10)	(1,950)
Dividend received by the Group from the joint venture	–	3,343
Included in the above amounts are:		
Depreciation	–	36

17. INVESTMENT IN A LIFE INSURANCE POLICY

During the year ended 31 March 2015, the Group entered into a life insurance policy with an insurance company to insure against the death of a director, Mr. Chan Lap Wai Gary (the "Insured"), with an aggregate insured sum of US$1,000,000 (equivalent to approximately HK$7,525,000). Under the policy, the beneficiary and policyholder is S&S Engineering. The Group was required to pay a single premium payment of US$355,797 (equivalent to approximately HK$2,763,000). An annual minimum guaranteed return is 4.2% and 2% for the first year and from the second year to the end of the policy, respectively. As at 31 March 2017, if the Group withdrew from the insurance contract, the account value, net of a surrender charge, would be refunded to the Group. The surrender charge as at 31 March 2017 is US$52,638 (approximately HK$409,000) (2016: US$54,090 (approximately HK$419,000)). The amount of the surrender charge decreases over time and will no longer be required from the 19th year of contract conclusion onwards.

The directors consider that the carrying amount of the investment in a life insurance policy approximates to its fair value. The fair value of the investment in a life insurance policy is provided by the insurance company which is determined with reference to the account value, net of a surrender charge.

As at 31 March 2017 and 2016, the Group's investment in a life insurance policy is grouped into Level 3 category of fair value hierarchy.

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Construction materials	8,363	–

19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000	2016 HK$'000
Contracts in progress at the end of reporting periods:		
Contract costs incurred	787,883	694,510
Recognised profits less recognised losses	162,740	113,905
	950,623	808,415
Less: progress billings	(816,798)	(758,525)
	133,825	49,890
Represented by:		
Amounts due from customers for contract work	133,825	49,890

As at 31 March 2017, retentions held by customers for contract work included in trade and other receivables (Note 20) amounted to approximately HK$43,646,000 (2016: approximately HK$40,792,000).

20. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables (note (a))	20,620	18,806
Retention receivables (note (b) and Note 19)	43,646	40,792
Other receivables (note (c))	6,436	2,247
Prepayments and deposits (note (d))	6,470	2,818
	77,172	64,663
Less: Non-current portion		
Deposits paid for acquisition of plant and machinery (note (d))	(3,199)	–
Total current portion	73,973	64,663

20. TRADE AND OTHER RECEIVABLES (Continued)

Note:

(a) Trade receivables were mainly derived from provision of foundation works, including piling construction, ELS works, pile cap construction, site formation and ancillary services, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

A credit period of less than 60 days is granted by the Group to its trade customers of contract work. Application for progress payments of contract works is made on a regular basis.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	2017 HK$'000	2016 HK$'000
Less than 1 month	20,090	16,748
1 to 3 months	–	1,703
More than 3 months but less than one year	530	355
	20,620	18,806

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	16,574	16,748
Less than 1 month past due	3,516	1,320
1 to 3 months past due	–	383
More than 3 months past due but less than 12 months past due	530	355
	20,620	18,806

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

20. TRADE AND OTHER RECEIVABLES (Continued)

Note: (Continued)

(b) Retention receivables

Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Retention receivables as at 31 March 2017 and 2016 were neither past due nor impaired. These related to customers for whom there was no recent history of default.

Included in retention receivables of approximately HK$13,846,000 (2016: HK$29,566,000) were expected to be recovered more than twelve months after the reporting period. The remaining balances of retention receivables were expected to be recovered within 1 year after the reporting period.

(c) Other receivables

Movement in the provision for impairment of other receivables:

	2017 HK$'000	2016 HK$'000
At 1 April	–	–
Impairment loss recognised	284	–
At 31 March	284	–

Included in the Group's provision for impairment of other receivables is an individually impaired other receivables with a carrying amount of approximately HK$284,000 as at 31 March 2017 (2016: Nil) in which the directors consider that it is unlikely to recover these long outstanding balances. The Group does not hold any collateral over these balances.

Other than the aforementioned impaired other receivables, the remaining balances of other receivables were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and related to receivables for which there was no recent history of default.

(d) Financial assets included in these balances were neither past due nor impaired, non-interest bearing and relate to receivables for which there was no recent history of default.

21. AMOUNTS DUE FROM DIRECTORS

Particulars of the amounts due from directors are as follows:

	Balance at 1 April 2016 HK$'000	Maximum amount outstanding during the year HK$'000	Balance at 31 March 2017 HK$'000
Directors			
Mr. Chan Lap Wai Gary	9,948	9,948	–
Mr. Chan Lap Chuen Edmond	2,880	2,888	–
Mr. Chan Sau Man Simon	6,945	7,050	–
	19,773	19,886	–

	Balance at 1 April 2015 HK$'000	Maximum amount outstanding during the year HK$'000	Balance at 31 March 2016 HK$'000
Directors			
Mr. Chan Lap Wai Gary	6,615	9,948	9,948
Mr. Chan Lap Chuen Edmond	–	3,651	2,880
Mr. Chan Sau Man Simon	16,408	19,044	6,945
	23,023	32,643	19,773

The amounts due from directors are unsecured, interest-free and have no fixed terms of repayment as at 31 March 2016.

The Group has not made any provision for doubtful debts in respect of the amounts due from directors, for which there was no recent history of default.

The amounts due from directors are neither past due nor impaired and are non-trade in nature.

22. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	70,592	52,722
Short-term deposits	14,049	14,007
	84,641	66,729
Less: pledged bank deposits	(14,049)	(14,007)
Cash and cash equivalents	70,592	52,722

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one to three months, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

The Group has pledged its short-term deposits as securities for its banking facilities (see Note 25 for further details).

23. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables (note (a))	41,361	22,587
Retention payables (note (b))	21,812	11,321
Other payables and accruals (note (c))	12,321	9,910
	75,494	43,818

23. TRADE AND OTHER PAYABLES (Continued)

Note:

(a) An ageing analysis of trade payables, based on the invoice dates, is as follows:

	2017 HK$'000	2016 HK$'000
Current or less than 1 month	30,302	14,944
1 to 3 months	10,476	7,336
More than 3 months but less than one year	343	7
More than one year	240	300
	41,361	22,587

The Group's trade payables are non-interest bearing and generally have payment terms of 7 to 60 days.

(b) Retention monies withheld from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Included in retention payables of approximately HK$10,608,000 (2016: HK$7,018,000) were expected to be settled more than twelve months after the reporting period. The remaining balances of retention payables were expected to be settled within one year after the reporting period.

(c) Other payables are non-interest bearing and generally have payment term of 30-60 days.

24. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and has no fixed terms of repayment.

25. BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured interest-bearing bank loans with a repayable on demand clause:		
Repayable within one year	–	4,794

The ranges of effective interest rates (which are also equal to contracted interest rates) of the Group's bank loans are as follows:

	2017 %	2016 %
Effective interest rates:		
Variable-rate bank loans	–	5%

As at 31 March 2017, the Group's banking facilities were secured by:

(a) the Group's bank deposits amounting to approximately HK$14,049,000 (Note 22);

(b) registered assignment of receivables on certain civil engineering contracts undertaken by the Group; and

(c) blanket counter indemnity from the Group.

As at 31 March 2016, the bank loans together with bank overdrafts and other banking facilities of the Group were secured by:

(a) leasehold land and buildings owned by a non-executive director, Mr. Chan Sau Man Simon, and his wife, Ms. Kho Siu Giok;

(b) leasehold land and buildings owned by a related company beneficially owned by Mr. Chan Lap Wai Gary, Mr. Chan Lap Chuen Edmond, Ms. Chan Chin Ying Amanda and Mr. Chan Sau Man Simon;

(c) the Group's bank deposits amounting to approximately HK$14,007,000 (Note 22);

25. BORROWINGS (Continued)

(d) personal guarantees executed by the directors of the Company, Mr. Chan Sau Man Simon and Mr. Chan Lap Wai Gary, and corporate guarantees given by certain entities within the Group;

(e) registered assignment of receivables on certain civil engineering contracts undertaken by the Group;

(f) blanket counter indemnity from the Group; and

(g) corporate guarantee given by a related party, Goldsteady Investment Limited ("Goldsteady') of which Mr. Chan Lap Wai Gary is a director and a 75% beneficial and controlling owner, which is supported by a property of which Goldsteady is the mortgagor.

26. LEASES

(a) Finance leases

The Group leases a number of its plant and machinery and motor vehicles for business use. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 March 2017			
Not later than one year	2,971	170	2,801
Later than one year and not later than two years	1,816	62	1,754
Later than two years and not later than five years	567	6	561
	5,354	238	5,116

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 March 2016			
Not later than one year	3,416	147	3,269
Later than one year and not later than two years	2,063	60	2,003
	5,479	207	5,272

26. LEASES (Continued)

(a) Finance leases (Continued)

The present value of future lease payments are analysed as:

	2017 HK$'000	2016 HK$'000
Current liabilities	2,801	3,269
Non-current liabilities	2,315	2,003
	5,116	5,272

(b) Operating leases – lessee

The Group leased its office premises under operating lease arrangements which were negotiated for terms ranging from one to two years (2016: one to three years).

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	2017 HK$'000	2016 HK$'000
Not later than one year	2,176	1,551
Later than one year and not later than five years	2,169	823
	4,345	2,374

27. DEFERRED TAX

Details of the net deferred tax liabilities recognised and movements during the current and prior years are as follows:

	Accelerated depreciation allowances HK$'000
At 1 April 2015	(5,202)
Charged to profit or loss for the year (Note 12)	(1,759)
At 31 March 2016	(6,961)
Credited to profit or loss for the year (Note 12)	446
At 31 March 2017	(6,515)

28. SHARE CAPITAL AND RESERVES

(a) Share capital

	Notes	Number of ordinary shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At the date of incorporation, 23 March 2016 and 31 March 2016		38,000,000	380
Increase in authorised share capital upon the Reorganisation	(i)	1,962,000,000	19,620
At 31 March 2017		2,000,000,000	20,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At the date of incorporation, 23 March 2016 and 31 March 2016		1	–
Issue of shares upon group reorganisation	(ii)	9,999	–
Capitalisation issue of shares	(iii)	544,990,000	5,450
Issue of shares by way of public offer and placing	(iv)	115,000,000	1,150
Issue of shares upon exercise of the over-allotment option	(v)	24,750,000	248
At the 31 March 2017	(vi)	684,750,000	6,848

Note:

(i) Pursuant to a written resolution passed on 24 October 2016, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each by the creation of additional 1,962,000,000 shares.

(ii) On 7 October 2016, 9,999 shares of the Company, all credited as fully paid at par, were allotted and issued to the ultimate holding company as consideration for the acquisition of the entire issued share capital of Favourable Year Limited, a wholly owned subsidiary of the Company.

28. SHARE CAPITAL AND RESERVES (Continued)

(a) Share capital (Continued)

Note: (Continued)

(iii) Pursuant to a written resolution of the then sole shareholder of the Company passed on 24 October 2016, the directors were authorised to capitalise a sum of approximately HK$5,450,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 544,990,000 ordinary shares of the Company ("Capitalisation Issue") issued to Creative Elite Global Limited, the controlling shareholder of the Company.

(iv) On 11 November 2016, the Company's shares were listed on the Main Board of the Stock Exchange and 115,000,000 new shares of the Company were issued for a cash consideration of HK$0.80 per share.

(v) On 1 December 2016, the over-allotment option was exercised by the bookrunner, C.P. Securities International Limited, whereby 24,750,000 new shares of the Company were issued for a cash consideration of HK$0.80 per share on 2 December 2016.

(vi) The share capital of the Group as at 31 March 2016 represents the aggregate amount of the share capital of the subsidiaries and such amount was offset against the merger reserve upon the Reorganisation. On 7 October 2016, the Reorganisation was completed, and therefore the share capital presented as at 31 March 2017 represented the issued share capital of the Company.

28. SHARE CAPITAL AND RESERVES (Continued)

(b) Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. Movements in the Company's reserves during the years are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At the date of incorporation, 23 March 2016 and 31 March 2016	–	–	–	–	–
Loss for the year	–	–	–	(10,852)	(10,852)
Issue of shares upon group reorganisation (Note 28(a)(ii))	–	123,683	–	–	123,683
Capitalisation issue of shares (Note 28(a)(iii))	(5,450)	–	–	–	(5,450)
Issue of shares by way of public offer and placing (Note 28(a)(iv))	90,850	–	–	–	90,850
Issue of shares upon exercise of the over-allotment option (Note 28(a)(v))	19,552	–	–	–	19,552
Share issuance expenses	(6,841)	–	–	–	(6,841)
Reimbursement of listing expenses by the ultimate holding company (Note 28(b)(iv))	–	–	3,446	–	3,446
	98,111	123,683	3,446	(10,852)	214,388

28. SHARE CAPITAL AND RESERVES (Continued)

(b) Reserves (Continued)

The nature and purpose of reserves within equity are as follows:

(i) Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(ii) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of the issued share capital of the Group's subsidiaries and the nominal value of the Company's shares issued for the acquisition of these subsidiaries at the time of the group reorganisation prior to the listing of the Company's shares.

(iii) Contributed surplus

Contributed surplus of approximately HK$123,683,000 represents the excess of the then carrying amount of the Company's share of equity value of a subsidiary namely Favourable Year Limited acquired and the nominal value of the Company's shares issued for such acquisition.

(iv) Capital reserve

Pursuant to a written confirmation, the ultimate holding company agreed to bear the listing expenses in connection with 50,000,000 sale shares sold through the public offer and placing of the Company's shares during the year and reimburse its share of these expenses to the Company upon the listing of the Company's share on the Main Board of the Stock Exchange. The reimbursement of approximately HK$3,446,000 by the ultimate holding company in its capacity as a shareholder was accounted for as capital contribution to the Company.

(v) Available-for-sale financial asset reserve

It represents unrealised gains or losses recognised as other comprehensive income in relation to investment in a life insurance policy.

(vi) Foreign exchange reserve

It comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

(vii) Retained earnings

It represents cumulative net profits recognised in the consolidated statement of profit or loss and other comprehensive income.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 HK$'000	2016[2] HK$'000
Non-current assets			
Investment in a subsidiary		123,683	–
Current assets			
Prepayment		109	–
Amount due from a subsidiary		97,854	–
Amount due from a shareholder		–	–[1]
Cash and bank balances		120	–
		98,083	–[1]
Current liabilities			
Accrual and other payable		200	–
Amount due to ultimate holding company		330	–
		530	–
Net current assets		97,553	–
NET ASSETS		221,236	–[1]
Equity			
Share capital		6,848	–[1]
Reserves	28	214,388	–
TOTAL EQUITY		221,236	–[1]

[1] Represent amount of less than HK$1,000.

[2] As at 31 March 2016, other than share capital of HK$0.01 and amount due from a shareholder of HK$0.01, the Company had no assets or liabilities.

On behalf of the board of directors

Chan Lap Wai Gary
Director

Chan Lap Chuen Edmond
Director

30. PARTICULARS OF SUBSIDIARIES OF THE GROUP

The following list contains the particulars of all subsidiaries of the Group:

Name of the entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital	Principal activities and principal place of business
		Direct	Indirect		
Favourable Year Limited	BVI, 3 March 2016, limited liability company	100%	–	US$200 divided into 200 ordinary shares of US$1 each	Investment holding, Hong Kong
Rainbow Republic Limited	BVI, 16 December 2015, limited liability company	–	100%	1 share of US$1	Investment holding, Hong Kong
S&S Engineering	Hong Kong, 31 October 1986, limited liability company	–	100%	Ordinary shares of HK$10,000,000	Foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, Hong Kong
Simon & Sons Engineering (Macau) Limited	Macau, 19 April 2002, limited liability company	–	100%	Registered capital of MOP$200,000	Foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, Macau
Vanbo Engineering Limited	Hong Kong, 18 February 1993, limited liability company	–	100%	Ordinary shares of HK$2	Foundation works including piling construction, ELS works, pile cap construction, site formation and ancillary services, Hong Kong
Good Idea Technology Limited	Hong Kong, 30 June 2006, limited liability company	–	100%	Ordinary shares of HK$10,000	Investment holding, Hong Kong
New Champion Development Limited	Hong Kong, 3 June 2010, limited liability company	–	100%	Ordinary shares of HK$10,000	Investment holding, Hong Kong

31. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables, amounts due from directors, investment in a life insurance policy and cash and cash equivalents that derive principally directly from its operations. Principal financial liabilities of the Group include trade and other payables, amount due to ultimate holding company, borrowings and finance lease payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and deposits with banks and investment in a life insurance policy.

The credit risk of Group's trade receivables is concentrated, since 76% of which was derived from the five largest customers as at 31 March 2017 (2016: 85%). Management considered the credit risk is limited since the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and creditability of those trade debtors on an ongoing basis.

The Group had a concentration of credit risk as certain of the Group's trade receivables were due from the Group's five largest customers as detailed below.

	2017 HK$'000	2016 HK$'000
Five largest customers	15,609	15,932

31. FINANCIAL RISK MANAGEMENT- (Continued)

(a) Credit risk (Continued)

Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the reporting period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances and investment in a life insurance policy are deposited with banks or counterparties, or underwritten by an insurer, with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks, counterparties or the insurer.

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the years and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

31. FINANCIAL RISK MANAGEMENT- (Continued)

(b) Liquidity risk (Continued)

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Over 1 year but less than 2 years HK$'000	Total HK$'000
At 31 March 2017					
Trade and other payables	45,876	17,283	1,203	11,266	75,628
Finance lease payables	–	805	2,166	2,383	5,354
Amount due to ultimate holding company	216	–	–	–	216
	46,092	18,088	3,369	13,649	81,198
At 31 March 2016					
Trade and other payables	29,338	10,690	479	3,654	44,161
Finance lease payables	659	960	1,797	2,063	5,479
Borrowings	4,794	–	–	–	4,794
	34,791	11,650	2,276	5,717	54,434

31. FINANCIAL RISK MANAGEMENT- (Continued)

(b) Liquidity risk (Continued)

Borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2016, the aggregate undiscounted principal amounts of these loans amounted to approximately HK$4,794,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the maturity analysis of these borrowings according to the scheduled repayment dates are set out as follows:

	1 to 3 months HK$'000
Borrowings	
At 31 March 2017	**–**
At 31 March 2016	4,854

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings (see Notes 22 and 25 for details of these balances). Interest charged on the Group's borrowings is at variable rates. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the short-term fixed rate bank deposits. However, management considers the fair value interest rate risk on these deposits is insignificant as they are relatively short-term. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

31. FINANCIAL RISK MANAGEMENT- (Continued)

(c) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances and borrowings. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of each of the reporting period were outstanding for the whole year. 25 basis points and 50 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances and borrowings, respectively. The calculation of 25 basis points decrease in interest rates of bank balances excluded the bank balances in Hong Kong and Macau of HK$70,592,000 at 31 March 2017 (2016: HK$55,387,000), which carried interest rates below 0.25%.

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

If interest rates on bank balances had been 25 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2017 and 2016 is as follows:

	2017 HK$'000	2016 HK$'000
Increase/(decrease) in profit for the year		
– as a result of increase in interest rate	29	24
– as a result of decrease in interest rate	(29)	(24)

If interest rates on borrowings had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2017 and 2016 is as follows:

	2017 HK$'000	2016 HK$'000
(Decrease)/increase in profit for the year		
– as a result of increase in interest rate	–	(20)
– as a result of decrease in interest rate	–	20

31. FINANCIAL RISK MANAGEMENT- (Continued)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the year.

The Group monitors capital using a gearing ratio, which is interest-bearing debts divided by the total equity.

	2017 HK$'000	2016 HK$'000
Interest-bearing debts	5,116	10,066
Total equity	253,962	189,141
Gearing ratio	2.0%	5.3%

32. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of each of the categories of financial assets and liabilities:

	2017 HK$'000	2016 HK$'000
Financial assets		
Available-for-sale financial assets:		
Investment in a life insurance policy	2,387	2,303
Loans and receivables:		
Trade and other receivables	72,643	63,339
Amounts due from directors	–	19,773
Pledged bank deposits	14,049	14,007
Cash and cash equivalents	70,592	52,722
	159,671	152,144
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	75,494	43,818
Amount due to ultimate holding company	216	–
Borrowings	–	4,794
Finance lease payables	5,116	5,272
	80,826	53,884

The carrying amounts of the financial instruments reasonably approximated to their fair values as at 31 March 2017 and 2016.

The fair value of the Group's investment in a life insurance policy as at 31 March 2017 and 2016 classified as an available-for-sale investment is determined based on the account value less surrender charge, as provided by the insurers. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related changes in fair value, which is recorded in other comprehensive income, is reasonable, and that it was the most appropriate value at the end of the reporting period.

32. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Below is a summary of significant unobservable inputs to the valuation together with a quantitative sensitivity analysis as at 31 March 2017 and 2016:

	Valuation technique	Significant unobservable input	Value	Sensitivity of fair value to the input
Investment in a life insurance policy classified as an available-for-sale investment	N/A	Account value	31 March 2017: HK$2,796,000 (2016: HK$2,722,000)	5% increase in account value would result in increase in fair value by approximately HK$140,000 (2016: HK$136,000)

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
As at 31 March 2017				
Available-for-sale investments	–	–	2,387	2,387
As at 31 March 2016				
Available-for-sale investments	–	–	2,303	2,303

32. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

The movements in fair value measurement in Level 3 during the current and prior years are as follows:

	2017 HK$'000	2016 HK$'000
At beginning of the year	2,303	4,919
Changes in fair value of investment in a life insurance policy recognised in other comprehensive income	10	12
Total gain on investment in life insurance policy recognised in profit or loss	74	61
Fair value loss on financial assets at fair value through profit or loss	–	(28)
Redemption of managed funds	–	(2,661)
At end of the year	2,387	2,303

There were no changes in valuation techniques and no transfers between levels during the year.

33. RELATED PARTY TRANSACTIONS

Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the current and prior years are set out in Note 11 to the consolidated financial statements.

34. SHARE OPTION SCHEME

The shareholders of the Company have adopted a share option scheme (the "Scheme") on 24 October 2016.

A summary of the Scheme is set out as below:

(i) The Scheme became effective for a period of 10 years commencing from the date on which Scheme becomes unconditional.

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

(iii) An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made.

(iv) The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of our Company (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our shares in issue as at the listing date.

No options have been granted since the adoption of the Scheme.

35. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	7,476	–

36. LITIGATIONS

At the end of the reporting period, there were a number of labour claims arising from the normal course of business being lodged against the Group and no specific claim amount has been specified in the applications of these claims. In the opinion of the directors, the possibility of any outflow of resources in settling these claims were remote and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2017.

FOUR-YEAR FINANCIAL SUMMARY

RESULTS	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	403,266	464,303	143,082	464,099
Profit before income tax expense	46,213	49,546	13,928	50,058
Income tax expense	(9,768)	(9,595)	(2,746)	(6,325)
Profit for the year	36,445	39,951	11,182	43,733
Total comprehensive income for the year	36,416	39,948	10,935	43,750
ASSETS AND LIABILITIES				
Total assets	354,667	257,357	238,252	232,836
Total liabilities	(100,705)	(68,216)	(89,059)	(94,578)
Net assets	253,962	189,141	149,193	138,258

This report is published in both English and Chinese languages. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.